

**CITY OF SHOREVIEW
AGENDA
CITY COUNCIL SPECIAL MEETING
DECEMBER 14, 2015
7:00 P.M.**

1. ROLL CALL
2. AUTHORIZING ISSUANCE, AWARDED SALE, PRESCRIBING FORM AND DETAILS AND PROVIDING FOR PAYMENT OF \$7,605,000 GENERAL OBLIGATION UTILITY REVENUE BONDS, SERIES 2016A
3. PRESENTATION OF RESULTS OF COMMUNITY SURVEY
4. OTHER ISSUES
5. ADJOURNMENT

PROPOSED MOTIONS

Moved by Council member _____

Seconded by Council member _____

To adopt proposed resolution #15-113 authorizing Issuance, awarding sale, prescribing the form and details and providing for the payment of \$7,605,000 general obligation bonds, Series 2016A.

| ROLL CALL: | AYES | NAYS |
|------------|-------|-------|
| Johnson | _____ | _____ |
| Quigley | _____ | _____ |
| Springhorn | _____ | _____ |
| Wickstrom | _____ | _____ |
| Martin | _____ | _____ |

Fred Espe
Finance Director
December 14, 2015
Special Council Meeting

TO: Terry Schwerm, City Manager
FROM: Fred Espe, Finance Director
DATE: December 10, 2015
RE: Award Sale of Bonds

Introduction

Enclosed is the resolution authorizing the issuance, awarding the sale and prescribing the form and details and providing for the payment of the \$7,605,000 general obligation Bonds, Series 2016A. In order for bonds to be bank qualified and receive the most favorable interest rate the City must issue less than \$10 million in bonds in any calendar year. Due to the financing needs of the water treatment plant the financing for that project was split into two issues and the City issued \$9,690,000 of debt in August of 2015. In the current potential rising interest rate environment the City is awarding the sale of the 2016 bonds in 2015 for issuance in January of 2016. This strategy allows both the 2015 and 2016 bond issues to be bank qualified and reduces interest rate risk on the 2016 bonds.

AAA Bond Rating Confirmed

On Wednesday November 25, City staff met with Standard & Poor's Ratings Services (S&P) (the City's rating agency) to obtain a rating on the \$7,605,000 general obligation bonds, Series 2016A. This week S&P confirmed the City's existing AAA bond rating, the highest bond rating awarded, which helps the City obtain lower interest rates on debt borrowing. The rating is a statement of confidence in the City's current financial stability and long-term fiscal planning. It is important to note that the bond rating process is repeated for each new debt issue.

The rating process is based on S&P's assessment of seven underlying factors and 43 possible qualitative and quantitative adjustments. City staff was given a list of questions covering the seven factors prior to meeting with S&P. Each factor is given a rating between one and five (one being most favorable). The factors are weighted as follows:

- Institutional framework 10%
- Economy 30%
- Management 20%
- Budgetary flexibility 10%
- Budgetary performance 10%
- Liquidity 10%
- Debt and contingent liabilities 10%

A copy of the rating letter will be distributed on Monday prior to the Council's action on the bond issue.

Background on Proposed Debt Issuance

On November 2, 2015 the City Council authorized the sale of \$7,605,000 in general obligation bonds. The general obligation bonds will be issued in three components, as follows:

| | |
|--|----------------|
| General Obligation Water Revenue Bonds | \$6,995,000 |
| General Obligation Sewer Revenue Bonds | 230,000 |
| General Obligation Surface Water Revenue Bonds | <u>380,000</u> |
| Total Bonds | \$ 7,605,000 |

General Obligation Bonds will finance utility improvements:

- **Water Revenue Bonds**, in the amount of \$6,995,000, to finance the water share of the following improvements:
 - Water Treatment Plant
 - Install a natural gas generator at Well #6
 - Install a raw waterline from Well #6 to the Water Treatment Plant
 - Windward Heights Neighborhood rehabilitation
- **Sewer Revenue Bonds**, in the amount of \$230,000, to finance the sewer share of the following improvements:
 - Windward Heights Neighborhood rehabilitation
 - Grand Avenue rehabilitation
- **Surface Water Revenue Bonds**, in the amount of \$380,000, to finance the surface water share of the following improvements:
 - Windward Heights Neighborhood rehabilitation
 - Grand Avenue rehabilitation

The Water Treatment Plant bonds (\$6,075,000) will be repaid over twenty years and all remaining Water, Sewer and Surface Water bonds will be repaid over fifteen years.

Legal Debt Limit

Minnesota statutes limit the amount of debt a City may issue for general obligation purposes. Including issuance of the proposed debt, the City has used about 14.5% of the available debt limit, leaving 85.5% available. To put this into perspective, the legal debt limit of the City is \$83,342,436 (3% of estimated market value), as compared to \$12,085,000 of Shoreview debt applicable to the debt limit.

Recommendation

Competitive bids will be taken at Springsted's office on Monday, December 14. The bids will be opened, analyzed, and a bid tabulation will be presented to the City Council that evening, along with a recommendation regarding the lowest bidder.

Staff recommends the adoption of the proposed resolutions, drafted by the City's bond attorney (Jennifer L. Hanson, Dorsey & Whitney LLP).

Attachments to this report include:

- Resolution #15-113 authorizing general obligation bonds
- Official statement covering the debt issues (advertising the sale to potential bond investors)

CERTIFICATION OF MINUTES

Municipality: The City of Shoreview, Minnesota

Governing Body: City Council

Meeting: A meeting of the City Council of the City of Shoreview was held on the 14th day of December at 7:00 p.m. at the City offices, 4600 Victoria Street North, Shoreview, Minnesota.

Members present:

Members absent:

Documents: Resolution No. 15-113 - Authorizing Issuance, Awarding Sale, Prescribing the Form and Details and Providing for the Payment of \$7,605,000 General Obligation Utility Revenue Bonds, Series 2016A

Certification:

I, Terry Schwerm, City Manager of the City of Shoreview, Minnesota, do hereby certify the following:

Attached hereto is a true and correct copy of a resolution on file and of record in the offices of the City of Shoreview, Minnesota, which resolution was adopted by the Shoreview City Council, at the meeting referred to above. Said meeting was a regular meeting of the Shoreview City Council, was open to the public, and was held at the time at which meetings of the City Council are regularly held. Member _____ moved the adoption of the attached resolution. The motion for adoption of the attached resolution was seconded by Member _____. A vote being taken on the motion, the following voted in favor of the resolution:

_____ and the following voted against the resolution:

Whereupon said resolution was declared duly passed and adopted by at least two-thirds of the members of the City Council. The attached resolution is in full force and effect and no action has been taken by the City Council of the City of Shoreview, Minnesota which would in any way alter or amend the attached resolution.

Witness my hand officially as the City Manager of the City of Shoreview, Minnesota this _____ day of December, 2015.

By _____ Its City Manager

It was reported that _____ () proposals for the purchase of \$7,605,000 General Obligation Utility Revenue Bonds, Series 2016A were received prior to 10:30 o'clock a.m., Central time, pursuant to the Official Statement distributed to potential purchasers of the Bonds by Springsted Incorporated, municipal advisors to the City. The proposals have been publicly opened, read and tabulated and were found to be as follows:

See Attached

RESOLUTION AUTHORIZING ISSUANCE, AWARDING SALE, PRESCRIBING THE FORM AND DETAILS AND PROVIDING FOR THE PAYMENT OF \$7,605,000 GENERAL OBLIGATION UTILITY REVENUE BONDS, SERIES 2016A

BE IT RESOLVED by the City Council, City of Shoreview, Minnesota (the "City"), as follows:

SECTION 1. AUTHORIZATION AND SALE.

1.01. Authorization. This City Council, by resolution duly adopted on November 2, 2015, authorized the issuance and sale of its \$7,605,000 General Obligation Utility Revenue Bonds, Series 2016A (the "Bonds"), pursuant to Minnesota Statutes, Section 444.075 and Chapter 475. The Bonds will be used to finance improvements (the "Projects") to the municipal water, sewer and surface water systems (collectively, the "System").

1.02. Sale. Pursuant to the Terms of Proposal and the Official Statement prepared on behalf of the City by Springsted Incorporated, sealed proposals for the purchase of the Bonds were received at or before the time specified for receipt of proposals. The bids have been opened and publicly read and considered, and the purchase price, interest rates and net interest cost under the terms of each proposal have been determined. The most favorable proposal received is that of _____, in _____, _____ (the "Purchaser") to purchase the Bonds at a price of \$_____ plus accrued interest, if any, on all Bonds to the date of issuance and delivery, on the further terms and conditions hereinafter set forth.

1.03. Award. The sale of the Bonds is hereby awarded to the Purchaser, and the Mayor and City Manager are hereby authorized and directed on behalf of the City to execute a contract for the sale of the Bonds with the Purchaser in accordance with the Terms of Proposal. The good faith deposit of the Purchaser shall be retained and deposited by the City until the Bonds have been delivered, and shall be deducted from the purchase price paid at settlement.

SECTION 2. BOND TERMS; REGISTRATION; EXECUTION AND DELIVERY.

2.01. Issuance of Bonds. All acts, conditions and things which are required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be performed precedent to and in the valid issuance of the Bonds having been done, now existing, having happened and having been performed, it is now necessary for the Council to establish the form and terms of the Bonds, to provide security therefor and to issue the Bonds forthwith.

2.02. Maturities; Interest Rates; Denominations and Payment. The Bonds shall be originally dated as of the date of issuance thereof, shall be in the denomination of \$5,000 each, or any integral multiple thereof, of single maturities, shall mature on February 1 in the years and amounts stated below, and shall bear interest from date of issue until paid or duly called for redemption, at the annual rates set forth opposite such years and amounts, as follows:

| <u>Year</u> | <u>Amount</u> | <u>Rate</u> | <u>Year</u> | <u>Amount</u> | <u>Rate</u> |
|-------------|---------------|-------------|-------------|---------------|-------------|
| 2017 | \$340,000 | | 2027 | \$405,000 | |
| 2018 | 355,000 | | 2028 | 410,000 | |
| 2019 | 360,000 | | 2029 | 420,000 | |
| 2020 | 360,000 | | 2030 | 435,000 | |
| 2021 | 370,000 | | 2031 | 450,000 | |
| 2022 | 375,000 | | 2032 | 335,000 | |
| 2023 | 380,000 | | 2033 | 345,000 | |
| 2024 | 380,000 | | 2034 | 355,000 | |
| 2025 | 385,000 | | 2035 | 365,000 | |
| 2026 | 400,000 | | 2036 | 380,000 | |

[REVISE MATURITY SCHEDULE FOR ANY TERM BONDS]

The Bonds shall be issuable only in fully registered form. The interest thereon and, upon surrender of each Bond, the principal amount thereof shall be payable by check or draft issued by the Registrar described herein, provided that so long as the Bonds are registered in the name of a securities depository, or a nominee thereof, in accordance with Section 2.08 hereof, principal and interest shall be payable in accordance with the operational arrangements of the securities depository.

2.03. Dates and Interest Payment Dates. Upon initial delivery of the Bonds pursuant to Section 2.07 and upon any subsequent transfer or exchange pursuant to Section 2.06, the date of authentication shall be noted on each Bond so delivered, exchanged or transferred. Interest on the Bonds shall be payable on February 1 and August 1 in each year, commencing August 1, 2016, each such date being referred to herein as an Interest Payment Date, to the persons in whose names the Bonds are registered on the Bond Register, as hereinafter defined, at the Registrar's close of business on the fifteenth day of the calendar month immediately preceding the Interest Payment Date, whether or not such day is a business day. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

2.04. Redemption. Bonds maturing in 2026 and later years shall be subject to redemption and prepayment at the option of the City, in whole or in part, in such order of maturity dates as the City may select and, within a maturity, by lot as selected by the Registrar (or, if applicable, by the bond depository in accordance with its customary procedures) in integral multiples of \$5,000, on February 1, 2025, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption. The City Manager shall cause notice of the call for redemption thereof to be published if and as required by law, and at least thirty (30) and not more than sixty (60) days prior to the designated redemption date, shall cause notice of call for redemption to be mailed, by first class mail, to the Registrar and registered holders of any Bonds to be redeemed at their addresses as they appear on the Bond Register described in Section 2.06 hereof, provided that notice shall be given to any securities depository in accordance with its operational arrangements. No defect in or failure to give such notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and

payable at the redemption price therein specified and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the owner without charge, representing the remaining principal amount outstanding.

[Bonds maturing on February 1, 20__ and 20__ (the "Term Bonds") shall be subject to mandatory redemption prior to maturity pursuant to the sinking fund requirements of this Section 2.04 at a redemption price equal to the stated principal amount thereof plus interest accrued thereon to the redemption date, without premium. The Registrar shall select for redemption, by lot or other manner deemed fair, on February 1 in each of the following years the following stated principal amounts of such Bonds:

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
|-------------|-------------------------|

The remaining \$_____ stated principal amount of such Bonds shall be paid at maturity on February 1, 20__.

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
|-------------|-------------------------|

The remaining \$_____ stated principal amount of such Bonds shall be paid at maturity on February 1, 20__.

Notice of redemption shall be given as provided in the preceding paragraph.]

2.05. Appointment of Registrar. The City hereby appoints U.S. Bank National Association, in St. Paul, Minnesota, as the initial Bond registrar, transfer agent and paying agent (the "Registrar"). The Mayor and City Manager are authorized to execute and deliver, on behalf of the City, a contract with the Registrar. Upon merger or consolidation of the Registrar with another corporation, if the resulting corporation is a bank or trust company organized under the laws of the United States or one of the states of the United States and authorized by law to conduct such business, such corporation shall be authorized to act as successor Registrar. The City agrees to pay the reasonable and customary charges of the Registrar for the services performed. The City reserves the right to remove the Registrar, effective upon not less than thirty days' written notice and upon the appointment and acceptance of a successor Registrar, in which event the predecessor Registrar shall deliver all cash and Bonds in its possession to the successor Registrar and shall deliver the Bond Register to the successor Registrar.

2.06. Registration. The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep at its principal corporate trust office a register (the "Bond Register") in which the Registrar shall provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to

be registered, transferred or exchanged. The term Holder or Bondholder as used herein shall mean the person (whether a natural person, corporation, association, partnership, trust, governmental unit, or other legal entity) in whose name a Bond is registered in the Bond Register.

(b) Transfer of Bonds. Upon surrender for transfer of any Bond duly endorsed by the Holder thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the Holder thereof or by an attorney duly authorized by the Holder in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the fifteenth day of the month preceding each interest payment date and until such interest payment date.

(c) Exchange of Bonds. At the option of the Holder of any Bond in a denomination greater than \$5,000, such Bond may be exchanged for other Bonds of authorized denominations, of the same maturity and a like aggregate principal amount, upon surrender of the Bond to be exchanged at the office of the Registrar. Whenever any Bond is so surrendered for exchange the City shall execute and the Registrar shall authenticate and deliver the Bonds which the Bondholder making the exchange is entitled to receive.

(d) Cancellation. All Bonds surrendered for payment, transfer or exchange shall be promptly canceled by the Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Bond is at any time registered in the Bond Register as the absolute owner of the Bond, whether the Bond shall be overdue or not, for the purpose of receiving payment of or on account of, the principal of and interest on the Bond and for all other purposes; and all payments made to or upon the order of such Holder shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer or exchange of Bonds (except for an exchange upon a partial redemption of a Bond), the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Registrar shall deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that the Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be canceled by it and evidence of such cancellation shall be given to the City. If the mutilated, destroyed, stolen or lost Bond has already matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Bond prior to payment.

(i) Authenticating Agent. The Registrar is hereby designated authenticating agent for the Bonds, within the meaning of Minnesota Statutes, Section 475.55, Subdivision 1, as amended.

(j) Valid Obligations. All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the City, evidencing the same debt, and entitled to the same benefits under this Resolution as the Bonds surrendered upon such transfer or exchange.

2.07. Execution, Authentication and Delivery. The Bonds shall be prepared under the direction of the City Manager and shall be executed on behalf of the City by the signatures of the Mayor and the City Manager, provided that the signatures may be printed, engraved or lithographed facsimiles of the originals. In case any officer whose signature or a facsimile of whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until the date of delivery of such Bond. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until a certificate of authentication on the Bond, substantially in the form provided in Section 2.09, has been executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on any Bond shall be conclusive evidence that it has been duly authenticated and delivered under this Resolution. When the Bonds have been prepared, executed and authenticated, the City Manager shall deliver them to the Purchaser upon payment of the purchase price in accordance with the contract of sale theretofore executed, and the Purchaser shall not be obligated to see to the application of the purchase price.

2.08. Securities Depository. (a) For purposes of this section the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

“DTC” shall mean The Depository Trust Company of New York, New York.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds bonds as securities depository.

“Representation Letter” shall mean the Representation Letter pursuant to which the City agrees to comply with DTC’s Operational Arrangements.

(b) The Bonds shall be initially issued as separately authenticated fully registered bonds, and one Bond shall be issued in the principal amount of each stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC. The Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Bonds under this resolution, registering the transfer of Bonds, and for all other purposes whatsoever; and neither the Registrar nor the City shall be affected by any notice to the contrary. Neither the Registrar nor the City shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the Bond Register as being a registered owner of any Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Bonds, with respect to any notice which is permitted or required to be given to owners of Bonds under this resolution, with respect to the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Bonds. So long as any Bond is registered in the name of Cede & Co., as nominee of DTC, the Registrar shall pay all principal of and interest on such Bond, and shall give all notices with respect to such Bond, only to Cede & Co. in accordance with DTC’s Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the City’s obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the City to make payments of principal and interest. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Bonds will be transferable to such new nominee in accordance with paragraph (e) hereof.

(c) In the event the City determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bonds in the form of physical certificates, the City may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through

DTC of Bonds in the form of certificates. In such event, the Bonds will be transferable in accordance with paragraph (e) hereof. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and the Registrar and discharging its responsibilities with respect thereto under applicable law. In such event the Bonds will be transferable in accordance with paragraph (e) hereof.

(d) The execution and delivery of the Representation Letter to DTC, if not previously filed with DTC, by the Mayor or City Manager is hereby authorized and directed.

(e) In the event that any transfer or exchange of Bonds is permitted under paragraph (b) or (c) hereof, such transfer or exchange shall be accomplished upon receipt by the Registrar of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of this resolution. In the event Bonds in the form of certificates are issued to owners other than Cede & Co., its successor as nominee for DTC as owner of all the Bonds, or another securities depository as owner of all the Bonds, the provisions of this resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Bonds in the form of physical certificates and the method of payment of principal of and interest on such Bonds in the form of physical certificates.

2.09. Form of Bonds. The Bonds shall be prepared in substantially the form found at Exhibit A attached hereto.

SECTION 3. USE OF PROCEEDS. There is hereby established on the official books and records of the City a General Obligation Utility Revenue Bonds, Series 2016A Construction Fund (the "Construction Fund"). The Construction Fund shall be credited with \$ _____ from the proceeds of the Bonds, an amount equal to the estimated cost of the Projects. The City Manager shall maintain the Construction Fund until all costs and expenses incurred by the City in connection with the construction of the Projects have been paid.

All funds on hand in the Construction Fund when terminated shall be credited to the Bond Fund described in Section 4 hereof, unless and except as such proceeds may be transferred to some other fund or account as to which the City has received from bond counsel an opinion that such other transfer is permitted by applicable laws and does not impair the exemption of interest on the Bonds from federal income taxes.

SECTION 4. GENERAL OBLIGATION UTILITY REVENUE BONDS, SERIES 2016A BOND FUND. So long as any of the Bonds are outstanding and any principal or interest thereon unpaid, the City Manager shall maintain on the official books and records of the City a separate fund designated as the General Obligation Utility Revenue Bonds, Series 2016A Bond Fund (the "Bond Fund"). Into the Bond Fund shall be paid (a) the amounts specified in Section 3 above, (b) any amount in excess of the amounts credited to the Construction Fund as provided in Section 3 hereof received from the Purchaser upon delivery of the Bonds, (c) the net revenues described in Section 6 hereof; (d) any taxes collected pursuant to Section 7 hereof, and (e) any other funds appropriated by the City Council for the payment of the Bonds. The principal of and interest on the Bonds shall be payable from the Bond Fund, and the money on hand in the Bond Fund from time to time shall be used only to pay the principal of and interest on the Bonds. If the balance on hand in the Bond Fund is at any time insufficient to pay principal and interest then

due on the Bonds, such amounts shall be paid from other money on hand in other funds of the City, which other funds shall be reimbursed therefor when sufficient money becomes available in the Bond Fund. The City Council also covenants and agrees that it will each year levy a sufficient amount of ad valorem taxes to pay any accumulated or anticipated deficiency, which levy is not subject to any constitutional or statutory limitation.

There are hereby established two accounts in the Bond Fund, designated as the "Debt Service Account" and the "Surplus Account." There shall initially be deposited into the Debt Service Account upon the issuance of the Bonds the amount set forth in (b) above. Thereafter, during each Bond Year (i.e., each twelve month period commencing on February 2 and ending on the following February 1), as monies are received into the Bond Fund, the City Manager shall first deposit such monies into the Debt Service Account until an amount has been appropriated thereto sufficient to pay all principal and interest due on the Bonds through the end of the Bond Year. All subsequent monies received in the Bond Fund during the Bond Year shall be appropriated to the Surplus Account. If at any time the amount on hand in the Debt Service Account is insufficient for the payment of principal and interest then due, the City Manager shall transfer to the Debt Service Account amounts on hand in the Surplus Account to the extent necessary to cure such deficiency. Investment earnings (and losses) on amounts from time to time held in the Debt Service Account and Surplus Account shall be credited or charged to said accounts.

SECTION 5. [RESERVED.]

SECTION 6. PLEDGE OF NET REVENUES. It is hereby found, determined and declared that the City owns and operates the System as a revenue-producing utility and convenience, and that the net operating revenues of the System, after deducting from the gross receipts derived from charges for the service, use and availability of the System the normal, current and reasonable expenses of operation and maintenance thereof, will be sufficient, together with any other pledged funds, for the payment when due of the principal of and interest on the Bonds herein authorized, and on any other bonds to which such revenues are pledged.

Pursuant to Minnesota Statutes, Section 444.075, the City hereby covenants and agrees with the registered owners from time to time of the Bonds, that until the Bonds and the interest thereon are discharged as provided in Section 8 or paid in full, the City will impose and collect reasonable charges in accordance with said Section 444.075 for the service, use and availability of the System according to schedules sufficient to produce net revenues sufficient to pay the Bonds and any other bonds to which said net revenues have been pledged, and the net revenues, to the extent necessary, are hereby irrevocably pledged and appropriated to the payment of the Bonds herein authorized and interest thereon when due. Nothing herein shall preclude the City from hereafter making further pledges and appropriations of the net revenues of the System for payment of additional obligations of the City hereafter authorized if the Council determines before the authorization of such additional obligations that the estimated net revenues of the System will be sufficient, together with any other sources pledged to the payment of the outstanding and additional obligations, for payment of the outstanding bonds and such additional obligations. Such further pledges and appropriations of net revenues may be made superior or subordinate to or on a parity with, the pledge and appropriation herein made.

SECTION 7. PLEDGE OF TAXING POWERS. For the prompt and full payment of the principal of and interest on the Bonds as such payments respectively become due, the full faith, credit and unlimited taxing powers of the City shall be and are hereby irrevocably pledged. No upfront levy is currently expected with respect to the Bonds.

SECTION 8. DEFEASANCE. When all of the Bonds have been discharged as provided in this Section, all pledges, covenants and other rights granted by this Resolution to the Holders of the Bonds shall cease. The City may discharge its obligations with respect to any Bonds which are due on any date by depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full; or, if any Bond should not be paid when due, it may nevertheless be discharged by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued from the due date to the date of such deposit. The City may also discharge its obligations with respect to any prepayable Bonds called for redemption on any date when they are prepayable according to their terms by depositing with the Registrar on or before that date an amount equal to the principal, redemption premium, if any, and interest then due, provided that notice of such redemption has been duly given as provided herein. The City may also at any time discharge its obligations with respect to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with the Registrar or with a bank or trust company qualified by law to act as an escrow agent for this purpose, cash or securities which are authorized by law to be so deposited for such purpose, bearing interest payable at such times and at such rates and maturing or callable at the holder's option on such dates as shall be required to pay all principal and interest to become due thereon to maturity or, if notice of redemption as herein required has been irrevocably provided for, to an earlier designated redemption date. If such deposit is made more than ninety days before the maturity date or specified redemption date of the Bonds to be discharged, the City must have received a written opinion of Bond Counsel to the effect that such deposit does not adversely affect the exemption of interest on any Bonds from federal income taxation and a written report of an accountant or investment banking firm verifying that the deposit is sufficient to pay when due all of the principal and interest on the Bonds to be discharged on and before their maturity dates or earlier designated redemption date.

SECTION 9. TAX COVENANTS; ARBITRAGE MATTERS AND CONTINUING DISCLOSURE.

9.01. General Tax Covenant. The City agrees with the registered owners from time to time of the Bonds that it will not take, or permit to be taken by any of its officers, employees or agents, any action that would cause interest on the Bonds to become includable in gross income of the recipient under the Internal Revenue Code of 1986, as amended (the "Code") and applicable Treasury Regulations (the "Regulations"), and agrees to take any and all actions within its powers to ensure that the interest on the Bonds will not become includable in gross income of the recipient under the Code and the Regulations. All proceeds of the Bonds deposited in the Construction Fund will be expended solely for the payment of the costs of the Projects. The Projects are and will be owned and maintained by the City and available for use by members of the general public on a substantially equal basis. The City shall not enter into any lease, management contract, use agreement, capacity agreement or other agreement with any non-governmental person relating to the use of the Projects, or any portion thereof, or security

for the payment of the Bonds which might cause the Bonds to be considered “private activity bonds” or “private loan bonds” pursuant to Section 141 of the Code.

9.02. Arbitrage Certification. The Mayor and City Manager being the officers of the City charged with the responsibility for issuing the Bonds pursuant to this Resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with Section 148 of the Code, and applicable Regulations, stating the facts, estimates and circumstances in existence on the date of issue and delivery of the Bonds which make it reasonable to expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of the Code and Regulations.

9.03. Arbitrage Rebate. The City acknowledges that the Bonds may be subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Regulations to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes, unless the Bonds qualify for an exception from the rebate requirement pursuant to one of the spending exceptions set forth in Section 1.148-7 of the Regulations and no “gross proceeds” of the Bonds (other than amounts constituting a “bona fide debt service fund”) arise during or after the expenditure of the original proceeds thereof.

9.04. Qualified Tax-Exempt Obligations. The City Council hereby designates the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code relating to the disallowance of interest expense for financial institutions, and hereby finds that the reasonably anticipated amount of tax-exempt obligations (within the meaning of Section 265(b)(3) of the Code) which will be issued by the City and all subordinate entities during calendar year 2016 does not exceed \$10,000,000.

9.05. Reimbursement. The City certifies that the proceeds of the Bonds will not be used by the City to reimburse itself for any expenditure with respect to the Projects which the City paid or will have paid more than 60 days prior to the issuance of the Bonds unless, with respect to such prior expenditures, the City shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations, provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Projects meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to “preliminary expenditures” for the Projects as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the “issue price” of the Bonds.

9.06. Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The City is the only obligated

person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2015, the following financial information and operating data in respect of the City (the Disclosure Information):
 - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and
 - (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: "City Property Values;" "City Indebtedness;" and "City Tax Rates, Levies and Collections."

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and,

within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access System (EMMA) or to the SEC. The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be described in paragraph (2) hereof, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events:
 - (A) Principal and interest payment delinquencies;
 - (B) Non-payment related defaults, if material;
 - (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (E) Substitution of credit or liquidity providers, or their failure to perform;
 - (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds;
 - (G) Modifications to rights of Bond holders, if material;
 - (H) Bond calls, if material, and tender offers;
 - (I) Defeasances;
 - (J) Release, substitution, or sale of property securing repayment of the Bonds, if material;
 - (K) Rating changes;
 - (L) Bankruptcy, insolvency, receivership or similar event of the obligated person;
 - (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

- (N) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

As used herein, for those events that must be reported if material, an event is “material” if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also “material” if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (3) In a timely manner, notice of the occurrence of any of the following events or conditions:
 - (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
 - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
 - (C) the termination of the obligations of the City under this section pursuant to subsection (d);
 - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
 - (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).

- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

SECTION 10. CERTIFICATION OF PROCEEDINGS.

10.01. Registration of Bonds. The City Manager is hereby authorized and directed to file a certified copy of this resolution with the County Auditor of Ramsey County, together with such additional information as is required, and to obtain a certificate that the Bonds and the taxes levied pursuant hereto have been duly entered upon the County Auditor's Bond register.

10.02. Authentication of Transcript. The officers of the City and the County Auditor are hereby authorized and directed to prepare and furnish to the Purchaser and to Dorsey & Whitney LLP, Bond Counsel, certified copies of all proceedings and records relating to the Bonds and such other affidavits, certificates and information as may be required to show the facts relating to the legality and marketability of the Bonds, as the same appear from the books and records in their custody and control or as otherwise known to them, and all such certified copies, affidavits and certificates, including any heretofore furnished, shall be deemed representations of the City as to the correctness of all statements contained therein.

10.03. Official Statement. The Official Statement relating to the Bonds, dated _____, 2015, prepared and distributed by Springsted Incorporated, the municipal advisor for the City, is hereby approved. Springsted Incorporated is hereby authorized on behalf of the City to prepare and deliver to the Purchaser within seven business days from the date hereof, a supplement to the Official Statement listing the offering price, the interest rates, selling compensation, delivery date, the underwriters and such other information relating to the Bonds required to be included in the Official Statement by Rule 15c2-12 adopted by the SEC under the Securities and Exchange Act of 1934. The officers of the City are hereby authorized and directed to execute such certificates as may be appropriate concerning the accuracy, completeness and sufficiency of the Official Statement.

10.04. Effective Date. This resolution shall be in full force and effect from and after its passage.

PASSED AND APPROVED this 14th day of December, 2015.

THE CITY OF SHOREVIEW, MINNESOTA.

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF RAMSEY

CITY OF SHOREVIEW

GENERAL OBLIGATION UTILITY REVENUE BONDS, SERIES 2016A

R-_____ \$ _____

| <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Date of Original Issue</u> | <u>CUSIP No.</u> |
|----------------------|----------------------|-------------------------------|------------------|
| ___% | February 1, 20__ | January 14, 2016 | |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THOUSAND DOLLARS

CITY OF SHOREVIEW, State of Minnesota (the "City") acknowledges itself to be indebted and for value received hereby promises to pay to the registered owner specified above, or registered assigns, the principal amount specified above on the maturity date specified above and promises to pay interest thereon from the date of original issue specified above or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, at the annual interest rate specified above, payable on February 1 and August 1 in each year, commencing August 1, 2016 (each such date, an "Interest Payment Date"), all subject to the provisions referred to herein with respect to the redemption of the principal of this Bond before maturity. The interest so payable on any Interest Payment Date shall be paid to the person in whose name this Bond is registered at the close of business on the fifteenth day (whether or not a business day) of the calendar month immediately preceding the Interest Payment Date. Interest hereon shall be computed on the basis of a 360-day year composed of twelve 30-day months. The interest hereon and, upon presentation and surrender hereof at the principal office of the agent of the Registrar described below, the principal hereof are payable in lawful money of the United States of America by check or draft drawn on U.S. Bank National Association, St. Paul, Minnesota, as Bond registrar, transfer agent and paying agent, or its successor designated under the Resolution described herein (the "Registrar") or other agreed-upon means of payment by the Registrar or its designated successor. For the prompt and full payment of such principal and interest as the same respectively come due, the full faith and credit and taxing powers of the City have been and are hereby irrevocably pledged.

This Bond is one of an issue (the "Bonds") in the aggregate principal amount of \$7,605,000 issued pursuant to a resolution adopted by the City Council on December 14, 2015 (the "Resolution"), to finance improvements to the City's water, sewer and surface water systems (collectively, the "System"), and is issued by authority of and in strict accordance with

the provisions of the Constitution and laws of the State of Minnesota thereunto enabling, including Minnesota Statutes, Sections 444.075 and Chapter 475. For the full and prompt payment of the principal of and interest on the Bonds as the same become due, the full faith, credit and taxing power of the City have been and are hereby irrevocably pledged. The Bonds are issuable only in fully registered form, in the denomination of \$5,000 or any integral multiple thereof, of single maturities.

Bonds maturing in 2026 and later years shall be subject to redemption and prepayment at the option of the City, in whole or in part, in such order of maturity dates as the City may select and, within a maturity, by lot as selected by the Registrar (or, if applicable, by the Bond depository in accordance with its customary procedures) in multiples of \$5,000, on February 1, 2025, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption. The City shall cause notice of the call for redemption thereof to be published if and to the extent required by law, and at least thirty (30) and not more than sixty (60) days prior to the designated redemption date, shall cause notice of call for redemption to be mailed, by first class mail (or, if applicable, provided in accordance with the operational arrangements of the securities depository), to the registered holders of any Bonds, at the holders' addresses as they appear on the Bond register maintained by the Bond Registrar, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the owner without charge, representing the remaining principal amount outstanding.

[Bonds maturing in the years 20__ and 20__ shall be subject to mandatory redemption, at a redemption price equal to their principal amount plus interest accrued thereon to the redemption date, without premium, on February 1 in each of the years shown below, in an amount equal to the following principal amounts:

| <u>Term Bonds Maturing in 20__</u> | | <u>Term Bonds Maturing in 20__</u> | |
|--|---|--|---|
| <u>Sinking Fund</u> <u>Payment Date</u> | <u>Aggregate</u> <u>Principal Amount</u> | <u>Sinking Fund</u> <u>Payment Date</u> | <u>Aggregate</u> <u>Principal Amount</u> |
| (final maturity) | | (final maturity) | |

Notice of redemption shall be given as provided in the preceding paragraph.]

As provided in the Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the City at the principal office of the Registrar, by the registered owner hereof in person or by the owner's attorney duly authorized in writing upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or the owner's attorney, and may also be surrendered in

exchange for Bonds of other authorized denominations. Upon such transfer or exchange the City will cause a new Bond or Bonds to be issued in the name of the designated transferee or registered owner, of the same aggregate principal amount, bearing interest at the same rate and maturing on the same date; subject to reimbursement for any tax, fee or governmental charge required to be paid with respect to any such transfer or exchange.

The Bonds have been designated by the City as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The City and the Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment as herein provided and for all other purposes, and neither the City nor the Registrar shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Bond, so long as this Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Registrar shall pay all principal of and interest on this Bond, and shall give all notices with respect to this Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the City.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be performed preliminary to and in the issuance of this Bond in order to make it a valid and binding general obligation of the City in accordance with its terms, have been done, do exist, have happened and have been performed as so required; that, prior to the issuance hereof, the City Council has by the Resolution covenanted and agreed to collect and apply to payment of the Bonds certain net revenues of the System, which revenues are estimated to be collectible in years and amounts sufficient to produce sums not less than 5% in excess of the principal of and interest on the Bonds when due, and has appropriated such revenues to its General Obligation Utility Revenue Bonds, Series 2016A Bond Fund for the payment of such principal and interest; that if necessary for the payment of such principal and interest, ad valorem taxes are required to be levied upon all taxable property in the City, without limitation as to rate or amount; that all proceedings relative to the projects financed by this Bond have been or will be taken according to law and that the issuance of this Bond, together with all other indebtedness of the City outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of the City to exceed any constitutional or statutory limitation of indebtedness.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been executed by the Registrar by manual signature of one of its authorized representatives.

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the
within Bond and all rights thereunder, and does hereby irrevocably constitute and appoint _____ attorney
to transfer the said Bond on the books kept for registration of the within Bond, with full power of
substitution in the premises.

Dated: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Registrar in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER OF
ASSIGNEE:

RAMSEY COUNTY AUDITOR'S
CERTIFICATE AS TO REGISTRATION AND TAX LEVY

The undersigned, being the duly qualified and acting County Auditor of Ramsey County, Minnesota, hereby certifies that there has been filed in my office a certified copy of a resolution duly adopted on December 14, 2015, by the City Council of Shoreview, Minnesota, setting forth the form and details of an issue of \$7,605,000 General Obligation Utility Revenue Bonds, Series 2016A dated the date of issuance thereof.

I further certify that the issue has been entered on my bond register as required by Minnesota Statutes, Sections 475.61 to 475.63.

WITNESS my hand and official seal on the _____ day of _____, 2015.

Ramsey County Auditor

(SEAL)

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 19, 2015

NEW ISSUE
BANK QUALIFIED

Standard & Poor's Rating: Requested

In the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain requirements of the Internal Revenue Code of 1986, as amended, (the "Code"), and certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. Such interest is included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions and in adjusted current earnings of corporations for federal alternative minimum tax purposes. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "TAX EXEMPTION AND RELATED CONSIDERATIONS" herein.

\$7,605,000*

City of Shoreview, Minnesota
General Obligation Utility Revenue Bonds, Series 2016A
(the "Bonds")
(Book Entry Only)

Dated Date: Date of Delivery

Interest Due: Each February 1 and August 1, commencing August 1, 2016

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

| | | | | | | | | | |
|------|-----------|------|-----------|------|-----------|------|-----------|------|-----------|
| 2017 | \$340,000 | 2021 | \$370,000 | 2025 | \$385,000 | 2029 | \$420,000 | 2033 | \$345,000 |
| 2018 | \$355,000 | 2022 | \$375,000 | 2026 | \$400,000 | 2030 | \$435,000 | 2034 | \$355,000 |
| 2019 | \$360,000 | 2023 | \$380,000 | 2027 | \$405,000 | 2031 | \$450,000 | 2035 | \$365,000 |
| 2020 | \$360,000 | 2024 | \$380,000 | 2028 | \$410,000 | 2032 | \$335,000 | 2036 | \$380,000 |

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

The City may elect on February 1, 2025, and on any day thereafter, to prepay Bonds due on or after February 1, 2026 at a price of par plus accrued interest.

The Bonds are general obligations of the City for which the City pledges its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge net revenues of its water, sewer, and surface water utility funds for repayment of the Bonds. The proceeds will be used to finance various utility projects within the City.

Proposals shall be for not less than \$7,513,740 plus accrued interest, if any, on the total principal amount of the Bonds. Proposals shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity must be 98.0% or greater. Following receipt of proposals, a good faith deposit will be required to be delivered to the City by the lowest bidder as described in the "Terms of Proposal" herein. Award of the Bonds will be made on the basis of True Interest Cost (TIC).

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

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Bonds purchased. (See "Book Entry System" herein.) U.S. Bank National Association, St. Paul, Minnesota will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about January 14, 2016.

PROPOSALS RECEIVED: December 14, 2015 (Monday) until 10:30 A.M., Central Time

AWARD: December 14, 2015 (Monday) at 7:00 P.M., Central Time



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

* Preliminary; subject to change.

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

CITY OF SHOREVIEW, MINNESOTA

CITY COUNCIL

Sandra C. Martin
Emy Johnson
Terry Quigley
Ady Wickstrom
Cory Springhorn

Mayor
Council Member
Council Member
Council Member
Council Member

CITY MANAGER

Terry Schwerm

FINANCE DIRECTOR/TREASURER

Fred Espe

MUNICIPAL ADVISOR

Springsted Incorporated
St. Paul, Minnesota

BOND COUNSEL

Dorsey & Whitney, LLP
Minneapolis, Minnesota

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

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

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

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

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

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

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

TERMS OF PROPOSAL

\$7,605,000*

CITY OF SHOREVIEW, MINNESOTA

GENERAL OBLIGATION UTILITY REVENUE BONDS, SERIES 2016A

(BOOK ENTRY ONLY)

Proposals for the Bonds will be received on Monday, December 14, 2015, until 10:30 AM., 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 proposals submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of the Terms of proposal.* Neither the City, its agents nor PARITY® shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents nor PARITY® shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY®. The City is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY® is not an agent of the City.

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

PARITY®, 1359 Broadway, 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 and will bear interest payable on February 1 and August 1 of each year, commencing August 1, 2016. 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:

| | | | | | | | | | |
|------|-----------|------|-----------|------|-----------|------|-----------|------|-----------|
| 2017 | \$340,000 | 2021 | \$370,000 | 2025 | \$385,000 | 2029 | \$420,000 | 2033 | \$345,000 |
| 2018 | \$355,000 | 2022 | \$375,000 | 2026 | \$400,000 | 2030 | \$435,000 | 2034 | \$355,000 |
| 2019 | \$360,000 | 2023 | \$380,000 | 2027 | \$405,000 | 2031 | \$450,000 | 2035 | \$365,000 |
| 2020 | \$360,000 | 2024 | \$380,000 | 2028 | \$410,000 | 2032 | \$335,000 | 2036 | \$380,000 |

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

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

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository 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 City will name the registrar which shall be subject to applicable SEC regulations. The City will pay for the services of the registrar.

OPTIONAL REDEMPTION

The City may elect on February 1, 2025, and on any day thereafter, to prepay Bonds due on or after February 1, 2026. 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. In addition, the City will pledge net revenues of its water, sewer, and surface water utility funds for repayment of the Bonds. The proceeds will be used to finance various utility projects within the City.

BIDDING PARAMETERS

Proposals shall be for not less than \$7,513,740 plus accrued interest, if any, on the total principal amount of the Bonds. No proposal can be withdrawn or amended after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity must be 98.0% or greater. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

GOOD FAITH DEPOSIT

To have its proposal considered for award, the lowest bidder is required to submit a good faith deposit to the City in the amount of \$76,050 (the "Deposit") no later than 1:30 P.M., Central Time on the day of sale. The Deposit may be delivered as described herein in the form of either (i) a certified or cashier's check payable to the City; or (ii) a wire transfer. The lowest bidder shall be solely responsible for the timely delivery of their Deposit whether by check or wire transfer. Neither the City nor Springsted Incorporated have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the City may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

Certified or Cashier's Check. A Deposit made by certified or cashier's check will be considered timely delivered to the City if it is made payable to the City and delivered to Springsted Incorporated, 380 Jackson Street, Suite 300, St. Paul, Minnesota 55101 by the specified time.

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

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

AWARD

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

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

CUSIP NUMBERS

If the Bonds qualify for 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 January 14, 2016, 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 Dorsey & Whitney LLP 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

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

OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds, and said Preliminary Official Statement 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 Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, Springsted Incorporated, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101, telephone (651) 223-3000.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law. By awarding the Bonds to an underwriter or underwriting syndicate, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the sole underwriter or to the senior managing underwriter of the syndicate (the "Underwriter" for purposes of this paragraph) to which the Bonds are awarded up to 25 copies of the Final Official Statement. The City designates the 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. Such Underwriter agrees that if its proposal is accepted by the City, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated November 2, 2015

BY ORDER OF THE CITY COUNCIL

/s/ Terry Schwerm
City Manager

OFFICIAL STATEMENT

\$7,605,000*

**CITY OF SHOREVIEW, MINNESOTA
GENERAL OBLIGATION UTILITY REVENUE BONDS, SERIES 2016A
(BOOK ENTRY ONLY)**

INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to the City of Shoreview, Minnesota (the “City”) and its issuance of \$7,605,000* General Obligation Utility Revenue Bonds, Series 2016A (the “Bonds”). The 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 will pledge net revenues of its water, sewer, and surface water utility funds for repayment of the Bonds.

Inquiries may be directed to Mr. Fred Espe, Finance Director/Treasurer, City of Shoreview, 4600 North Victoria Street, Shoreview, Minnesota 55126, by telephoning (651) 490-4600, or by emailing fespe@shoreviewmn.gov. Inquiries may also be made to Springsted Incorporated, 380 Jackson Street, Suite 300, St. Paul, Minnesota 55101-2887, by telephoning (651) 223-3000, or by emailing bond_services@springsted.com. If information of a specific legal nature is desired, requests may be directed to Ms. Jennifer Hanson, Dorsey & Whitney LLP, 50 South Sixth Street, 15th Floor, Minneapolis, Minnesota 55402, Bond Counsel, by telephoning (612) 492-6959, or by emailing hanson.jennifer@dorsey.com.

CONTINUING DISCLOSURE

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the Resolution, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the “Disclosure Covenants”). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix II to this Official Statement.

To the best of its knowledge, the City has complied for the past five years in all material respects with all previous undertakings entered into pursuant to the Rule. 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.

* *Preliminary; subject to change.*

THE BONDS

General Description

The Bonds are dated as of the date of delivery and will mature annually on February 1 as set forth on the front cover of this Official Statement. The Bonds are issued in book entry form. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2016. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month next preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Bonds will be paid as described in the section herein entitled “Book Entry System.” U.S. Bank National Association, St. Paul, Minnesota will serve as Registrar for the Bonds, and the City will pay for registrar services.

Redemption Provisions

Thirty days’ written notice of redemption shall be given to the registered owner(s) of the Bonds. Failure to give such written notice to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

Optional Redemption

The City may elect on February 1, 2025, and on any day thereafter, to prepay Bonds due on or after February 1, 2026. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all the Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant’s interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

Book Entry System

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

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

directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475. The proceeds of the Bonds will be used to finance various utility projects within the City.

SOURCES AND USES OF FUNDS

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

| | |
|--------------------------------|--------------------|
| Sources of Funds: | |
| Principal Amount | <u>\$7,605,000</u> |
| Total Sources of Funds | \$7,605,000 |
| Uses of Funds: | |
| Deposit to Project Fund | \$7,456,000 |
| Allowance for Discount Bidding | 91,260 |
| Costs of Issuance | <u>57,740</u> |
| Total Uses of Funds | \$7,605,000 |

SECURITY AND FINANCING

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes; however, the City does not anticipate the need to levy taxes for repayment of the Bonds.

Pursuant to Minnesota Statutes, Chapter 444, and the resolution awarding the sale of the Bonds, the City will covenant to impose and collect charges for the service, use, availability and connection to the water, sewer, and surface water utilities to produce net revenues in amounts sufficient to support the operation of the water, sewer, and surface water utilities and to pay 105% of debt service on bonds to which it has pledged its utility revenues, including the Bonds. The City is required to annually review the budget of the utilities to determine whether current rates and charges are sufficient and to adjust such rates and charges as necessary.

FUTURE FINANCING

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

LITIGATION

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

LEGALITY

The Bonds are subject to approval as to certain matters by Dorsey & Whitney LLP of Minneapolis, Minnesota, as Bond Counsel. Bond counsel has not participated in the preparation of this Official Statement, except for guidance concerning the following section, "TAX EXEMPTION AND RELATED CONSIDERATIONS," and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify, any of the financial or statistical statements, or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out as Appendix I to this Official Statement will be delivered at closing.

TAX EXEMPTION AND RELATED CONSIDERATIONS

The following discussion is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership or disposition of the Bonds or receipt of interest on the Bonds. Prospective purchasers should consult their tax advisors with respect to collateral tax consequences, including, without limitation, the determination of gain or loss on the sale of a Bond, the calculation of alternative minimum tax liability, the inclusion of Social Security or other retirement payments in taxable income, the disallowance of deductions for certain expenses attributable to the Bonds, and applicable state and local tax rules in states other than Minnesota. The form of the approving opinion of Dorsey & Whitney LLP, Bond Counsel, is attached as Appendix I hereto.

Tax Exemption

It is the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and on certifications to be furnished at closing, and assuming compliance by the City with certain covenants ("Tax Covenants"), that interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes. Such interest is, however, included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions.

Certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), however, impose continuing requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be and remain excludable from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds; restrictions on the investment of Bond proceeds and other amounts; and provisions requiring that certain investment earnings be rebated periodically to the federal government. Noncompliance with such requirements of the Code may cause interest on the Bonds to be includable in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Compliance with the Tax Covenants will satisfy the current requirements of the Code with respect to exclusion of interest on the Bonds from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the same becomes includable in federal gross income or in Minnesota taxable net income.

Qualified Tax-Exempt Obligations

The Bonds will be designated 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 a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations.

[Original Issue Discount

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

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

If a Discount Bond is purchased for a cost that exceeds the sum of the Issue Price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Bond. If such excess is greater than the amount of remaining original issue discount, the basis reduction rules in the Code for amortizable bond premium might result in taxable gain upon sale, redemption or maturity of the Bonds, even if the Bonds are sold, redeemed or retired for an amount equal to or less than their cost.

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

Holders of Discount Bonds should consult their tax advisors with respect to the computation and accrual of original issue discount and with respect to the other federal, state and local tax consequences associated with the purchase, ownership, redemption, sale or other disposition of Discount Bonds.]

[Bond Premium

Certain maturities of the Bonds may be issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire Bonds at a premium, even Bonds that were not initially offered at a premium, must, from time to time, reduce their

federal and Minnesota tax bases for the Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. Premium generally is amortized for federal and Minnesota income and franchise tax purposes on the basis of a Bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, Bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or Minnesota income tax purposes. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling Bonds acquired at a premium.]

Related Tax Considerations

Interest on the Bonds is not an item of tax preference for federal or Minnesota alternative minimum tax purposes, but is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax. Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain Social Security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits. Passive investment income, including interest on the Bonds, may be subject to taxation under section 1375 of the Code, and corresponding provisions of Minnesota law, for an S corporation that has accumulated earnings and profits at the close of the taxable year, if more than 25 percent of its gross receipts is passive investment income. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds. Federal and Minnesota laws also restrict the deductibility of other expenses allocable to the Bonds. [Because of the basis reduction rules in the Code for amortizable Bond premium, Bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds even if the Bonds are sold for an amount equal to or less than their original cost.] 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) of the Code must be reduced by an amount equal to 15 percent 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, and is included in net investment income of foreign insurance companies under section 842(b) of the Code.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees and legislative proposals in Congress and in the state that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. For example, both President Obama and the Chairman of the Committee on Ways and Means of the U.S. House of Representatives have proposed legislation that effectively would impose a partial tax on otherwise tax exempt interest for certain higher income taxpayers. In addition, regulatory and administrative actions may from time to time be announced that could adversely affect the market value, marketability or tax status of the Bonds.

No prediction is made concerning future events. The opinions expressed by Bond Counsel in connection with the issuance of the Bonds are based upon existing law only. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory actions or litigation.

THE FOREGOING IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF COLLATERAL TAX CONSEQUENCES ARISING FROM OWNERSHIP OR DISPOSITION OF THE BONDS OR RECEIPT OF INTEREST ON THE BONDS. PROSPECTIVE PURCHASERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF, OR TAX CONSIDERATIONS FOR, PURCHASING OR HOLDING THE BONDS.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

RATING

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

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

MUNICIPAL ADVISOR

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

CERTIFICATION

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

CITY PROPERTY VALUES

Trend of Values^(a)

| Assessment/ Collection Year | Assessor's Estimated Market Value | Sales Ratio ^(b) | Economic Market Value ^(c) | Market Value Homestead Exclusion | Taxable Market Value | Adjusted Taxable Net Tax Capacity |
|-----------------------------------|---|-------------------------------|---|--|-------------------------|---|
| 2014/15 | \$2,778,081,200 | 96.3% | \$2,886,974,408 | \$130,224,000 | \$2,640,693,400 | \$29,250,348 |
| 2013/14 | 2,566,205,000 | 93.1 | 2,756,550,633 | 146,688,500 | 2,412,883,200 | 26,493,139 |
| 2012/13 | 2,559,713,400 | 96.6 | 2,649,409,835 | 148,560,100 | 2,404,938,000 | 26,235,162 |
| 2011/12 | 2,716,611,800 | 96.6 | 2,756,641,118 | 141,607,500 | 2,568,566,800 | 28,150,469 |
| 2010/11 | 2,844,850,700 | N/A | N/A | N/A | 2,838,577,100 | 30,788,656 |

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

(b) Sales Ratio Study for the year of assessment as posted by the Minnesota Department of Revenue, <http://www.revenue.state.mn.us/propertytax/Pages/statistics-INV.aspx>. Prior to 2011/12, a different methodology was used to calculate sales ratios, and the economic market value cannot be derived.

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

Source: Ramsey County, Minnesota, July 2015, except as otherwise noted.

2014/15 Adjusted Taxable Net Tax Capacity: \$29,250,348

| | | |
|--|------------------|------------|
| Real Estate: | | |
| Residential Homestead | \$19,846,265 | 65.7% |
| Commercial/Industrial, Public Utility, and Railroad | 6,664,044 | 22.1 |
| Non-Homestead Residential | 3,430,871 | 11.3 |
| Agricultural and Seasonal/Recreational | 60,102 | 0.2 |
| Personal Property | <u>206,444</u> | <u>0.7</u> |
| 2014/15 Net Tax Capacity | \$30,207,726 | 100.0% |
| Less: Captured Tax Increment Tax Capacity | (920,195) | |
| Contribution to Fiscal Disparities | (2,613,786) | |
| Plus: Distribution from Fiscal Disparities | <u>2,576,603</u> | |
| 2014/15 Adjusted Taxable Net Tax Capacity | \$29,250,348 | |

Ten of the Largest Taxpayers in the City

| Taxpayer | Type of Property | 2014/15 Net Tax Capacity |
|---------------------------------|--------------------------------|-----------------------------|
| Ari – Shoreview Corp Center LLC | Commercial | \$ 794,480 |
| Wells Fargo Properties Inc. | Bank operations center | 737,220 |
| Deluxe Corporation | Check printing | 415,350 |
| Target Corporation | Retail | 286,866 |
| Terrace Apartments Company | Apartments | 284,255 |
| Medtronic Inc. | Biomedical device manufacturer | 281,780 |
| TSI Inc. | Research | 251,250 |
| Carroll Ventures Company | Apartments | 214,699 |
| Xcel Energy | Utility | 182,705 |
| Forstrom and Torgerson SLL LLC | Hotel | <u>154,314</u> |
| Total | | \$3,602,919* |

* Represents 12.3% of the City's total 2014/15 adjusted taxable net tax capacity.

CITY INDEBTEDNESS

Legal Debt Limit and Debt Margin*

| | |
|---|---------------------|
| Legal Debt Limit (3% of 2014/15 Estimated Market Value) | \$ 83,342,436 |
| Less: Outstanding Debt Subject to Limit | <u>(12,085,000)</u> |
| Legal Debt Margin as of January 14, 2016 | \$ 71,257,436 |

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

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

The 2013 Minnesota Legislature clarified the definition of estimated market value and established it as the basis for the calculation of the Net Debt Limit. A large contributing factor to the change was to offset the effect of the Market Value Homestead Exclusion implemented by the 2012 Minnesota Legislature, which had a significant impact on taxable market values.

General Obligation Debt Supported by Solely Taxes*

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Est. Principal Outstanding As of 1-14-16</u> |
|----------------------|------------------------|---|-----------------------|---|
| 3-6-13 | \$2,415,000 | Street Reconstruction | 2-1-2028 | \$2,130,000 |
| 3-6-13 | 2,130,000 | Capital Improvement and Street Reconstruction | 2-1-2022 | 2,010,000 |
| 12-1-14 | 4,670,000 | Capital Improvement Refunding | 2-1-2030 | <u>4,670,000</u> |
| Total | | | | \$8,810,000 |

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

General Obligation Special Assessment Debt

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Est. Principal Outstanding As of 1-14-16</u> |
|----------------------|------------------------|-------------------------------|-----------------------|---|
| 11-15-08 | \$ 330,000 | Local Improvements | 2-1-2025 | \$ 240,000 |
| 11-15-09 | 235,000 | Local Improvements | 2-1-2021 | 150,000 |
| 3-6-13 | 235,000 | Street Improvements | 2-1-2022 | 120,000 |
| 12-5-13 | 1,775,000 | Street Improvements | 2-1-2035 | 1,775,000 |
| 12-1-14 | 100,000 | Street Improvements Refunding | 2-1-2022 | 100,000 |
| 9-17-15 | 295,000 | Local Improvements | 2-1-2026 | <u>295,000</u> |
| Total | | | | \$2,680,000 |

General Obligation Revenue Debt

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Est. Principal Outstanding As of 1-14-16</u> |
|----------------------|------------------------|---|-----------------------|---|
| 11-1-07 | \$1,705,000 | Water, Sewer, and Surface Water Revenue | 2-1-2023 | \$ 1,040,000 |
| 11-15-08 | 3,175,000 | Water, Sewer, and Surface Water Revenue | 2-1-2025 | 2,240,000 |
| 11-15-09 | 1,180,000 | Surface Water Revenue | 2-1-2021 | 685,000 |
| 3-6-13 | 1,735,000 | Water and Surface Water Revenue | 2-1-2023 | 1,415,000 |
| 3-6-13 | 1,050,000 | Water, Sewer, and Surface Water Revenue | 2-1-2022 | 700,000 |
| 12-5-13 | 495,000 | Water and Surface Water Revenue | 2-1-2024 | 450,000 |
| 12-1-14 | 1,910,000 | Water, Sewer, and Surface Water Revenue Refunding | 2-1-2026 | 1,910,000 |
| 9-17-15 | 9,395,000 | Water, Sewer, and Surface Water Revenue | 2-1-2036 | 9,395,000 |
| 1-14-16 | 7,605,000 | Water, Sewer, and Surface Water Revenue (the Bonds) | 2-1-2036 | <u>7,605,000</u> |
| Total | | | | \$25,440,000 |

Lease Obligations

| <u>Date of Issue</u> | <u>Original Amount</u> | <u>Purpose</u> | <u>Final Maturity</u> | <u>Est. Principal Outstanding As of 1-14-16</u> |
|----------------------|------------------------|------------------------------|-----------------------|---|
| 4-1-11 | \$4,620,000 | Municipal Building Refunding | 8-1-2023 | \$3,275,000* |

* This issue is payable from rental payments made by the City pursuant to a lease purchase agreement. The rental payments are annually appropriated by the City. This issue is subject to the legal debt limit.

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Estimated Calendar Year Debt Service Payments Including the Bonds

| <u>Year</u> | <u>G.O. Debt Supported Solely by Taxes</u> | | <u>G.O. Special Assessment Debt</u> | |
|----------------|--|-------------------------------------|---|-------------------------------------|
| | <u>Principal</u> | <u>Principal & Interest</u> | <u>Principal</u> | <u>Principal & Interest</u> |
| 2016 (at 1-14) | \$ 685,000 | \$ 889,731 | \$ 200,000 | \$ 283,476 |
| 2017 | 720,000 | 910,681 | 175,000 | 254,066 |
| 2018 | 740,000 | 916,081 | 185,000 | 258,623 |
| 2019 | 760,000 | 919,681 | 175,000 | 243,198 |
| 2020 | 765,000 | 906,606 | 190,000 | 252,666 |
| 2021 | 660,000 | 784,431 | 195,000 | 251,604 |
| 2022 | 685,000 | 792,931 | 175,000 | 225,729 |
| 2023 | 485,000 | 579,281 | 150,000 | 195,441 |
| 2024 | 495,000 | 578,463 | 160,000 | 200,454 |
| 2025 | 505,000 | 576,800 | 170,000 | 205,441 |
| 2026 | 515,000 | 573,638 | 115,000 | 146,230 |
| 2027 | 525,000 | 569,256 | 80,000 | 108,320 |
| 2028 | 540,000 | 569,422 | 85,000 | 110,680 |
| 2029 | 360,000 | 376,500 | 85,000 | 107,960 |
| 2030 | 370,000 | 375,550 | 90,000 | 109,800 |
| 2031 | | | 85,000 | 101,300 |
| 2032 | | | 85,000 | 97,900 |
| 2033 | | | 90,000 | 99,400 |
| 2034 | | | 95,000 | 100,700 |
| 2035 | | | 95,000 | 96,900 |
| Total | \$8,810,000^(a) | \$10,319,052 | \$2,680,000^(b) | \$3,449,888 |

(a) 73.8% of this debt will be retired within ten years.

(b) 66.2% of this debt will be retired within ten years.

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**Estimated Calendar Year Debt Service Payments Including the Bonds
(Continued)**

| <u>Year</u> | <u>G.O. Revenue Debt</u> | | <u>Lease Obligations</u> | |
|----------------|-----------------------------------|---|--------------------------|---------------------------------|
| | <u>Principal</u> | <u>Principal & Interest^(a)</u> | <u>Principal</u> | <u>Principal & Interest</u> |
| 2016 (at 1-14) | \$ 960,000 | \$ 1,521,393 | \$ 365,000 | \$ 467,935 |
| 2017 | 1,550,000 | 2,182,426 | 375,000 | 469,540 |
| 2018 | 1,695,000 | 2,285,366 | 390,000 | 474,978 |
| 2019 | 1,750,000 | 2,297,648 | 400,000 | 474,058 |
| 2020 | 1,775,000 | 2,278,905 | 415,000 | 477,058 |
| 2021 | 1,820,000 | 2,275,560 | 430,000 | 478,155 |
| 2022 | 1,740,000 | 2,145,393 | 440,000 | 473,750 |
| 2023 | 1,700,000 | 2,054,705 | 460,000 | 477,250 |
| 2024 | 1,400,000 | 1,711,029 | | |
| 2025 | 1,385,000 | 1,661,232 | | |
| 2026 | 1,140,000 | 1,386,163 | | |
| 2027 | 960,000 | 1,183,028 | | |
| 2028 | 975,000 | 1,175,690 | | |
| 2029 | 1,005,000 | 1,180,724 | | |
| 2030 | 1,030,000 | 1,179,254 | | |
| 2031 | 1,065,000 | 1,186,708 | | |
| 2032 | 655,000 | 753,356 | | |
| 2033 | 675,000 | 753,991 | | |
| 2034 | 695,000 | 753,040 | | |
| 2035 | 720,000 | 755,771 | | |
| 2036 | <u>745,000</u> | <u>757,088</u> | | |
| Total | \$25,440,000^(b) | \$31,478,470 | \$3,275,000 | \$3,792,724 |

(a) Includes the Bonds at an assumed average annual interest rate of 2.44%.

(b) 62.0% of this debt will be retired within ten years.

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Other Debt Obligations

Operating Leases

The City currently leases three copier machines under one lease agreement that expires in August 2018 and calls for monthly lease payments of \$1,947.

The City also leases eight treadmills, eight elliptical machines, and four adaptive motion trainers under three separate lease agreements for its community center. These leases expire in September 2016 and each lease calls for monthly lease payments. Lease expenditures for the year ended December 31, 2014 totaled \$70,081, and future minimum annual lease payments are as follows:

| <u>Year Ended December 31</u> | <u>Copiers</u> | <u>Exercise Equipment</u> | <u>Total</u> |
|-----------------------------------|----------------|-------------------------------|---------------|
| 2015 | \$23,364 | \$34,738 | \$ 58,102 |
| 2016 | 23,364 | 26,557 | 49,921 |
| 2017 | 23,364 | 0 | 23,364 |
| 2018 | <u>15,576</u> | <u>0</u> | <u>15,576</u> |
| Total | \$85,668 | \$61,295 | \$146,963 |

Overlapping Debt

| <u>Taxing Unit^(a)</u> | 2014/15 <u>Adjusted Taxable Net Tax Capacity</u> | <u>Est. G.O. Debt As of 1-14-16^(b)</u> | <u>Debt Applicable to Tax Capacity in City</u> | |
|----------------------------------|---|---|--|------------------|
| | | | <u>Percent</u> | <u>Amount</u> |
| Ramsey County | \$ 480,922,805 | \$166,075,000 | 6.1% | \$10,130,575 |
| Ramsey County Library | 246,561,938 | 34,370,000 | 11.9 | 4,090,030 |
| ISD No. 621 (Mounds View) | 85,470,145 | 101,215,000 | 31.7 | 32,085,155 |
| ISD No. 623 (Roseville) | 60,425,378 | 39,470,000 | 3.6 | 1,420,920 |
| Metropolitan Council | 3,284,372,173 | 20,500,000 ^(c) | 0.9 | 184,500 |
| Metropolitan Transit | 2,617,722,263 | 292,095,000 ^(d) | 1.1 | <u>3,213,045</u> |
| Total | | | | \$51,124,225 |

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

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

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

^(d) Includes general obligation grant anticipation notes.

Debt Ratios*

| | <u>G.O. Direct Debt</u> | <u>G.O. Direct & Overlapping Debt</u> |
|---|-----------------------------|---|
| To 2014/15 Estimated Market Value (\$2,778,081,200) | 0.53% | 2.37% |
| Per Capita - (25,723 - 2014 MN State Demographer Estimate) | \$574 | \$2,561 |

* Excludes general obligation revenue debt and other debt obligations, and includes lease obligations.

CITY TAX RATES, LEVIES AND COLLECTIONS

**Tax Capacity Rates for a City Resident in Independent School District No. 621
(Mounds View)**

| | <u>2010/11</u> | <u>2011/12</u> | <u>2012/13</u> | <u>2013/14</u> | <u>2014/15</u> | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------------|
| | | | | | <u>Total</u> | <u>For Debt Only</u> |
| Ramsey County | 50.801% | 56.944% | 60.638% | 59.105% | 54.462% | 4.459% |
| City of Shoreview ^(a) | 30.869 | 33.506 | 37.259 | 37.835 | 35.196 | 2.554 |
| ISD No. 621 (Mounds View) ^(b) | 25.573 | 29.044 | 29.444 | 29.734 | 27.378 | 15.394 |
| Rice Creek Watershed District | 1.618 | 2.348 | 3.322 | 2.346 | 2.205 | - 0 - |
| Special Districts ^(c) | <u>10.614</u> | <u>11.979</u> | <u>12.479</u> | <u>12.109</u> | <u>11.434</u> | <u>2.603</u> |
| Total | 119.475% | 133.821% | 143.142% | 141.129% | 130.675% | 25.010% |

(a) Includes the Shoreview Housing and Redevelopment Authority.

(b) Independent School District No. 621 (Mounds View) also has a 2014/15 tax rate of 0.21901% spread on the market value of property in support of an excess operating levy.

(c) Includes the Metropolitan Council, Mosquito Control, Light Rail Authority, and Ramsey County Library.

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.

Tax Collections for the City

| <u>Levy/Collect</u> | <u>Net Levy*</u> | <u>Collected During Collection Year</u> | | <u>Collected and/or Abated As of 12-31-14</u> | |
|---------------------|----------------------|---|----------------|---|----------------|
| | | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| 2014/15 | \$10,267,918 | | | (In Process of Collection) | |
| 2013/14 | 9,941,264 | \$9,853,069 | 99.1% | \$9,892,398 | 99.5% |
| 2012/13 | 9,624,942 | 9,553,379 | 99.3 | 9,619,658 | 99.9 |
| 2011/12 | 9,290,028 | 9,212,291 | 99.2 | 9,280,858 | 99.9 |
| 2010/11 | 8,993,983 | 8,935,566 | 99.4 | 8,990,957 | 99.9 |

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

**FUNDS ON HAND
As of September 30, 2015**

| <u>Fund</u> | <u>Cash and Investments</u> |
|--------------------------------|-----------------------------|
| General | \$ 3,605,948 |
| Special Revenue | 3,494,017 |
| Capital Projects | 10,198,147 |
| Debt Service: | |
| G.O. Taxes | 248,258 |
| G.O. Special Assessments | 480,263 |
| G.O. Tax Increment | 4,260 |
| Lease Obligations | 503,142 |
| Closed Bond Fund | 1,177,724 |
| Enterprise: | |
| Water | 6,387,101 |
| Sewer | 3,671,188 |
| Surface Water | 1,282,141 |
| Street Light | 212,288 |
| Internal Service | 1,821,799 |
| Hockey Association Escrow | <u>402,761</u> |
| Total Cash and Investments | \$33,489,037 |

CITY INVESTMENTS

As of September 30, 2015, the City had investments with a total market value of \$33,381,850 and deposits of \$171,973. The following are investments allowed by State statute in which the City will be authorized to invest pursuant to the City's investment policy:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities, or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a national bond rating service, and all of the investments have a final maturity of 13 months or less, and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) Obligations of the State of Minnesota or any of its municipalities as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota housing finance agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptance of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.

- f) Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories by a national bond rating agency.
- g) Repurchase or reverse repurchase agreements and security lending agreements with financial institutions qualified as a “depository” by the governmental entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or, certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.
- h) General obligation temporary bonds of the same governmental entity issues under Section 429.178, subd. 5; or 475.61, subd. 6.

As of September 30, 2015, the City has invested in the following securities:

| <u>Type</u> | <u>Cost Basis</u> | <u>Percent of Portfolio</u> | <u>Market Value</u> |
|-------------------------|-------------------|-----------------------------|---------------------|
| Federal Home Loan Bank | \$ 3,134,724 | 9.36% | \$ 3,150,858 |
| Mutual Funds | 15,599,879 | 46.59 | 15,599,879 |
| FHLMC | 1,460,000 | 4.36 | 1,461,172 |
| FNMA | 2,007,347 | 5.99 | 2,000,050 |
| Municipal Bonds | 4,419,292 | 13.20 | 4,475,531 |
| Certificates of Deposit | 6,695,822 | 19.99 | 6,694,360 |
| Deposits | <u>171,973</u> | <u>0.51</u> | <u>171,973</u> |
| Total | \$33,489,037 | 100.00% | \$33,553,823 |

GENERAL INFORMATION CONCERNING THE CITY

The City is a northern suburb of the City of St. Paul and is located in Ramsey County. The City encompasses an area of approximately 12.6 square miles (8,064 acres).

Population

The City’s population trend is shown below.

| <u>Year</u> | <u>Population</u> | <u>Percent Change</u> |
|--------------------------------------|-------------------|-----------------------|
| 2014 MN State Demographer’s Estimate | 25,723 | 2.7% |
| 2010 U.S. Census Bureau | 25,043 | (3.4) |
| 2000 U.S. Census Bureau | 25,924 | 5.4 |
| 1990 U.S. Census Bureau | 24,587 | 42.1 |
| 1980 U.S. Census Bureau | 17,300 | -- |

Sources: Minnesota State Demographic Center, <http://www.demography.state.mn.us/> and United States Census Bureau, <http://www.census.gov/>.

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

| Data Year/ Report Year | <u>0-17</u> | <u>18-34</u> | <u>35-64</u> | <u>65 and Over</u> |
|---------------------------|-------------|--------------|--------------|--------------------|
| 2014/15 | 5,303 | 5,119 | 11,208 | 4,438 |
| 2013/14 | 5,233 | 4,891 | 11,219 | 4,212 |
| 2012/13 | 5,381 | 4,678 | 11,502 | 4,029 |

Source: Claritas, Inc.

Transportation

Major transportation routes in and near the City provide easy access for workers commuting into the City, as well as for City residents commuting to jobs throughout the Minneapolis-St. Paul metropolitan area. Interstate Highway 694 crosses east-west through the southern portion of the City, Interstate Highway 35W runs north-south along the northwest corner of the City, and Highway 96 runs east-west through the City. Public transportation options are also available through Metro Transit.

Major Employers

| <u>Employer</u> | <u>Product/Service</u> | <u>Approximate Number of Employees</u> |
|----------------------------|-----------------------------------|--|
| Wells Fargo Bank, N.A. | Banking services | 1,200 |
| Deluxe Corporation | Forms and bank checks printing | 1,150 |
| Land O' Lakes | Food and dairy industry | 800 |
| Cummins Power Generation | Headquarters | 600 |
| Target Corporation | Discount retail | 500 |
| TSI Incorporated | Electronics manufacturer | 485 |
| DJO Global-Empi Inc. | Biomedical manufacturing | 430 |
| Hill-Rom Corporation | Medical technologies manufacturer | 400 |
| Westinghouse (PaR Nuclear) | Nuclear industry services | 300 |
| Fiserv | Mobile banking | 200 |
| Par Systems | Robotics systems | 200 |

Source: City of Shoreview.

Labor Force Data

| | <u>Annual Average</u> | | | | <u>September 2015</u> |
|---|-----------------------|-------------|-------------|-------------|---------------------------|
| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | |
| Labor Force: | | | | | |
| City of Shoreview | 14,784 | 14,863 | 14,933 | 14,467 | 14,552 |
| Ramey County | 273,375 | 274,598 | 275,329 | 277,177 | 278,506 |
| Minneapolis-St. Paul Bloomington MSA | 1,848,525 | 1,857,426 | 1,865,647 | 1,917,301 | 1,925,078 |
| State of Minnesota | 2,970,653 | 2,969,607 | 2,973,511 | 2,974,102 | 2,988,729 |
| Unemployment Rate: | | | | | |
| City of Shoreview | 5.4% | 4.6% | 3.9% | 3.2% | 2.7% |
| Ramsey County | 6.6 | 5.8 | 5.0 | 3.9 | 3.3 |
| Minneapolis-St. Paul Bloomington MSA | 6.3 | 5.5 | 4.8 | 3.9 | 3.1 |
| State of Minnesota | 6.5 | 5.6 | 5.1 | 4.1 | 3.2 |

Source: Minnesota Department of Employment and Economic Development, <http://www.positivelyminnesota.com>. 2015 data are preliminary.

Retail Sales and Effective Buying Income (EBI)

City of Shoreview

| <u>Data Year/ Report Year</u> | <u>Total Retail Sales (\$000)</u> | <u>Total EBI (\$000)</u> | <u>Median Household EBI</u> |
|-----------------------------------|---------------------------------------|------------------------------|---------------------------------|
| 2014/15 | \$156,827 | \$933,592 | \$66,694 |
| 2013/14 | 124,047 | 844,895 | 62,260 |
| 2012/13 | 128,776 | 875,545 | 59,452 |

Ramsey County

| <u>Data Year/ Report Year</u> | <u>Total Retail Sales (\$000)</u> | <u>Total EBI (\$000)</u> | <u>Median Household EBI</u> |
|-----------------------------------|---------------------------------------|------------------------------|---------------------------------|
| 2014/15 | \$5,984,634 | \$12,840,802 | \$46,377 |
| 2013/14 | 5,792,067 | 11,572,943 | 43,160 |
| 2012/13 | 6,042,244 | 11,289,070 | 40,372 |
| 2011/12 | 7,666,022 | 10,874,635 | 42,043 |
| 2010/11 | 7,668,794 | 10,971,610 | 42,425 |

The 2014/15 Median Household EBI for the State of Minnesota was \$50,560. The 2014/15 Median Household EBI for the United States was \$45,448.

Source: Claritas, Inc.

Permits Issued by the City

| <u>Year</u> | <u>New Single Family Residential</u> | | <u>New Commercial/Industrial</u> | | <u>Total Value (All Permits)*</u> |
|----------------|--|--------------|--------------------------------------|--------------|---------------------------------------|
| | <u>Number</u> | <u>Value</u> | <u>Number</u> | <u>Value</u> | |
| 2015 (to 9-30) | 14 | \$4,271,000 | 1 | \$1,500,000 | \$16,592,411 |
| 2014 | 28 | 8,218,650 | 2 | 1,580,000 | 40,316,622 |
| 2013 | 6 | 2,780,000 | 1 | 1,285,000 | 42,356,013 |
| 2012 | 13 | 3,700,000 | 2 | 3,710,000 | 29,935,258 |
| 2011 | 11 | 3,889,000 | -- | -- | 21,890,958 |
| 2010 | 9 | 3,030,000 | -- | -- | 42,073,261 |
| 2009 | 14 | 5,121,000 | -- | -- | 18,331,621 |

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

Source: City of Shoreview.

Recent Development

The City is in the midst of significant economic growth bringing new retail services and dining choices, expanded housing options, and added jobs and tax base with several high profile business expansions.

Retail Growth

Best Western Plus and Green Mill. Work has been completed on the major renovations to the Green Mill restaurant and Hampton Inn hotel at 1000 Gramsie Road. The property owner is converting the hotel to a Best Western Plus in 2016, as well as revamping the Green Mill restaurant. The hotel received upgrades

to interior spaces including guest rooms, addition of elevators, and expanded banquet space. The Green Mill will be completely redesigned and will have a much larger outdoor patio space.

Raising Cane's. A site plan was approved in 2014 and building permit issued in 2015 for a Raising Cane's restaurant. Construction started in April of 2015 and Raising Cane's held a grand opening event on October 8, 2015. The restaurant was constructed on a building pad created in the auxiliary parking lot of Super Target along Lexington Avenue, just north of the YMCA. The restaurant chain is very popular in the southern portion of the United States, with a growing Midwest market.

Ally Financial. The Shoreview EDA (the "EDA") provided support to the property owner/management group for the Shoreview Corporate Center in an effort to attract Ally Financial to the campus. The City Council and the EDA endorsed an amendment to the Municipal Code establishing special permitted parking zones, which allows for off-site permit parking for Ally Financial employees. The multi-million dollar tenant improvements have been completed and Ally Financial has now taken occupancy in its new 60,000 square foot building. The company is moving 150 current employees to the facility while also creating 250 additional jobs by 2017.

Eagle Ridge Partners. Eagle Ridge Partners has reacquired the Shoreview Corporate Center complex, which it had previously owned 16 years ago. The Shoreview Corporate Center consists of five separate buildings totally 553,000 square feet of space. The campus includes Land O' Lakes Corporation operating out of the 1050 and 1080 Country Road F buildings with approximately 800 employees, and Hill-Rom Corporation located in the 1020 County Road F property with approximately 400 employees. The City has been working with Eagle Ridge Partners regarding the potential redevelopment or renovated/repurposed 1005 Gramsie Road building, the largest of the buildings on campus at 160,000 square feet. Eagle Ridge Partners plans to undertake significant reinvestment in the property to modernize the campus.

Rainbow Foods Redevelopment. Roundy's Corporation, the parent company of Rainbow Foods, announced that they were leaving the Twin Cities' market and selling many of their holdings. Roundy's closed nine of their stores in the summer of 2014, including the Rainbow Foods in Shoreview on Hodgson Road and Highway 96. The EDA immediately began to formulate a strategy for securing a quality re-use of the vacant building or full redevelopment of the property and City staff has been working with both the property owner and a developer to determine redevelopment alternatives for the site. Another quality grocer, Kowalski's Market, has been pursued and has formally applied with the developer for a project that would involve over \$20 million in new investment for the re-use of the existing 68,000 square-foot building. The project is also expected to include a freestanding quality sit-down restaurant. Formal City approvals are expected over the winter, with construction starting in the spring of 2016 and completion by the spring of 2017.

Rice Street/I-694 Redevelopment. Elevage Development Group has formally applied for a Planned Unit Development approval for an upscale mixed-use housing and retail redevelopment at the northwest corner of County Road E and Rice Street. The concept includes a multi-story high end market rate rental apartment building of approximately 146 units with underground parking, first floor restaurant and retail spaces, and 14 luxury townhomes. The project would involve the tear down of the old retail center property, as well as three adjacent single-family residential properties that were all acquired by the developer. The developer hopes to receive formal approvals in the winter of 2015/16 and begin construction by spring of 2016.

Shoreview Business Campus. Shoreview Business Campus is located along Lexington Avenue between County Road F and Victoria Street (just south of the Weston Woods townhouse neighborhood, north of Shoreview Hills Apartments and east of Boston Scientific). The existing 50,000 square-foot multi-tenant building includes the Allina Clinic, Courage-Kenny Sports & Physical Therapy, and Torax Medical. The City is working with commercial real estate broker TaTonka Real Estate Advisors, representing the ownership of the Shoreview Business Campus, on their interest in selling and developing the remaining 10 acres of vacant land in the project.

County Regional Library. Construction has begun on a new Ramsey County regional library in the Shoreview Commons, near the northeast corner of Highway 96 and Victoria Street. The new \$15.8 million Shoreview Library is being designed as a regional library, and will include public library service area, community space, and administrative offices for the overall County Library system (currently located in the existing library). The existing library building is being purchased by the Mounds View School District from Ramsey County, and will be renovated to accommodate their district administrative services.

The new Shoreview Regional Library will be a modern designed facility of approximately 38,000 square feet. The existing library will continue to operate throughout the construction until closing in December 2016 to move materials over to the new regional library for opening in January of 2017. It is expected that the Mounds View School District would take possession of the existing library building in early 2017, and then proceed with their plans for tenant improvements.

Housing Development

Autumn Meadows. Autumn Meadows is the 25-lot single family subdivision under construction by Pulte Homes in the northern portion of the City off of Lexington Avenue between Woodcrest and Bucher Avenues. The developer received strong interest and the project has developed quickly with only four lots still available for purchase.

Applewood Pointe of Shoreview. Construction began in September 2014 on the 77-unit senior housing cooperative called Applewood Pointe of Shoreview by United Properties on the old Kozlak's Royal Oak Restaurant property at Tanglewood Drive and Hodgson Road. The project has been completed and 74 of the 77 units have been sold.

Villas of Shoreview. Site and building plans have been approved by the City for a proposed addition to the Shoreview Senior Living campus along Hodgson Road. A separate 31-unit market rate senior apartment building called Villas of Shoreview would complement the existing housing mix of market rate, assisted, and memory care on the property.

Owasso Beach. Owasso Beach is a 10-lot single-family subdivision by Zawadski Homes in the southern portion of the City. The developer has started grading and utility work. Most of the home construction is expected to begin in the spring of 2016 in the price range of \$450,000 to \$700,000.

Zibell Subdivision. The City has recently approved an eight-lot single family subdivision on the west side of the City, and the project is expected to begin in early 2016.

Financial Services*

Financial services are provided within the City by branch offices of U.S. Bank National Association, and Wells Fargo Bank, National Association. Additional financial services are available to City residents throughout the Minneapolis-St. Paul metropolitan area.

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

* This does not purport to be a comprehensive list.

Health Care Services

The following is a summary of health care facilities located in the City:

| <u>Facility</u> | <u>Type of Facility</u> | <u>No. of Beds</u> |
|-------------------------|-------------------------|--------------------|
| Axis on Glenhill | Assisted Living | 4 |
| ARC Home on Dawn | Assisted Living | 4 |
| Dungarvin Camara | Assisted Living | 5 |
| Lake Owasso Residence | Assisted Living | 64 |
| Rem Ramsey Inc. Hodgson | Assisted Living | 6 |

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

Education

Public Education

The following independent school districts serve the residents of the City:

| <u>School</u> | <u>Location</u> | <u>Grades</u> | <u>2014/15* Enrollment</u> |
|------------------------------|---------------------|---------------|--------------------------------|
| I.S.D. No. 621 (Mounds View) | City of Mounds View | K-12 | 11,011 |
| I.S.D. No. 623 (Roseville) | City of Roseville | K-12 | 7,530 |

* 2015/16 enrollment figures are not yet available.

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

Non-Public Education

City residents are also served by the following private schools:

| <u>School</u> | <u>Location</u> | <u>Grades</u> | <u>2014/15* Enrollment</u> |
|---------------------|-------------------|---------------|--------------------------------|
| St. Odilia School | City of Shoreview | K-8 | 418 |
| Oak Hill Montessori | City of Shoreview | K-8 | 118 |

* 2015/16 enrollment figures are not yet available.

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

Post-Secondary Education

Located near the City are Bethel University and Northwestern College, both private four-year colleges. The University of Minnesota-Twin Cities, is approximately ten miles from the City.

GOVERNMENTAL ORGANIZATION AND SERVICES

Organization

The City was incorporated in 1957 and became a statutory city on January 1, 1974. The City's governing body is the City Council, comprised of the Mayor and four Council members. The Mayor serves a two-year term of office, and the Council members are elected at-large to serve overlapping four-year terms. The present Council is comprised of members as follows:

| | | <u>Expiration of Term</u> |
|------------------|----------------|---------------------------|
| Sandra C. Martin | Mayor | December 31, 2016 |
| Emy Johnson | Council Member | December 31, 2016 |
| Terry Quigley | Council Member | December 31, 2018 |
| Ady Wickstrom | Council Member | December 31, 2016 |
| Cory Springhorn | Council Member | December 31, 2018 |

The chief administrative officer of the City is the City Manager, Mr. Terry C. Schwerm. Mr. Schwerm has served in this position since 1993. Financial operations of the City are the responsibility of the Finance Director/Treasurer, Mr. Fred Espe, who had previously held the position of Assistant Finance Director for the City since 1998. Mr. Tom Simonson serves as the Assistant City Manager and Director of Community Development, and has been with the City for 22 years.

Services

The City's water system consists of six wells, two 1.5 million gallon elevated storage tanks, a one million gallon underground reservoir, and a booster station. The water system has a total pumping capacity of 14.4 million gallons per day. Average daily demand is 3.3 million gallons and peak demand is 10.1 million gallons per day.

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

Xcel Energy provides electricity and natural gas service to City residents and Qwest provides telephone service.

The City contracts with the Lake Johanna Volunteer Fire Department for fire protection services. The Lake Johanna Fire Department is a non-profit corporation consisting of a full-time fire chief and approximately 60 volunteer firefighters. The department has four fire stations, two of which are owned by the City. A seven-member board governs the department, and two of the board members are selected by the City. The City's current contract with the department expires on December 31, 2018, with automatic five-year extensions.

The City is responsible for all major repairs to the City's buildings, vehicles and equipment in excess of \$2,500. The City has a Class 3 insurance rating.

The City contracts with the Ramsey County Sheriff's Department for police services.

The City's Parks and Recreation Department manages an extensive park system consisting of ten parks with a total of 268 acres of park land. The City has an 111,000 square-foot community center, which includes a swimming pool, gymnasium, fitness center, two community rooms, and several meeting rooms.

Labor Contracts

The City does not have any labor contracts.

Capital Improvement Plan

The City maintains a five-year Capital Improvement Plan for future infrastructure maintenance and asset replacement that utilizes revolving funds to minimize future borrowing needs. A large share of the City's debt is financed through special assessments and tax increment, thus decreasing the need for general obligation debt supported by taxes. The policy provides long-term planning and future financing strategies for capital replacement costs. A required element of the policy is a continuum plan, prepared on an annual basis, covering the replacement of all capital assets.

All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota ("PERA"). PERA administers the General Employees Retirement Fund ("GERF"), which is a cost-sharing multiple-employer retirement plan. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan.

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

| | <u>GERF</u> |
|------|-------------|
| 2014 | \$398,328 |
| 2013 | 395,304 |
| 2012 | 387,654 |
| 2011 | 383,811 |
| 2010 | 366,692 |

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

| | <u>PEDCP</u> |
|------|--------------|
| 2014 | \$1,477 |
| 2013 | 1,477 |
| 2012 | 1,461 |
| 2011 | 1,461 |
| 2010 | 1,446 |

For more information regarding the liability of the City with respect to its employees, please reference "Note 7, Pension Plans" of the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2014, an excerpt of which is included as Appendix IV of this Official Statement.

Source: City's Comprehensive Annual Financial Reports.

Other Postemployment Benefits

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

Total Operating Funds*

| | <u>2014 Budget</u> | <u>2014 Actual</u> | <u>2015 Budget</u> |
|----------------------------|--------------------|--------------------|--------------------|
| Revenues: | | | |
| Property Taxes | \$ 7,739,154 | \$ 7,579,552 | \$ 7,960,335 |
| Special Assessments | 100,850 | 251,555 | 199,945 |
| Licenses and Permits | 324,500 | 628,033 | 330,100 |
| Intergovernmental | 365,392 | 744,647 | 529,052 |
| Charges for Services | 6,037,173 | 6,039,558 | 6,099,728 |
| Fines and Forfeits | 52,800 | 49,430 | 48,800 |
| Utility Charges | 8,294,577 | 8,197,649 | 8,748,257 |
| Central Garage Charges | 1,242,855 | 1,240,763 | 1,256,090 |
| Interest Earnings | 153,000 | 820,014 | 160,070 |
| Other Revenues | <u>102,808</u> | <u>236,505</u> | <u>102,427</u> |
| Total Revenues | \$24,413,109 | \$25,787,706 | \$25,434,804 |
| Expenditures: | | | |
| General Government | \$ 2,442,375 | \$ 2,313,708 | \$ 2,492,726 |
| Public Safety | 3,000,223 | 3,326,747 | 3,424,835 |
| Public Works | 2,086,295 | 1,987,837 | 2,117,650 |
| Parks and Recreation | 5,759,484 | 5,588,910 | 5,867,782 |
| Community Development | 742,615 | 749,016 | 788,769 |
| Enterprise Operations | 5,817,212 | 5,543,821 | 5,961,999 |
| Central Garage | 599,799 | 633,542 | 621,453 |
| Miscellaneous | 40,000 | 159,604 | 40,000 |
| Debt Service | 2,213,943 | 2,332,838 | 2,066,335 |
| Depreciation | <u>1,935,000</u> | <u>1,913,615</u> | <u>1,991,000</u> |
| Total Expenditures | \$24,636,946 | \$24,549,638 | \$25,371,949 |
| Other Sources (Uses): | | | |
| Sale of Asset-Gain | \$ 29,000 | \$ 60,546 | \$ 0 |
| Debt Proceeds | 0 | 0 | 10,000 |
| Refunding Debt Proceeds | 0 | 105,822 | 0 |
| Debt Refunding | (860,000) | (860,000) | (1,490,000) |
| Contribution Assets | 0 | 304,122 | 0 |
| Transfers In | 2,070,010 | 2,675,045 | 2,130,321 |
| Transfers Out | <u>(1,347,010)</u> | <u>(1,926,240)</u> | <u>(1,429,400)</u> |
| Total Other Sources (Uses) | \$ (108,000) | \$ 359,295 | \$ (779,079) |
| Net Change | \$ (331,837) | \$ 1,597,363 | \$ (716,224) |

* Includes general, special revenue, debt service, utility, and internal service funds.

Sources: City of Shoreview's 2014 Comprehensive Annual Financial Report and 2015 Budget.

General Fund

| | <u>2014 Actual</u> | <u>2015 Budget</u> | <u>2015 Estimated</u> |
|----------------------------|--------------------|--------------------|-----------------------|
| Revenues: | | | |
| Property Taxes | \$6,698,037 | \$7,023,335 | \$7,023,335 |
| Licenses and Permits | 628,033 | 330,100 | 375,625 |
| Intergovernmental | 574,419 | 455,032 | 529,222 |
| Charges for Services | 1,352,056 | 1,303,810 | 1,256,160 |
| Fines and Forfeits | 49,430 | 48,800 | 45,770 |
| Interest Earnings | 197,442 | 50,000 | 50,000 |
| Other Revenues | <u>28,974</u> | <u>26,227</u> | <u>25,250</u> |
| Total Revenues | \$9,528,391 | \$9,237,304 | \$9,305,362 |
| Expenditures: | | | |
| General Government | \$2,085,152 | \$2,232,248 | \$2,199,002 |
| Public Safety | 3,326,747 | 3,424,835 | 3,459,450 |
| Public Works | 1,473,395 | 1,573,363 | 1,527,403 |
| Parks and Recreation | 1,690,438 | 1,760,187 | 1,824,119 |
| Community Development | <u>598,321</u> | <u>616,671</u> | <u>621,884</u> |
| Total Expenditures | \$9,174,053 | \$9,607,304 | \$9,631,858 |
| Other Sources (Uses): | | | |
| Sale of Asset-Gain | \$ 203 | \$ 0 | \$ 0 |
| Transfers In | 692,000 | 748,000 | 817,404 |
| Transfers Out | <u>(902,749)</u> | <u>(378,000)</u> | <u>(378,000)</u> |
| Total Other Sources (Uses) | \$ (210,546) | \$ 370,000 | \$ 439,404 |
| Net Change | \$ 143,792 | \$ 0 | \$ 112,908 |

Source: City of Shoreview.

Major General Fund Revenue Sources

| <u>Revenue</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Property Taxes | \$6,170,162 | \$6,265,673 | \$6,374,969 | \$6,623,723 | \$6,698,037 |
| Charges for Services | 1,226,101 | 1,198,357 | 1,262,088 | 1,619,489 | 1,352,056 |
| Licenses and Permits | 501,198 | 441,243 | 540,755 | 648,306 | 628,033 |
| Transfers in | 312,000 | 471,450 | 481,000 | 519,000 | 692,000 |
| Intergovernmental | 187,717 | 188,521 | 187,149 | 395,433 | 574,419 |

Sources: City's Comprehensive Annual Financial Reports.

PROPOSED FORM OF LEGAL OPINION



City of Shoreview
Shoreview, Minnesota

[Original Purchaser]

Re: \$_____ General Obligation
Utility Revenue Bonds, Series 2016A
City of Shoreview, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by the City of Shoreview, Minnesota (the City), of the obligations described above (the Bonds), dated, as originally issued, as of January 14, 2016, we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds 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 from net revenues of the municipal water, sewer and storm sewer systems, which revenues are expected to produce amounts sufficient to pay the principal of and interest on the Bonds when due, but if necessary for payment thereof, 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 Bond (a) is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax; (c) is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts and (d) is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal alternative minimum tax.

4. The City has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the Code), and financial institutions described in Section 265(b)(5) of the Code may treat the Bonds for purposes of Sections 265(b)(2) and 291(e)(1)(B) of the Code as if they were acquired on August 7, 1986.

The opinions expressed in paragraphs 1 and 2 above are subject to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the exercise of judicial discretion.

The opinions expressed in paragraph 3 and 4 above are subject to the condition of the City's compliance 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 may be, and continue to be, excluded from gross income for federal income tax purposes and that the Bonds be and continue to be qualified tax-exempt obligations. The City has covenanted to comply with these continuing requirements. Its failure to do so could result in the inclusion of interest on the Bonds in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Bonds. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to holders of the Bonds.

Dated this ____ day of _____, 2016.

Very truly yours,

CONTINUING DISCLOSURE COVENANTS

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2015, the following financial information and operating data in respect of the City (the Disclosure Information):
 - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and
 - (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: "City Property Values;" "City Indebtedness;" and "City Tax Rates, Levies and Collections."

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days

after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access System (EMMA) or to the SEC. The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be described in paragraph (2) hereof, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events:
 - (A) Principal and interest payment delinquencies;
 - (B) Non-payment related defaults, if material;
 - (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (E) Substitution of credit or liquidity providers, or their failure to perform;
 - (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds;
 - (G) Modifications to rights of Bond holders, if material;
 - (H) Bond calls, if material, and tender offers;
 - (I) Defeasances;
 - (J) Release, substitution, or sale of property securing repayment of the Bonds, if material;
 - (K) Rating changes;
 - (L) Bankruptcy, insolvency, receivership or similar event of the obligated person;
 - (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (N) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

As used herein, for those events that must be reported if material, an event is “material” if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also “material” if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (3) In a timely manner, notice of the occurrence of any of the following events or conditions:
 - (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
 - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
 - (C) the termination of the obligations of the City under this section pursuant to subsection (d);
 - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
 - (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have

complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

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

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

Property Valuations (Chapter 273, Minnesota Statutes)

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

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

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

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

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

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

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

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

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

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

Property Tax Credits (Chapter 273, Minnesota Statutes)

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

Debt Limitations

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

1. Obligations issued for improvements 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 2012-2014</u> | <u>Local Tax Payable 2015</u> | <u>Local Tax Payable 2016</u> |
|--|------------------------------------|-------------------------------|-------------------------------|
| Residential Homestead (1a) | | | |
| Up to \$500,000 | 1.00% | 1.00% | 1.00% |
| Over \$500,000 | 1.25% | 1.25% | 1.25% |
| Residential Non-homestead | | | |
| Single Unit (4bb1) | | | |
| Up to \$500,000 | 1.00% | 1.00% | 1.00% |
| Over \$500,000 | 1.25% | 1.25% | 1.25% |
| 1-3 unit and undeveloped land (4b1) | 1.25% | 1.25% | 1.25% |
| Market Rate Apartments | | | |
| Regular (4a) | 1.25% | 1.25% | 1.25% |
| Low-Income (4d) | 0.75% | | |
| Up to \$100,000 | | 0.75% | |
| Over \$100,000 | | 0.25% | |
| Up to \$106,000 | | | 0.75% |
| Over \$106,000 | | | 0.25% |
| Commercial/Industrial/Public Utility (3a) | | | |
| Up to \$150,000 | 1.50% ^(a) | 1.50% ^(a) | 1.50% ^(a) |
| Over \$150,000 | 2.00% ^(a) | 2.00% ^(a) | 2.00% ^(a) |
| Electric Generation Machinery | 2.00% | 2.00% | 2.00% |
| Commercial Seasonal Residential | | | |
| Homestead Resorts (1c) | | | |
| Up to \$600,000 | 0.55% | 0.50% | 0.50% |
| \$600,000 - \$2,300,000 | 1.00% | 1.00% | 1.00% |
| Over \$2,300,000 | 1.25% ^(a) | 1.25% ^(a) | 1.25% ^(a) |
| Seasonal Resorts (4c) | | | |
| Up to \$500,000 | 1.00% ^(a) | 1.00% ^(a) | 1.00% ^(a) |
| Over \$500,000 | 1.25% ^(a) | 1.25% ^(a) | 1.25% ^(a) |
| Non-Commercial (4c12) | | | |
| Up to \$500,000 | 1.00% ^{(a)(b)} | 1.00% ^{(a)(b)} | 1.00% ^{(a)(b)} |
| Over \$500,000 | 1.25% ^{(a)(b)} | 1.25% ^{(a)(b)} | 1.25% ^{(a)(b)} |
| Disabled Homestead (1b) | | | |
| Up to \$50,000 | 0.45% | 0.45% | 0.45% |
| Agricultural Land & Buildings | | | |
| Homestead (2a) | | | |
| Up to \$500,000 | 1.00% | 1.00% | 1.00% |
| Over \$500,000 | 1.25% | 1.25% | 1.25% |
| Remainder of Farm | | | |
| Up to \$2,140,000 ^(c) | 0.50% ^(b) | 0.50% ^(b) | 0.50% ^(b) |
| Over \$2,140,000 ^(c) | 1.00% ^(b) | 1.00% ^(b) | 1.00% ^(b) |
| Non-homestead (2b) | 1.00% ^(b) | 1.00% ^(b) | 1.00% ^(b) |

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

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

^(c) Legislative increases, payable 2016. Historical valuations are: Payable 2015 - \$1,900,000; Payable 2014 - \$1,500,000; Payable 2013 - \$1,290,000; and Payable 2012 - \$1,210,000.

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

EXCERPT OF 2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Data on the following pages has been extracted from the City's audited Comprehensive Annual Financial Report (CAFR) for fiscal year ended December 31, 2014. The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here.

The City's Comprehensive Annual Financial Reports for the fiscal years ended December 31, 1984 through 2014, were awarded the Certificate of Achievement For Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in State and local government financial reporting.

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

**FINANCIAL SECTION –
INDEPENDENT AUDITOR’S REPORT AND MD&A**

II. FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Shoreview, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shoreview, Minnesota (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the respective budgetary comparison information for the General Fund and the major special revenue funds, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining and individual nonmajor fund statements and schedules, the supplementary financial information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

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

Minneapolis, Minnesota
May 20, 2015

Management's Discussion and Analysis

As management of the City of Shoreview, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii–vii of this report.

Financial Highlights

- The assets of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$93,262,596 (net position). Of this amount, \$22,046,186 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$6,478,880 as a result of a \$5,390,719 increase in net position for governmental activities and a \$1,088,161 increase in net position for business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,775,799, an increase of \$3,434,399 in comparison with the prior year. Approximately 17.6 percent of this amount (\$3,475,514) is considered unassigned and available for spending at the City's discretion.
- The unassigned fund balance for the General Fund was \$4,383,445 or 47.8 percent of the total General Fund expenditures. Fund balance in the General Fund increased \$143,792 during the year.
- The City's total governmental activity bonded and certificate of participation debt increased by \$2,400,000 (excluding premiums) from the prior year. During 2013 the City issued \$1,380,000 of general obligation street refunding bonds in order to take advantage of lower interest rates to reduce future interest costs. Due to the structure of the refunding issue the City is required to report both the principal of the new refunding issue and old refunded bonds (\$1,385,000) on its financial statements until the refunded (old) bonds are called for redemption on February 1, 2015. The City has placed \$1,397,098 in escrow for the payment of principal on the refunded (old) bonds and interest on the refunding bonds on the call date. During 2014 the City issued \$4,770,000 of general obligation refunding bonds in order to take advantage of lower interest rates to reduce future interest costs and to eliminate the risk that the federal government will further reduce or eliminate the federal direct pay tax credits on the refunded bonds. The refunded bonds will be called for redemption on February 1, 2015, due to the structure of the refunding the City is required to report both the principal of the new refunding issue and old refunded bonds (\$5,145,000) on its financial statements until the call date.
- During 2014 the City's business-type activity bonded debt increased \$260,000 (excluding premiums) from the prior year. During 2014 the City issued \$1,910,000 of general obligation refunding bonds in order to take advantage of lower interest rates to reduce future interest costs and to eliminate the risk that the federal government will further reduce or eliminate the federal direct pay tax credits on the refunded bonds. The refunded bonds will be called for redemption on February 1, 2015, due to the structure of the refunding the City is required to report both the principal of the new refunding issue and old refunded bonds (\$2,125,000) on its financial statements until the call date.

- The City's capital assets decreased \$1,887,742, or 2.9% for governmental activities, and increased \$575,942 or 1.8% for business type activities.

Overview of the Financial Statements

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

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

The Statement of Net Position presents information on all of the City's assets and liabilities, and deferred inflows/outflows (as applicable), with the differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through use fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and community development. The business-type activities of the City include water, sewer, surface water management, and street light services.

The government-wide financial statements can be found on pages 21-23 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual major governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Community Center Operation Fund, Recreation Programs Fund, G.O. Improvement Bonds of 2013 Fund, Municipal State Aid Fund, Street Renewal Fund, General Fixed Asset Replacement Fund, Community Investment Fund, and Owasso Street Realignment Fund which are considered to be major funds.

Data from all other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 24-28 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, surface water management, and street light operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central garage, short-term disability insurance, and liability claims functions. Because each of these services predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, surface water management, and street light operations, which are considered to be major funds of the City. Conversely, all three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 29-31 of this report.

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

The agency fund Statement of Assets and Liabilities can be found on page 32 of this report.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 33-69 of this report.

Other information. The City adopts an annual appropriated budget for its General Fund and special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with their respective budgets. For the General Fund and major special revenue funds these schedules are presented as required supplementary information following the Notes to Financial Statements, while budgetary schedules for nonmajor special revenue funds are included within the Combining and Individual Nonmajor Funds Statements and Schedules section of this report. The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on budgeted comparisons. Combining and individual fund statements and schedules can be found on pages 82-116 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred inflows of resources by \$93,262,596 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (\$63,738,325 or 68 percent) reflects its investment in capital assets (e.g. infrastructure, land, buildings, and machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-------------------------|----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 31,204,693 | \$ 20,827,005 | \$ 10,927,324 | \$ 9,951,672 | \$ 42,132,017 | \$ 30,778,677 |
| Capital assets | 63,137,320 | 65,025,062 | 32,335,619 | 31,759,677 | 95,472,939 | 96,784,739 |
| Total assets | \$ 94,342,013 | \$ 85,852,067 | \$ 43,262,943 | \$ 41,711,349 | \$ 137,604,956 | \$ 127,563,416 |
| Long-term liabilities outstanding | \$ 21,153,699 | \$ 23,992,607 | \$ 8,719,250 | \$ 9,669,699 | \$ 29,872,949 | \$ 33,662,306 |
| Other liabilities | 9,410,553 | 4,590,582 | 3,348,797 | 1,934,915 | 12,759,350 | 6,525,497 |
| Total liabilities | \$ 30,564,252 | \$ 28,583,189 | \$ 12,068,047 | \$ 11,604,614 | \$ 42,632,299 | \$ 40,187,803 |
| Deferred inflows of resources | \$ 1,710,061 | \$ 591,897 | \$ - | \$ - | \$ 1,710,061 | \$ 591,897 |
| Net position | | | | | | |
| Net investment in capital assets | \$ 40,908,853 | \$ 41,391,324 | \$ 22,829,472 | \$ 21,332,825 | \$ 63,738,325 | \$ 62,724,149 |
| Restricted | 7,253,717 | 4,646,335 | 224,368 | 217,442 | 7,478,085 | 4,863,777 |
| Unrestricted | 13,905,130 | 10,639,322 | 8,141,056 | 8,556,468 | 22,046,186 | 19,195,790 |
| Total net position | \$ 62,067,700 | \$ 56,676,981 | \$ 31,194,896 | \$ 30,106,735 | \$ 93,262,596 | \$ 86,783,716 |

An additional portion of the City's net position (\$7,478,085 or 8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$22,046,186 or 24 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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

The net position of the City as a whole increased \$6,478,880 (7.5 percent) from \$86,783,716 at December 31, 2013 to \$93,262,596 at December 31, 2014. Governmental activities increased \$5,390,719 (9.5 percent) from the prior year while the business-type activities increased \$1,088,161 (3.6 percent) during the same period.

Governmental activities. Governmental activities increased the City's net position by \$5,390,719. Key elements of this increase are as follows:

City of Shoreview's Changes in Net Position

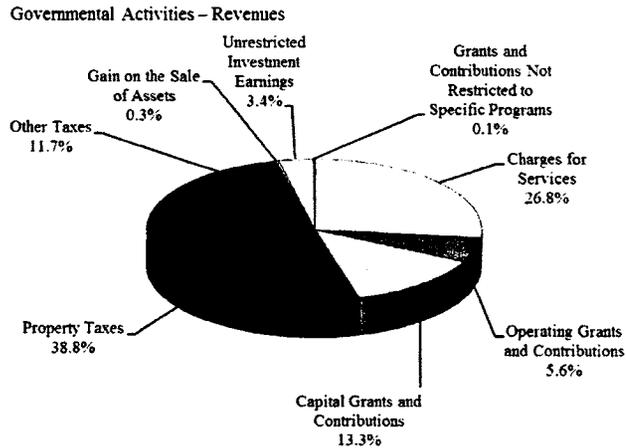
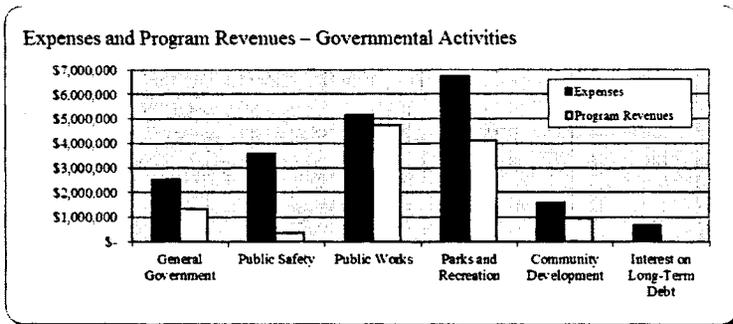
| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 6,755,464 | \$ 6,881,592 | \$ 8,207,503 | \$ 8,168,230 | \$ 14,962,967 | \$ 15,049,822 |
| Operating grants and contributions | 1,401,114 | 1,345,155 | - | - | 1,401,114 | 1,345,155 |
| Capital grants and contributions | 3,360,726 | 911,375 | 173,961 | 76,008 | 3,534,687 | 987,383 |
| General revenues | | | | | | |
| Property taxes | 9,776,446 | 9,666,218 | - | - | 9,776,446 | 9,666,218 |
| Tax increment collections | 1,816,702 | 1,882,775 | - | - | 1,816,702 | 1,882,775 |
| Franchise tax | 1,120,948 | 456,242 | - | - | 1,120,948 | 456,242 |
| Grants and contributions not restricted to specific programs | 33,218 | 33,500 | - | - | 33,218 | 33,500 |
| Unrestricted investment earnings | 849,339 | (553,422) | 328,537 | (235,147) | 1,177,876 | (788,569) |
| Gain on disposal of capital assets | 78,143 | 56,763 | - | - | 78,143 | 56,763 |
| Total revenues | 25,192,100 | 20,680,198 | 8,710,001 | 8,009,091 | 33,902,101 | 28,689,289 |
| Expenses | | | | | | |
| General government | 2,529,960 | 2,582,399 | - | - | 2,529,960 | 2,582,399 |
| Public safety | 3,568,459 | 3,543,388 | - | - | 3,568,459 | 3,543,388 |
| Public works | 5,178,104 | 6,798,886 | - | - | 5,178,104 | 6,798,886 |
| Parks and recreation | 6,726,335 | 6,123,840 | - | - | 6,726,335 | 6,123,840 |
| Community development | 1,580,709 | 2,210,253 | - | - | 1,580,709 | 2,210,253 |
| Interest on long-term debt | 680,281 | 730,200 | - | - | 680,281 | 730,200 |
| Water | - | - | 2,251,547 | 2,238,481 | 2,251,547 | 2,238,481 |
| Sewer | - | - | 3,569,836 | 3,498,374 | 3,569,836 | 3,498,374 |
| Surface water management | - | - | 1,032,375 | 954,828 | 1,032,375 | 954,828 |
| Street lights | - | - | 305,615 | 295,949 | 305,615 | 295,949 |
| Total expenses | 20,263,848 | 21,988,966 | 7,159,373 | 6,987,632 | 27,423,221 | 28,976,598 |
| Increase (decrease) in net position before transfers | 4,928,252 | (1,308,768) | 1,550,628 | 1,021,459 | 6,478,880 | (287,309) |
| Transfers | 462,467 | (130,957) | (462,467) | 130,957 | - | - |
| Increase (decrease) in net position | 5,390,719 | (1,439,725) | 1,088,161 | 1,152,416 | 6,478,880 | (287,309) |
| Net position - January 1 | 56,676,981 | 58,116,706 | 30,106,735 | 28,954,319 | 86,783,716 | 87,071,025 |
| Net position - December 31 | \$ 62,067,700 | \$ 56,676,981 | \$ 31,194,896 | \$ 30,106,735 | \$ 93,262,596 | \$ 86,783,716 |

- Charges for services for governmental activities decreased \$126,128 (1.8 percent) during the year. Significant changes from 2013 to 2014 include a \$118,360 (8.4 percent) decrease in general government charges, an \$85,367 (9.3 percent) decrease in public works charges, and a \$93,009 (2.5 percent) increase in parks and recreation charges. The general government and public works decreases are due mainly to decreases in administrative and engineering charges to capital project funds as a result of decreased City construction activity in 2014, (\$157,589) and (\$119,334) for general government and public works respectively. Increases in park and recreation charges are a result of increased recreation program fees (\$33,925) and community center daily admissions and membership fees (\$31,309). Revenues for public safety and community development are consistent with prior years in both amounts and types of revenue.
- Operating grants and contributions increased \$55,959 (4.2 percent) during the year. Significant changes from 2013 to 2014 included a \$114,102 increase in public safety, a \$255,269 decrease in public works and a \$202,450 increase in community development. The public safety increase is a result of increases in a state fire aid grant. The public works decrease is primarily the result of decreases in operating grants from other local governments for reimbursement of their allocated share of costs of the County Road D and Owasso Street Reconstruction projects. The community development increase is a result of a Metropolitan Council Livable Communities Act housing grant for the Lakeview Terrace apartment project.
- Capital grants and contributions increased \$2,449,351 (268.8 percent) during the year. Significant increases from 2013 to 2014 included a \$2,209,679 increase in public works and a \$239,672 increase in parks and recreation. The public works increase is primarily the result of the adoption of new assessment rolls (\$1,657,644), other governmental grants (\$452,550) for the construction of infrastructure assets and the contribution of street assets from a developer (\$131,000). The parks and recreation increase is mainly due to park dedication fees.
- Property taxes for governmental activities increased by \$110,228 (1.1 percent) during the year, primarily due to levy increases for the General Fund, Debt Service, Street Renewal, General Fixed Asset Replacement, Information Technology and Special Revenue funds.
- Tax increment collections for governmental activities decreased by \$66,073 (3.5 percent). This decrease is primarily due to a scheduled decertification of TIF District #5 on December 31, 2013, and the addition of collections from TIF Districts #7 and #9 during 2014.
- Franchise tax collections increased by \$664,706 due to 2014 having a full year of collection of the utility franchise tax which was first collected in the fourth quarter of 2013.
- Investment earnings increased by \$1,402,761 (253.5 percent) during the year due in part to year-end adjustments to fair market value (\$613,492).
- Public safety expenses increased by \$25,071 (.7 percent) during the year. The police and fire operating contracts increased by \$144,947. Contributions to the fire department for the City's share of fire department capital costs decreased by \$232,501. The payment of state fire aid to the fire department increased \$114,102.
- Public works expenses decreased by \$1,620,782 (23.8 percent) during the year. The decrease is primarily due to reductions in 2014 of infrastructure assets constructed for other governmental entities for the Red Fox Road, County Road D and Owasso Street Realignment projects (\$2,425,279). Costs associated with these projects were recovered through operating grants and contributions, assessments and future tax increment payments. Increases in expenses include the deletion of infrastructure assets (\$860,600).
- Parks and recreation expenses increased \$602,495 (9.8 percent) during the year. The increase is due to increases in personal services, supplies and contractual services in the

parcs maintenance department (\$81,905). Increases in repairs and maintenance to the community center (\$564,092) and decreases to repairs and maintenance to park facilities (\$104,128).

- Community development expenses decreased by \$629,544 (28.5 percent) during the year. A significant portion of the decrease is the result of decreased developer assistance payments. The City makes pay as you go tax increment financing note payments to various properties within the City; note payments increased \$183,347 in 2014 due to the addition of notes in TIF Districts #7 and #9.

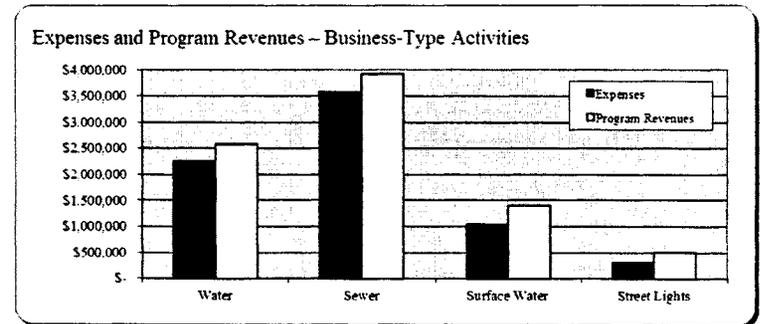
The following two graphs provide comparisons of the governmental activities revenues and expenses.



Business-type activities. Business-type activities increased the City's net position by \$1,088,161. Key elements of this increase are as follows:

- Charges for services for business-type activities increased \$39,273 (.5 percent). Water operations decreased \$213,628 (7.9 percent), this decrease was due to a water rate increase of 4.2 percent for the average residential customer, and a 12.6 percent decrease in the gallons of water sold during the year. Sewer operations increased \$82,287 (2.2 percent), rates increased 3.0% and winter residential water consumption decreased .9 percent, which provides the basis for residential sewer charges. Surface Water operations had an increase of \$150,119 (12.3 percent), due to a 10 percent rate increase, which resulted in a quarterly increase of \$1.93 per residential unit. Street Light operations had an increase of \$20,495 (4.3 percent), due to the impact of a street light rate increase of 4 percent, which resulted in a quarterly increase of \$0.38 per residential unit.
- Capital grants and contributions during the year produced \$173,961 in revenue for business-type activities. This consists of intergovernmental capital grants (\$72,914), and contributions from property owners (\$101,047).
- Expenses for business-type activities increased \$171,741 (2.5 percent). The Sewer fund accounts for \$71,462 of the increase due to an increase in sewage treatment costs (\$75,273). The Surface Water fund accounts for \$77,547 of the increase due to increases in contractual services related to Snail Lake augmentation (\$46,989).

The following graph provides comparisons of the business-type activities program revenues and expenses.



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in

assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19,775,799, an increase of \$3,434,399 in comparison with the prior year. Approximately 18 percent of this amount (\$3,475,514) constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of fund balance is classified as non-spendable in the form of prepaid items, restricted, committed or assigned for specific activities and projects. These amounts are not available for new spending because they are restricted by externally imposed constraints or committed and assigned through internally imposed constraints.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,383,445. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned General Fund balance represents 47.8 percent of total General Fund expenditures, while total fund balance represents 48.5 percent of that same amount.

The City's General Fund balance policy establishes a minimum and maximum unassigned fund balance based on the following key factors:

- The unassigned fund balance for working capital needs is equal to 50 percent of the ensuing years General Fund tax levy and levy-based state aids, because taxes and state aids are received in June and December of each year. The working capital allocation is reduced by the balance of nonspendable items at year-end. Budgeted taxes in 2015 are \$186,181 more than in 2014; consequently, the unassigned General Fund balance for working capital increases \$93,091 at the end of the current period. As of year-end the City has met its minimum unassigned working capital balance.
- The maximum unassigned fund balance for unanticipated expenditures at year-end is equal to 10 percent of budgeted ensuing year's expenditures. Ensuing year budgeted expenditures are \$9,607,304 which results in an unassigned fund balance for unanticipated expenditures of \$960,730. As of year-end the City has met its maximum unassigned unanticipated expenditure fund balance.
- The maximum unassigned fund balance is equal to the combined unassigned working capital and unanticipated expenditure fund balances less any nonspendable items. The total for the current fiscal year is \$4,383,445 as compared to \$4,220,635 for the previous year, an increase of \$162,810.

The Community Center Operation Fund balance increased \$145,003. Revenue and transfers increased by \$184,431. Daily admissions and annual membership revenue increased \$31,309, transfers increased \$27,000 and earnings on investments increased \$108,759. Expenditures increased by \$98,631, as a result of increases in materials and supplies (\$49,909) and contractual services (\$46,241).

The Recreation Programs Fund balance increased \$210,047. Program revenue increased \$33,925; the majority of the increase (\$32,814) was a result of a preschool program. Expenditures decreased \$12,290 primarily as a result of decreases in contractual services.

The G.O. Improvement Bond of 2013 fund was established to provide financing for the 2013 Improvement Bonds. Revenue sources are from special assessments and property taxes. The fund balance increased \$161,477.

Fund balances for the Municipal State Aid, Street Renewal, General Fixed Asset Replacement and Community Investment Funds are designed to fluctuate between years depending on the type of operating repairs and capital costs in any given year. Revenues of the Street Renewal and General Fixed Asset Replacement Funds are designed to change gradually from one year to the next, providing a stable revenue stream to support repair and replacement costs that vary due to type, size, and scope. The fund balance of the Municipal State Aid Fund increased \$633,837 due to state aid, special assessments and earnings on investments exceeding planned transfers out for the Red Fox Road, County Road D, and 2013 Street Rehabilitation street construction costs for the current year. The fund balance of the Street Renewal Fund decreased \$62,450. Expenditures in the Street Renewal Fund consisted primarily of public works seal coating repairs. Transfers out in the Street Renewal Fund represent the fund's share of costs for the Cottage Place, Hanson/Oakridge/Nottingham and Red Fox Road street rehabilitation projects. Fund balance increased \$193,737 in the General Fixed Asset Replacement Fund. Significant expenditures in 2014 included the City's capital contribution in the amount of \$156,680 to the Lake Johanna Fire Department, various community center and park and recreation repairs and supplies in the amount of \$614,528, public works trail capital expenditures in the amount of \$125,675. Transfers out in the General Fixed Asset Replacement Fund represent the fund's share of costs for the 2011 Refunding Certificates of Participation (\$180,000), and computer acquisitions (\$83,649). Revenues for the Municipal State Aid, Street Renewal and General Fixed Asset Replacement Funds were consistent with prior years.

The Community Investment Fund was established in 2013 to account for resources dedicated for the acquisition of capital assets which have community wide benefit. Significant revenue sources include utility franchise fees, wireless telecommunication and billboard lease receipts and park dedication fees. The fund balance of the Community Investment fund increased \$1,012,937. Significant expenditures include operating costs in the amount of \$15,224 for park improvements and capital expenditures for trail improvements (\$245,503) and community center improvements (\$21,370). Transfers out represent the fund's share of debt service costs for the 2011 Refunding Certificates of Participation (\$175,000).

The Owasso Street Realignment fund is a temporary capital project fund used to account for infrastructure related costs. This project is scheduled to be completed in 2015.

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

Unrestricted net position in the respective proprietary funds include \$3,930,684 for water, \$3,021,978 for sewer, \$877,305 for surface water management, and \$267,389 for street lights. Water Fund net position increased \$264,795; primarily due to a rate increase and capital contributions. Sewer Fund net position increased \$329,796; primarily due to a rate increase and capital contributions. Surface Water Fund net position increased \$314,727; primarily due to a rate increase and capital contributions. The Street Lights Fund net position increased \$199,323; primarily as a result of a rate increase and capital contributions.

General Fund Budgetary Highlights

Total General Fund revenues were \$751,097 more than estimated in the budget. Property taxes were under budget by \$139,117. Licenses and permits surpassed anticipated levels by \$303,533 primarily due to building permits, intergovernmental revenues exceeded budget due to the receipt of unbudgeted State Fire Aid (\$320,917), and charges for services surpassed anticipated levels by \$48,946, primarily as a result of plan check fees.

Total General Fund expenditures were over budget by \$73,759, primarily due to an unbudgeted expenditure to the Lake Johanna Fire Department (Public Safety) associated with the unbudgeted state Fire Aid (\$320,917). Within the general government department, information systems current expenditures were under budget by \$61,494, and capital outlay was over budget by \$48,768, due to a reclassification of wages from current to capital outlay for internally developed software and finance and accounting was under budget due to an open staff position during the year. Within the public works department, streets expenditures were under budget primarily due to staff positions being open during the year. The community development department building inspection current expenditures were over budget as a result of electrical inspection contractual fees. The unbudgeted transfer to the Closed Bonds Fund (\$533,749) was made in accordance with the City's fund balance policy regarding excess fund balance in the General Fund.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2014 amounts to \$95,472,939 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, machinery and equipment, distribution and collection systems, park facilities, roads, trails and sidewalks, and pedestrian tunnels and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 1.4 percent (a 2.9 percent decrease for governmental activities and a 1.8 percent increase for business-type activities).

City of Shoreview's Capital Assets
(Net of Depreciation)

| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | \$ 7,724,345 | \$ 7,724,345 | \$ 325,202 | \$ 304,202 | \$ 8,049,547 | \$ 8,028,547 |
| Buildings and structures | 24,026,905 | 24,852,687 | 4,800,231 | 4,993,596 | 28,827,136 | 29,846,283 |
| Machinery and equipment | 4,083,736 | 4,082,501 | 1,968,640 | 2,069,545 | 6,052,376 | 6,152,046 |
| Distribution and collection systems | - | - | 23,437,089 | 22,279,179 | 23,437,089 | 22,279,179 |
| Infrastructure | 24,995,021 | 22,731,042 | - | - | 24,995,021 | 22,731,042 |
| Construction in progress | 2,307,313 | 5,634,487 | 1,804,457 | 2,113,155 | 4,111,770 | 7,747,642 |
| Total | \$ 63,137,320 | \$ 65,025,062 | \$ 32,335,619 | \$ 31,759,677 | \$ 95,472,939 | \$ 96,784,739 |

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

- A variety of capital assets for governmental activities were completed at a cumulative cost of \$5,437,820. Construction in progress at year-end for governmental activities is \$2,307,313.
- Various capital assets for business-type activities were completed at a cumulative cost of \$2,144,707. Construction in progress for business-type activities as of the end of the current fiscal year is \$1,804,457.

Additional information on the City's capital assets can be found in Note 5 of the notes to financial statements.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$29,990,000 (excluding unamortized premiums), an increase of \$3,010,000 from 2013. The entire bonded debt amount is backed by the full faith and credit of the City. An additional \$3,635,000 of outstanding certificates of participation financed building improvements and a \$6,000,000 loan payable financed land acquisition. Unamortized premium on City debt totaled \$632,915. The remaining liability is for compensated absences totaling \$365,672.

City of Shoreview's Outstanding Debt
General Obligation, Revenue Bonds, Long-Term Notes, Loans, and Compensated Absences

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| General obligation improvement bonds | \$ 2,697,021 | \$ 2,857,200 | \$ - | \$ - | \$ 2,697,021 | \$ 2,857,200 |
| General obligation tax increment bonds | 350,000 | 690,000 | - | - | 350,000 | 690,000 |
| General obligation bonds | 15,993,291 | 12,584,469 | - | - | 15,993,291 | 12,584,469 |
| General obligation revenue bonds | - | - | 11,582,603 | 11,251,758 | 11,582,603 | 11,251,758 |
| Certificates of participation | 3,635,000 | 3,985,000 | - | - | 3,635,000 | 3,985,000 |
| Loans payable | 6,000,000 | 6,000,000 | - | - | 6,000,000 | 6,000,000 |
| Compensated absences | 286,288 | 270,837 | 79,384 | 74,814 | 365,672 | 345,651 |
| Total | \$ 28,961,600 | \$ 26,387,506 | \$ 11,661,987 | \$ 11,326,572 | \$ 40,623,587 | \$ 37,714,078 |

The City maintains a bond rating from Standard & Poor's Financial Services, LLC of AAA for general obligation debt.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3 percent of total estimated market value. The current debt limitation for the City is \$72,386,496. The City's net debt applicable to this limit totals \$16,872,663.

Additional information on the City's long-term debt can be found in Note 6 of the notes to financial statements.

Economic Factors and Next Year's Budgets and Rates

- The annual average unemployment rate (not seasonally adjusted) for the City is currently 3.2 percent, which compares favorably to 4.1 percent unemployment for the state of Minnesota, and 6.2 percent unemployment nationally.
- The current property tax collection rate for the current period is 99.1 percent.
- Building permit activity in the current period resulted in permit valuation equal to \$40.3 million. New residential and commercial construction accounted for 66 percent of building permit values. Reinvestment in homes through improvements to property by homeowners accounted for 21 percent of building permit values, and commercial property accounted for the remaining 13 percent of building permit values.
- The 2015 adopted levy supports the 2015 budget.

All of these factors were considered in preparing the City's budget for the 2015 fiscal year.

Water, sewer, surface water management, and street light rates were increased for the 2015 budget year. The increase for the average customer was 7.0 percent for water, 3.0 percent for sewer, 10.0 percent for surface water management, and 4.0 percent for street lights. The total impact on the average residential customer is estimated to be 5.1 percent. These rate increases were necessary to support operating costs, capital costs, and debt repayment.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 4600 Victoria Street North, Shoreview, Minnesota 55126.

**FINANCIAL SECTION –
BASIC FINANCIAL STATEMENTS**

BASIC FINANCIAL STATEMENTS

CITY OF SHOREVIEW, MINNESOTA
Statement of Net Position
December 31, 2014

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Cash and investments | \$ 26,764,952 | \$ 8,665,385 | \$ 35,430,337 |
| Restricted cash with escrow agent | 1,397,098 | – | 1,397,098 |
| Accrued interest receivable | 55,319 | 21,245 | 76,564 |
| Accounts receivable | 355,290 | 2,022,358 | 2,377,648 |
| Loan receivable | 150,663 | – | 150,663 |
| Taxes receivable | 122,715 | – | 122,715 |
| Special assessments receivable | 2,019,630 | 58,237 | 2,077,867 |
| Internal balances | (43,700) | 43,700 | – |
| Due from other governmental units | 51,394 | 114,274 | 165,668 |
| Prepaid items | 67,954 | 2,125 | 70,079 |
| Property held for resale | 263,378 | – | 263,378 |
| Capital assets | | | |
| Nondepreciable | 10,031,658 | 2,129,659 | 12,161,317 |
| Depreciable (net of accumulated depreciation) | 53,105,662 | 30,205,960 | 83,311,622 |
| Total assets | 94,342,013 | 43,262,943 | 137,604,956 |
| Liabilities | | | |
| Accounts payable | 303,576 | 190,277 | 493,853 |
| Salaries payable | 152,749 | 34,035 | 186,784 |
| Contracts payable | 209,155 | – | 209,155 |
| Accrued bond interest payable | 255,519 | 134,494 | 390,013 |
| Deposits payable | 527,884 | 8,308 | 536,192 |
| Due to other governmental units | 34,231 | 38,946 | 73,177 |
| Unearned revenue | 119,538 | – | 119,538 |
| Compensated absences payable | | | |
| Due within one year | 27,901 | 7,737 | 35,638 |
| Due in more than one year | 258,387 | 71,647 | 330,034 |
| Loan payable | | | |
| Due in more than one year | 6,000,000 | – | 6,000,000 |
| Certificates of participation payable | | | |
| Due within one year | 360,000 | – | 360,000 |
| Due in more than one year | 3,275,000 | – | 3,275,000 |
| Bonds payable | | | |
| Due within one year | 7,420,000 | 2,935,000 | 10,355,000 |
| Due in more than one year | 11,620,312 | 8,647,603 | 20,267,915 |
| Total liabilities | 30,564,252 | 12,068,047 | 42,632,299 |
| Deferred inflows of resources | | | |
| State Aid received for subsequent years | 1,710,061 | – | 1,710,061 |
| Net position | | | |
| Net investment in capital assets | 40,908,853 | 22,829,472 | 63,738,325 |
| Restricted for | | | |
| Business loan program | 165,777 | – | 165,777 |
| Cable television | 31,037 | – | 31,037 |
| Debt service | 3,202,634 | – | 3,202,634 |
| Economic development | 41,917 | – | 41,917 |
| Housing and redevelopment | 85,343 | – | 85,343 |
| Recycling | 266,654 | – | 266,654 |
| Trunk facility | – | 224,368 | 224,368 |
| Tax increment purposes | 3,460,355 | – | 3,460,355 |
| Unrestricted | 13,905,130 | 8,141,056 | 22,046,186 |
| Total net position | \$ 62,067,700 | \$ 31,194,896 | \$ 93,262,596 |

The accompanying notes are an integral part of these financial statements.

CITY OF SHOREVIEW, MINNESOTA
 Balance Sheet
 Governmental Funds
 December 31, 2014

| | General | Community Center Operation | Recreation Programs | G.O. Improvement Bonds of 2013 | Municipal State Aid | Street Renewal | General Fixed Asset Replacement | Community Investment | Owasso Street Realignment | Other Governmental Funds | Intra-Activity Eliminations | Total Governmental Funds |
|---|---------------------|----------------------------|---------------------|--------------------------------|---------------------|---------------------|---------------------------------|----------------------|---------------------------|--------------------------|-----------------------------|--------------------------|
| Assets | | | | | | | | | | | | |
| Cash and investments | \$ 4,913,291 | \$ 1,407,573 | \$ 987,690 | \$ 229,263 | \$ 2,539,182 | \$ 2,511,404 | \$ 797,714 | \$ 1,215,369 | \$ - | \$ 5,875,905 | \$ - | \$ 20,477,391 |
| Restricted cash with escrow agent | - | - | - | - | - | - | - | - | - | 1,397,098 | - | 1,397,098 |
| Accrued interest receivable | 12,768 | 4,263 | 2,882 | 314 | 4,633 | 8,130 | 1,733 | 3,361 | - | 13,265 | - | 51,349 |
| Accounts receivable (net of allowance for uncollectibles) | 45,780 | 1,664 | - | - | - | - | 2,467 | 210,869 | 3,187 | 82,708 | - | 346,675 |
| Loan receivable | - | - | - | - | - | - | - | - | - | 150,663 | - | 150,663 |
| Taxes receivable | 52,514 | - | - | - | - | 7,243 | 10,958 | (945) | - | 51,552 | - | 121,322 |
| Special assessments receivable | - | - | - | 1,577,963 | 8 | 80,732 | - | - | - | 360,927 | - | 2,019,630 |
| Interfund receivable | - | - | - | - | - | - | - | - | - | 863,738 | (863,738) | - |
| Due from other governmental units | 12,799 | - | - | - | - | - | - | - | - | 6,529 | - | 19,328 |
| Prepaid items | 63,953 | 1,722 | 88 | - | - | - | - | - | - | 540 | - | 66,303 |
| Property held for resale | - | - | - | - | - | - | - | 263,378 | - | - | - | 263,378 |
| Total assets | \$ 5,101,105 | \$ 1,415,222 | \$ 990,660 | \$ 1,807,540 | \$ 2,543,823 | \$ 2,607,509 | \$ 812,872 | \$ 1,692,032 | \$ 3,187 | \$ 8,802,925 | \$ (863,738) | \$ 24,913,137 |
| Liabilities | | | | | | | | | | | | |
| Accounts payable | \$ 53,647 | \$ 71,565 | \$ 6,707 | \$ 343 | \$ - | \$ - | \$ 90,348 | \$ 563 | \$ 6,374 | \$ 40,761 | \$ - | \$ 270,308 |
| Salaries payable | 89,910 | 42,066 | 11,515 | - | - | - | - | - | - | 3,265 | - | 146,756 |
| Contracts payable | - | - | - | - | - | 125,220 | 38,637 | 4,292 | 41,006 | - | - | 209,155 |
| Deposits payable | 439,145 | 88,739 | - | - | - | - | - | - | - | - | - | 527,884 |
| Interfund payable | - | - | - | - | - | - | - | - | 863,738 | - | (863,738) | - |
| Due to other governmental units | 13,941 | 19,310 | 656 | - | - | - | - | - | - | - | - | 33,907 |
| Unearned revenue | 2,950 | - | - | - | - | - | - | 116,588 | - | - | - | 119,538 |
| Total liabilities | 599,593 | 221,680 | 18,878 | 343 | - | 125,220 | 128,985 | 121,443 | 911,118 | 44,026 | (863,738) | 1,307,548 |
| Deferred inflows of resources | | | | | | | | | | | | |
| Unavailable revenue - property taxes | 44,053 | - | - | - | - | 5,735 | 8,585 | 181 | - | 49,698 | - | 108,252 |
| Unavailable revenue - special assessments | - | - | - | 1,577,963 | 8 | 76,420 | - | - | - | 357,086 | - | 2,011,477 |
| State aid received for subsequent years | 10,061 | - | - | - | 1,700,000 | - | - | - | - | - | - | 1,710,061 |
| Total deferred inflows of resources | 54,114 | - | - | 1,577,963 | 1,700,008 | 82,155 | 8,585 | 181 | - | 406,784 | - | 3,829,790 |
| Fund balances (deficits) | | | | | | | | | | | | |
| Nonspendable | 63,953 | 1,722 | 88 | - | - | - | - | - | - | 540 | - | 66,303 |
| Restricted | - | - | - | 229,234 | - | - | - | - | - | 6,867,877 | - | 7,097,111 |
| Committed | - | 1,191,820 | 971,694 | - | - | 2,400,134 | 675,302 | 1,570,408 | - | 236,963 | - | 7,046,321 |
| Assigned | - | - | - | - | 843,815 | - | - | - | - | 1,246,735 | - | 2,090,550 |
| Unassigned | 4,383,445 | - | - | - | - | - | - | - | (907,931) | - | - | 3,475,514 |
| Total fund balances (deficits) | 4,447,398 | 1,193,542 | 971,782 | 229,234 | 843,815 | 2,400,134 | 675,302 | 1,570,408 | (907,931) | 8,352,115 | - | 19,775,799 |
| Total liabilities, deferred inflows of resources, and fund balances (deficits) | \$ 5,101,105 | \$ 1,415,222 | \$ 990,660 | \$ 1,807,540 | \$ 2,543,823 | \$ 2,607,509 | \$ 812,872 | \$ 1,692,032 | \$ 3,187 | \$ 8,802,925 | \$ (863,738) | \$ 24,913,137 |

Fund balance reported above \$ 19,775,799
 Amounts reported for governmental activities in the Statement of Net Position are different because:
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 54,878,699
 Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 2,119,729
 Internal service funds are used by management to charge costs to individual funds.
 The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 4,520,896
 Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. (19,227,423)
Net position of governmental activities \$ 62,067,700

The accompanying notes are an integral part of these financial statements.

The accompanying notes are an integral part of these financial statements.

CITY OF SHOREVIEW, MINNESOTA
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For The Year Ended December 31, 2014

| | General | Community Center Operation | Recreation Programs | G.O. Improvement Bonds of 2013 | Municipal State Aid | Street Renewal | General Fixed Asset Replacement | Community Investment | Owasso Street Realignment | Other Governmental Funds | Intra- Activity Eliminations | Total Governmental Funds |
|---|---------------------|----------------------------------|------------------------|---|------------------------|---------------------|---------------------------------------|-------------------------|---------------------------------|--------------------------------|------------------------------------|--------------------------------|
| Revenues | | | | | | | | | | | | |
| Taxes | | | | | | | | | | | | |
| General property taxes | \$ 6,698,037 | \$ - | \$ - | \$ - | \$ - | \$ 879,726 | \$ 1,319,766 | \$ (1,813) | \$ - | \$ 722,108 | \$ - | \$ 9,617,824 |
| Tax increments | - | - | - | - | - | - | - | - | - | 1,811,837 | - | 1,811,837 |
| Franchise tax | - | - | - | - | - | - | - | 789,645 | - | 331,303 | - | 1,120,948 |
| Special assessments | - | - | - | 160,182 | 925 | 17,653 | - | - | - | 83,553 | - | 262,313 |
| Licenses and permits | 628,033 | - | - | - | - | - | - | - | - | - | - | 628,033 |
| Intergovernmental | 574,419 | - | - | - | 652,354 | - | - | - | 1,038,761 | 208,622 | - | 2,474,156 |
| Charges for services | 1,352,056 | 2,401,381 | 1,419,065 | - | - | - | - | - | - | 526,361 | - | 5,698,863 |
| Fines and forfeits | 49,430 | - | - | - | - | - | - | - | - | - | - | 49,430 |
| Earnings on investments | 197,442 | 65,924 | 44,575 | 4,853 | 71,646 | 125,734 | 26,792 | 51,970 | - | 198,829 | - | 787,765 |
| Billboard fees | - | - | - | - | - | - | - | 50,300 | - | - | - | 50,300 |
| Antenna fees | - | - | - | - | - | - | - | 300,670 | - | - | - | 300,670 |
| Park dedication fees | - | - | - | - | - | - | - | 279,262 | - | - | - | 279,262 |
| Other | 28,974 | 13,529 | 48 | - | - | - | - | - | 3,187 | 40,766 | - | 86,504 |
| Total revenues | 9,528,391 | 2,480,834 | 1,463,688 | 165,035 | 724,925 | 1,023,113 | 1,346,558 | 1,470,034 | 1,041,948 | 3,923,379 | - | 23,167,905 |
| Expenditures | | | | | | | | | | | | |
| Current | | | | | | | | | | | | |
| General government | 2,036,384 | - | - | - | - | - | - | - | - | 316,408 | - | 2,352,792 |
| Public safety | 3,326,747 | - | - | - | - | - | 156,680 | - | - | - | - | 3,483,427 |
| Public works | 1,473,395 | - | - | - | - | 291,699 | - | - | 178,460 | 670,894 | - | 2,614,448 |
| Parks and recreation | 1,690,438 | 2,674,831 | 1,223,641 | - | - | - | 614,528 | 15,224 | - | - | - | 6,218,662 |
| Community development | 598,321 | - | - | - | - | - | - | - | 202,450 | 780,365 | - | 1,581,136 |
| Capital outlay | | | | | | | | | | | | |
| General government | 48,768 | - | - | - | - | - | - | - | - | 33,025 | - | 81,793 |
| Public works | - | - | - | - | - | - | 125,675 | 245,503 | 274,618 | 851,214 | - | 1,497,010 |
| Parks and recreation | - | - | - | - | - | - | - | 21,370 | - | - | - | 21,370 |
| Debt service | | | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | 1,265,000 | - | 1,265,000 |
| Interest | - | - | - | 38,881 | - | - | - | - | - | 369,330 | - | 408,211 |
| Fiscal charges | - | - | - | 343 | - | - | - | - | - | 4,911 | - | 5,254 |
| Total expenditures | 9,174,053 | 2,674,831 | 1,223,641 | 39,224 | - | 291,699 | 896,883 | 282,097 | 655,528 | 4,291,147 | - | 19,529,103 |
| Revenues over (under) expenditures | 354,338 | (193,997) | 240,047 | 125,811 | 724,925 | 731,414 | 449,675 | 1,187,937 | 386,420 | (367,768) | - | 3,638,802 |
| Other financing sources (uses) | | | | | | | | | | | | |
| Issuance of refunding debt | - | - | - | - | - | - | - | - | - | 100,000 | - | 100,000 |
| Premium on debt issuance | - | - | - | - | - | - | - | - | - | 5,822 | - | 5,822 |
| Payment to refunded bond escrow agent | - | - | - | - | - | - | - | - | - | (860,000) | - | (860,000) |
| Sale of capital assets | 203 | - | - | - | - | - | 7,711 | - | - | - | - | 7,914 |
| Transfers in | 692,000 | 339,000 | 70,000 | 35,666 | - | - | - | - | - | 2,362,810 | (2,957,615) | 541,861 |
| Transfers out | (902,749) | - | (100,000) | - | (91,088) | (793,864) | (263,649) | (175,000) | - | (631,265) | 2,957,615 | - |
| Total other financing sources (uses) | (210,546) | 339,000 | (30,000) | 35,666 | (91,088) | (793,864) | (255,938) | (175,000) | - | 977,367 | - | (204,403) |
| Net change in fund balances | 143,792 | 145,003 | 210,047 | 161,477 | 633,837 | (62,450) | 193,737 | 1,012,937 | 386,420 | 609,599 | - | 3,434,399 |
| Fund balances (deficits) – January 1 | 4,303,606 | 1,048,539 | 761,735 | 67,757 | 209,978 | 2,462,584 | 481,565 | 557,471 | (1,294,351) | 7,742,516 | - | 16,341,400 |
| Fund balances (deficits) – December 31 | \$ 4,447,398 | \$ 1,193,542 | \$ 971,782 | \$ 229,234 | \$ 843,815 | \$ 2,400,134 | \$ 675,302 | \$ 1,570,408 | \$ (907,931) | \$ 8,352,115 | \$ - | \$ 19,775,799 |

The accompanying notes are an integral part of these financial statements.

The accompanying notes are an integral part of these financial statements.

CITY OF SHOREVIEW, MINNESOTA

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended December 31, 2014

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

| | |
|---|---------------------|
| Net changes in fund balances – total governmental funds. | \$ 3,434,399 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation and capital additions in the current period. | (686,608) |
| The Statement of Activities reports gains and losses arising from the trade-in or disposal of existing assets to acquire new capital assets. Conversely, governmental funds simply report proceeds on sale of capital assets. | (860,600) |
| Revenues in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds. | 1,489,052 |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas material amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 2,045,376 |
| The transfer out of governmental capital assets contributed to enterprise funds. | (154,574) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | 11,678 |
| Internal service funds are used by management to charge costs to individual funds. This amount is the portion of net revenue attributable to and reported with governmental activities. | 111,996 |
| Change in net position of governmental activities. | <u>\$ 5,390,719</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF SHOREVIEW, MINNESOTA

Statement of Net Position

Proprietary Funds

December 31, 2014

| | Business-Type Activities – Enterprise Funds | | | | Totals Current Year | Governmental Activities – Internal Service Funds |
|--|---|---------------------|---------------------|---------------------|------------------------|---|
| | Water | Sewer | Surface Water | Street Lights | | |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and investments | \$ 4,507,826 | \$ 3,096,944 | \$ 867,975 | \$ 192,640 | \$ 8,665,385 | \$ 6,287,561 |
| Accrued interest receivable | 11,324 | 6,762 | 2,373 | 786 | 21,245 | 3,970 |
| Accounts receivable | | | | | | |
| Customers | 535,322 | 880,168 | 336,069 | 77,322 | 1,828,881 | 8,615 |
| Customer accounts certified to county | 60,352 | 95,536 | 25,798 | 11,791 | 193,477 | – |
| Taxes receivable | – | – | – | – | – | 1,393 |
| Due from other governmental units | 98,347 | 6,068 | 9,553 | 306 | 114,274 | 32,066 |
| Prepaid items | 394 | 1,573 | 142 | 16 | 2,125 | 1,651 |
| Total current assets | 5,213,565 | 4,087,051 | 1,241,910 | 282,861 | 10,825,387 | 6,335,256 |
| Noncurrent assets | | | | | | |
| Special assessments receivable | 26,388 | 25,718 | 5,677 | 454 | 58,237 | – |
| Capital assets | | | | | | |
| Land | 27,577 | 11,459 | 286,166 | – | 325,202 | 36,293 |
| Buildings and structures | 6,733,215 | 1,667,009 | – | – | 8,400,224 | 6,929,379 |
| Machinery and equipment | 2,471,025 | 40,327 | 8,538 | 723 | 2,520,613 | 5,393,870 |
| Distribution and collection systems | 16,739,474 | 11,845,366 | 12,137,731 | 2,026,971 | 42,749,542 | – |
| Construction in progress | 934,745 | 235,292 | 533,000 | 101,420 | 1,804,457 | – |
| Total capital assets | 26,906,036 | 13,799,453 | 12,965,435 | 2,129,114 | 55,800,038 | 12,359,542 |
| Less accumulated depreciation | (12,267,602) | (7,559,666) | (2,603,767) | (1,033,384) | (23,464,419) | (4,100,921) |
| Total capital assets (net of accumulated depreciation) | 14,638,434 | 6,239,787 | 10,361,668 | 1,095,730 | 32,335,619 | 8,258,621 |
| Total noncurrent assets | 14,664,822 | 6,265,505 | 10,367,345 | 1,096,184 | 32,393,856 | 8,258,621 |
| Total assets | 19,878,387 | 10,352,556 | 11,609,255 | 1,379,045 | 43,219,243 | 14,593,877 |
| Liabilities | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | 150,353 | 12,788 | 12,369 | 14,767 | 190,277 | 33,268 |
| Salaries payable | 14,683 | 12,666 | 6,323 | 363 | 34,035 | 5,993 |
| Accrued bond interest payable | 71,848 | 26,020 | 36,626 | – | 134,494 | 109,211 |
| Customer deposits payable | 8,308 | – | – | – | 8,308 | – |
| Due to other governmental units | 16,746 | 20,373 | 1,827 | – | 38,946 | 324 |
| Compensated absences payable | 3,478 | 2,994 | 1,187 | 78 | 7,737 | 631 |
| Bonds payable | 1,410,000 | 915,000 | 610,000 | – | 2,935,000 | 5,025,000 |
| Total current liabilities | 1,675,416 | 989,841 | 668,332 | 15,208 | 3,348,797 | 5,174,427 |
| Noncurrent liabilities | | | | | | |
| Compensated absences payable (net of current portion) | 32,211 | 27,714 | 11,004 | 718 | 71,647 | 5,835 |
| Bonds payable (net of current portion) | 4,578,100 | 1,527,006 | 2,542,497 | – | 8,647,603 | 4,849,019 |
| Total noncurrent liabilities | 4,610,311 | 1,554,720 | 2,553,501 | 718 | 8,719,250 | 4,854,854 |
| Total liabilities | 6,285,727 | 2,544,561 | 3,221,833 | 15,926 | 12,068,047 | 10,029,281 |
| Net position | | | | | | |
| Net investment in capital assets | 9,661,976 | 4,561,649 | 7,510,117 | 1,095,730 | 22,829,472 | 3,233,621 |
| Restricted for trunk facility | – | 224,368 | – | – | 224,368 | – |
| Unrestricted | 3,930,684 | 3,021,978 | 877,305 | 267,389 | 8,097,356 | 1,330,975 |
| Total net position | \$13,592,660 | \$ 7,807,995 | \$ 8,387,422 | \$ 1,363,119 | 31,151,196 | \$ 4,564,596 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | | | | | 43,700 | |
| Net position of business-type activities | | | | | <u>\$ 31,194,896</u> | |

The accompanying notes are an integral part of these financial statements.

CITY OF SHOREVIEW, MINNESOTA
Statement of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Funds
For The Year Ended December 31, 2014

| | Business-Type Activities – Enterprise Funds | | | | Totals Current Year | Governmental Activities – Internal Service Funds |
|--|---|---------------------|---------------------|---------------------|----------------------------|---|
| | Water | Sewer | Surface Water | Street Lights | | |
| Operating revenues | | | | | | |
| Customer billings | \$ 2,447,518 | \$ 3,853,688 | \$ 1,355,313 | \$ 494,945 | \$ 8,151,464 | \$ 1,248,367 |
| Water meter sales | 12,507 | – | – | – | 12,507 | – |
| Other | 21,306 | 5,951 | 15,853 | 422 | 43,532 | – |
| Total operating revenues | <u>2,481,331</u> | <u>3,859,639</u> | <u>1,371,166</u> | <u>495,367</u> | <u>8,207,503</u> | <u>1,248,367</u> |
| Operating expenses | | | | | | |
| MCES sewer service charges | – | 1,811,427 | – | – | 1,811,427 | – |
| Administrative charges | 201,040 | 343,040 | 103,720 | 35,220 | 683,020 | – |
| Personal services | 642,178 | 555,470 | 268,836 | 16,438 | 1,482,922 | 214,066 |
| Materials and supplies | 65,447 | 23,308 | 14,625 | 551 | 103,931 | 301,741 |
| Water meters | 9,805 | – | – | – | 9,805 | – |
| Contractual services | 387,776 | 399,362 | 305,033 | 36,919 | 1,129,090 | 228,174 |
| Utilities | 120,531 | 8,308 | 1,274 | 163,220 | 293,333 | 25,839 |
| Insurance | 5,675 | 22,314 | 2,060 | 244 | 30,293 | 23,326 |
| Depreciation | 634,561 | 329,430 | 243,125 | 51,959 | 1,259,075 | 654,540 |
| Total operating expenses | <u>2,067,013</u> | <u>3,492,659</u> | <u>938,673</u> | <u>304,551</u> | <u>6,802,896</u> | <u>1,447,686</u> |
| Operating income (loss) | <u>414,318</u> | <u>366,980</u> | <u>432,493</u> | <u>190,816</u> | <u>1,404,607</u> | <u>(199,319)</u> |
| Nonoperating revenues (expenses) | | | | | | |
| General property taxes | – | – | – | – | – | 179,245 |
| Earnings on investments | 175,102 | 104,576 | 36,711 | 12,148 | 328,537 | 61,574 |
| Gain on sale of capital assets | 114 | 210 | 52 | – | 376 | 78,143 |
| Loss on disposal of capital assets | – | – | – | (992) | (992) | (17,184) |
| Other | – | – | – | – | – | 155,763 |
| Interest | (163,432) | (58,703) | (80,992) | – | (303,127) | (247,018) |
| Fiscal charges | (15,300) | (11,540) | (5,414) | – | (32,254) | (71,974) |
| Total nonoperating revenues (expenses) | <u>(3,516)</u> | <u>34,543</u> | <u>(49,643)</u> | <u>11,156</u> | <u>(7,460)</u> | <u>138,549</u> |
| Income (loss) before contributions and transfers | <u>410,802</u> | <u>401,523</u> | <u>382,850</u> | <u>201,972</u> | <u>1,397,147</u> | <u>(60,770)</u> |
| Capital contributions | <u>157,129</u> | <u>74,778</u> | <u>78,877</u> | <u>17,751</u> | <u>328,535</u> | <u>77,106</u> |
| Transfers | | | | | | |
| Transfers in | – | 34,631 | – | – | 34,631 | 119,400 |
| Transfers out | (303,136) | (181,136) | (147,000) | (20,400) | (651,672) | (44,220) |
| Total transfers | <u>(303,136)</u> | <u>(146,505)</u> | <u>(147,000)</u> | <u>(20,400)</u> | <u>(617,041)</u> | <u>75,180</u> |
| Change in net position | <u>264,795</u> | <u>329,796</u> | <u>314,727</u> | <u>199,323</u> | <u>1,108,641</u> | <u>91,516</u> |
| Net position – January 1 | <u>13,327,865</u> | <u>7,478,199</u> | <u>8,072,695</u> | <u>1,163,796</u> | <u>30,042,555</u> | <u>4,473,080</u> |
| Net position – December 31 | <u>\$ 13,592,660</u> | <u>\$ 7,807,995</u> | <u>\$ 8,387,422</u> | <u>\$ 1,363,119</u> | <u>\$ 31,151,196</u> | <u>\$ 4,564,596</u> |
| Net changes in net position reported above | | | | | \$ 1,108,641 | |
| Amounts reported for business-type activities in the Statement of Activities are different because: | | | | | | |
| Transfer in of capital assets from governmental activities. | | | | | 154,574 | |
| Governmental activities contribution revenue reported above | | | | | (154,574) | |
| Internal service funds are used by management to charge the cost of equipment maintenance and insurance to individual funds. This amount is the portion of net revenue attributable to and reported with business-type activities. | | | | | (20,480) | |
| Change in net position of business-type activities | | | | | <u>\$ 1,088,161</u> | |

The accompanying notes are an integral part of these financial statements.

CITY OF SHOREVIEW, MINNESOTA

Statement of Cash Flows

Proprietary Funds

For The Year Ended December 31, 2014

| | Business-Type Activities – Enterprise Funds | | | | Totals Current Year | Governmental |
|--|---|---------------------|-------------------|-------------------|------------------------|---|
| | Water | Sewer | Surface Water | Street Lights | | Activities – Internal Service Funds |
| Cash flows from operating activities | | | | | | |
| Receipts from customers and users | \$ 2,423,361 | \$ 3,836,167 | \$ 1,316,342 | \$ 489,886 | \$ 8,065,756 | \$ – |
| Receipts from interfund services provided | – | – | – | – | – | 1,248,367 |
| Payments to suppliers | (582,745) | (2,239,058) | (319,228) | (193,413) | (3,334,444) | (620,193) |
| Payments to employees | (640,829) | (553,927) | (267,136) | (16,404) | (1,478,296) | (211,230) |
| Payments for interfund services used | (201,040) | (343,040) | (103,720) | (35,220) | (683,020) | – |
| Miscellaneous revenue | – | – | – | – | – | 148,623 |
| Net cash flows from operating activities | <u>998,747</u> | <u>700,142</u> | <u>626,258</u> | <u>244,849</u> | <u>2,569,996</u> | <u>565,567</u> |
| Cash flows from noncapital financing activities | | | | | | |
| Transfer to other funds | (303,136) | (181,136) | (147,000) | (20,400) | (651,672) | (9,589) |
| Cash flows from capital and related financing activities | | | | | | |
| Proceeds from sales of capital assets | 114 | 210 | 52 | – | 376 | 126,427 |
| Proceeds from the sale of bonds | 957,603 | 764,122 | 277,752 | – | 1,999,477 | 4,850,008 |
| Acquisition and construction of capital assets | (629,212) | (288,194) | (392,146) | (234,182) | (1,543,734) | (529,055) |
| Receipts from taxpayers | – | – | – | – | – | 183,232 |
| Transfers from other funds | – | 34,631 | – | – | 34,631 | 119,400 |
| Transfers to other funds | – | – | – | – | – | (34,631) |
| Capital contributions | 91,878 | 57,926 | 3,428 | – | 153,232 | 77,837 |
| Principal paid on capital debt | (965,000) | (325,000) | (360,000) | – | (1,650,000) | (245,000) |
| Interest and paying agent fees on capital debt | (202,737) | (75,405) | (102,561) | – | (380,703) | (311,748) |
| Net cash flows from capital and related financing activities | <u>(747,354)</u> | <u>168,290</u> | <u>(573,475)</u> | <u>(234,182)</u> | <u>(1,386,721)</u> | <u>4,236,470</u> |
| Cash flows from investing activities | | | | | | |
| Earnings on investments | 173,813 | 103,314 | 37,151 | 12,036 | 326,314 | 61,052 |
| Net change in cash and cash equivalents | <u>122,070</u> | <u>790,610</u> | <u>(57,066)</u> | <u>2,303</u> | <u>857,917</u> | <u>4,853,500</u> |
| Cash and cash equivalents – January 1 | 4,385,756 | 2,306,334 | 925,041 | 190,337 | 7,807,468 | 1,434,061 |
| Cash and cash equivalents – December 31 | <u>\$ 4,507,826</u> | <u>\$ 3,096,944</u> | <u>\$ 867,975</u> | <u>\$ 192,640</u> | <u>\$ 8,665,385</u> | <u>\$ 6,287,561</u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities | | | | | | |
| Operating income (loss) | <u>\$ 414,318</u> | <u>\$ 366,980</u> | <u>\$ 432,493</u> | <u>\$ 190,816</u> | <u>\$ 1,404,607</u> | <u>\$ (199,319)</u> |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities | | | | | | |
| Miscellaneous revenue | – | – | – | – | – | 155,763 |
| Depreciation | 634,561 | 329,430 | 243,125 | 51,959 | 1,259,075 | 654,540 |
| Decrease (increase) in receivables | (57,970) | (23,472) | (54,824) | (5,481) | (141,747) | 2,634 |
| Decrease (increase) in prepaid items | 2,222 | 1,767 | 1,445 | 49 | 5,483 | 811 |
| Increase (decrease) in payables | 5,616 | 25,437 | 4,019 | 7,506 | 42,578 | (48,862) |
| Total adjustments | <u>584,429</u> | <u>333,162</u> | <u>193,765</u> | <u>54,033</u> | <u>1,165,389</u> | <u>764,886</u> |
| Net cash flows from operating activities | <u>\$ 998,747</u> | <u>\$ 700,142</u> | <u>\$ 626,258</u> | <u>\$ 244,849</u> | <u>\$ 2,569,996</u> | <u>\$ 565,567</u> |
| Noncash investing, capital, and financing activities | | | | | | |
| Contributions of capital assets – | | | | | | |
| Governmental funds | \$ 65,383 | \$ 16,957 | \$ 54,484 | \$ 17,751 | \$ 154,575 | \$ – |
| External | – | – | 21,000 | – | 21,000 | – |
| Capital asset purchase on account – | | | | | | |
| Accounts payable | 110,875 | 5,825 | – | – | 116,700 | 4,992 |
| Due from other governmental units – | | | | | | |
| Capital contribution | (132) | (105) | (35) | – | (272) | (731) |
| Taxes receivable | – | – | – | – | – | (3,987) |

The accompanying notes are an integral part of these financial statements.

CITY OF SHOREVIEW, MINNESOTA

Statement of Assets and Liabilities

Agency Fund

December 31, 2014

| | |
|-----------------------------|-------------------|
| Assets | |
| Cash and investments | \$ 402,934 |
| Accrued interest receivable | 45 |
| Total assets | <u>\$ 402,979</u> |
| Liabilities | |
| Deposits payable | <u>\$ 402,979</u> |

The accompanying notes are an integral part of these financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Shoreview, Minnesota (the City) was incorporated in 1957 and operates under the state of Minnesota Statutory Plan B (Council – Manager) form of government. The City provides the following municipal services: public safety (police, fire, civil defense, and animal control), highways and streets, sanitation and health, parks and recreation, public improvements, community development, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the American Institute of Certified Public Accountants (AICPA) and the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. FINANCIAL REPORTING ENTITY

In accordance with GASB pronouncements and accounting principles generally accepted in the United States of America, the financial statements of the reporting entity should include the primary government and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of their operational or financial 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 is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of service performed or provided by the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Also, the City has operational responsibility of the EDA. It is this criterion that results in the EDA being reported as a blended component unit.

Blended Component Unit

Shoreview Economic Development Authority (EDA) - The EDA was created to carry out the housing and economic development activities within the City. The governing body consists of five members, three of which are City Council members. All EDA Commissioners are appointed by the Mayor with approval by the City Council. A member may be removed by the City Council for inefficiency, neglect of duty, or misconduct in office pursuant to procedures in Minnesota Statutes § 469.095. All sales of bonds or other obligations of the EDA must be approved by the City Council. The EDA is required to follow the budget process for City departments in accordance with City policy, ordinances and resolutions. All EDA budgets are approved by the City Council. Development and redevelopment actions of the EDA must be in conformance with the City Comprehensive Plan and official controls implementing the Comprehensive Plan. The EDA must submit its plan for development and redevelopment to the City Council for approval in accordance with City planning procedures and law. The administrative structure and management practices and policies of the EDA must be approved by the City Council. The EDA's activity is reported as the Economic Development Authority and Housing and Redevelopment Authority Special Revenue Funds. The EDA does not issue a separate set of financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *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 business-type activity; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The City's only fiduciary fund is an agency fund. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

The *Community Center Operation Fund* (Special Revenue Fund type) accounts for all operations of the community center, including maintenance of the facility and services offered for a fee basis. The fund's primary revenue sources are memberships, daily user fees, room rentals and concessions.

The *Recreation Programs Fund* (Special Revenue Fund type) accounts for recreational and social programs offered on a fee basis. Revenues are user fees of various programs and activities which fund administrative and direct program expenditures.

The *G.O. Improvement Bonds of 2013 Fund* (Debt Service Fund type) accounts for resources collected for the repayment of the 2013 improvement bonds.

The *Municipal State Aid Fund* (Capital Project Fund type) accounts for the City's allocation of the state collected highway use tax. The allocation is based on population and need for construction of designated state aid streets.

The *Street Renewal Fund* (Capital Project Fund type) provides financing for the replacement and/or rehabilitation of the City's street system. This fund has a minimum required fund balance of \$2 million per city policy.

The *General Fixed Asset Replacement Fund* (Capital Project Fund type) provides financing for the replacement of all general capital assets.

The *Community Investment Fund* (Capital Project Fund type) provides financing for improvements having a community-wide benefit.

The *Owasso Street Realignment Fund* (Capital Project Fund type) accounts for the financing and construction costs relating to the Owasso Street realignment project.

The government reports the following major proprietary funds:

The *Water Fund* accounts for the water service charges which are used to finance the water system operations.

The *Sewer Fund* accounts for the sewer service charges which are used to finance the sanitary sewer system operations.

The *Surface Water Fund* accounts for the surface water charges which are used to finance the surface water system operations.

The *Street Lights Fund* accounts for the street light charges which are used to finance the street light system operations.

Additionally, the government reports the following fund types:

Internal service funds account for the activities of the City's *short-term disability self-insurance, liability claims, and central garage funds*. These services are provided to other departments of the City on a cost reimbursement basis.

Agency funds account for the assets of the *Hockey Association* held by the City in a custodial capacity as an agent.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures, or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, which are similarly treated when they involve other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

D. BUDGETS

Budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the General Fund and all special revenue funds. Budgeted expenditure appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

E. LEGAL COMPLIANCE – BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the 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.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution on a departmental basis (general government, public safety, public works, parks and recreation, community development, and miscellaneous) which is the legal level of control, and can be expended by each department based upon detailed budget estimates for individual expenditure accounts.
4. The city manager is authorized to transfer appropriations within any department budget. Adjustments to appropriations between departments or between funds, and budget additions and deletions must be authorized by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
6. Legal debt obligation indentures determine the appropriation level and debt service tax levies for the debt service funds. Supplementary budgets are adopted for the proprietary funds to determine and calculate user charges. These debt service and budget amounts represent general obligation bond indenture provisions and net income for operations and capital maintenance and are not reflected in the financial statements.
7. A capital improvement program is reviewed annually by the City Council for the capital project funds. However, appropriations for major projects are not adopted until the actual bid award of the improvement. The appropriations are not reflected in the financial statements.

The following is a listing of nonmajor special revenue funds whose expenditures exceeded budget appropriations:

| | Original and Final Budget | Actual | Over Budget |
|--------------------------------|---------------------------------|------------|----------------|
| Nonmajor funds | | | |
| Special revenue fund | | | |
| Cable TV | \$ 149,587 | \$ 163,751 | \$ 14,164 |
| Economic Development Authority | 71,007 | 73,360 | 2,353 |

The overexpenditures were funded by available fund balance and revenues in excess of budget.

F. CASH AND INVESTMENTS

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Earnings from investments are allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

Investments are generally stated at fair value, except for investments in 2a7-like external investment pools, which are stated at amortized cost. Investment income is accrued at the balance sheet date.

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the cash and investments allocated to the proprietary fund types have original maturities of 90 days or less. Therefore, the entire balance in such fund types are considered to be cash equivalents.

Cash with escrow agent includes balances held in segregated accounts that are established for specific purposes. The cash with escrow agent represents escrow accounts established for cash and investments held for debt service related to refunding bond issues. Interest earned on these investments is allocated directly to the escrow accounts.

G. RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "interfund receivables/payables." All short-term interfund receivables and payables at year-end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as "interfund loan receivable/payable." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Internal balances on the Statement of Net Position also consist of prior and current year internal service fund costs in excess of charges to business-type activities.

Property taxes and special assessment receivables have been reported net of estimated uncollectible accounts (See Note I H and I). Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables and have not been reported.

H. PROPERTY TAX REVENUE RECOGNITION

The City Council annually adopts a tax levy and certifies it to the county in December (levy/assessment date) of each year for collection in the following year. The county is responsible for billing and collecting all property taxes for itself, the City, the local school district, and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the county and remitted to the City on or before July 15 and December 15 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The county possesses this authority.

GOVERNMENT-WIDE AND PROPRIETARY FUND FINANCIAL STATEMENTS

The City recognizes property tax revenue in the period for which taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes received by the City in July, December, and January are recognized as revenue for the current year. Taxes collected by the county by December 31 (remitted to the City the following January) and taxes not received at year-end are classified as delinquent and due from county taxes receivable. The portion of governmental fund delinquent taxes not collected by the City in January is fully offset by a deferred inflow of resources because they are not available to finance current expenditures.

The City's property tax revenue includes payments from the Metropolitan Revenue Distribution (Fiscal Disparities Formula) per Minnesota Statute § 473F. This statute provides a means of spreading a portion of the taxable valuation of commercial/industrial real property to various taxing authorities within the defined metropolitan area. The valuation "shared" is a portion of commercial/industrial property valuation growth since 1971. Property taxes paid to the City through this formula for 2014 totaled \$927,839. Receipt of property taxes from this "fiscal disparities pool" does not increase or decrease total tax revenue.

I. SPECIAL ASSESSMENT REVENUE RECOGNITION

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with state statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property

taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties, and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to state statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded or is agricultural or seasonal recreational land, in which event the property is subject to such sale after five years.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments that are collected by the county by December 31 (remitted to the City the following January) are also recognized as revenue for the current year. All remaining delinquent, deferred, and special deferred assessments receivable in governmental funds are completely offset by a deferred inflow of resources.

J. INVENTORIES

The original cost of materials and supplies has been recorded as expenditures at the time of purchase for both the governmental and proprietary funds. These funds do not maintain material amounts of materials and supplies.

K. PREPAID ITEMS

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

L. PROPERTY HELD FOR RESALE

Property is acquired by the City for redevelopment purposes. Property held for resale is reported as an asset at the lesser of cost or net realizable value in the government-wide and fund financial statements. Any costs incurred that are above the properties' net realizable value are reported as expenditures of the period.

M. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by governmental activities) the City chose to include all such items regardless of their acquisition date. These assets are reported at historical cost.

The City estimated historical cost for the initial reporting of these assets through back trending (estimating the current replacement cost and utilizing an appropriate price-level index to deflate the cost to the acquisition year). As the City constructs or acquires additional infrastructure assets each period, they will be capitalized and reported at historical cost.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2014, no interest was capitalized in connection with construction in progress.

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

| Assets | |
|-------------------------------------|-------------|
| Building and structures | 20–75 years |
| Machinery and equipment | 5–20 years |
| Distribution and collection systems | 50 years |
| Streets | 35 years |
| Street lights | 25 years |
| Trails and sidewalks | 25–30 years |
| Pedestrian tunnels and bridges | 35 years |

N. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused annual leave benefits. All annual leave is accrued when incurred in the government-wide and proprietary fund financial statements. Annual leave is payable when used or upon termination of employment. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

O. LONG-TERM OBLIGATIONS

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

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

P. FUND BALANCE CLASSIFICATIONS/FLOW ASSUMPTIONS

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

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

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

Committed – consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management. Pursuant to City Council Resolution, the City Manager or Finance Director is authorized to establish assignments of fund balance.

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

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

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

Q. NET POSITION CLASSIFICATIONS/FLOW ASSUMPTIONS

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, liabilities and deferred inflows/outflows (as applicable). Net position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.

Restricted Net Position – Consists of net position that is restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

R. INTERFUND TRANSACTIONS

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Interfund loans are reported as an interfund loan receivable or payable which offsets the movement of cash between funds. All other interfund transactions are reported as transfers.

S. USE OF ESTIMATES

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

T. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items which arise under the modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the item *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item, imposed nonexchange revenue transactions, *state aid received for subsequent years*, is deferred and recognized as an inflow of resources in the period that the resources are required to be used. This item is reported both in the governmental fund balance sheet and the government-wide statement of net position as a deferred inflow of resources.

Note 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund Balance Sheet includes a reconciliation between *fund balances* – total *governmental funds* and *net position* – *governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this (\$19,227,423) difference are as follows:

| | |
|---|------------------------|
| Long-term debt payable | \$ (18,555,000) |
| Issuance premium | (246,293) |
| Accrued interest payable | (146,308) |
| Compensated absences | <u>(279,822)</u> |
| Net adjustment to reduce fund balances – total governmental funds to arrive at net position – governmental activities | <u>\$ (19,227,423)</u> |

Another element of that reconciliation explains that “internal service funds are used by management to charge the costs of fleet management, short-term disability insurance, and liability claims to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.” The details of this \$4,520,896 difference are as follows:

| | |
|---|---------------------|
| Net position of the internal service funds. | \$ 4,564,596 |
| Add: Internal payable representing charges in excess of costs to business-type activities – prior years | (64,180) |
| Add: Internal receivable representing costs in excess of charges to business-type activities – current year | <u>20,480</u> |
| Net adjustment to increase fund balances – total governmental funds to arrive at net position – governmental activities | <u>\$ 4,520,896</u> |

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this (\$686,608) difference are as follows:

| | |
|--|---------------------|
| Capital outlay | \$ 1,600,173 |
| Developer contributions | 131,000 |
| Depreciation expense | <u>(2,417,781)</u> |
| Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities | <u>\$ (686,608)</u> |

Another element of that reconciliation states that “revenues on the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$1,489,052 difference are as follows:

| | |
|--|---------------------|
| General property taxes deferred inflow of resources | |
| At December 31, 2013 | \$ (124,010) |
| At December 31, 2014 | 108,252 |
| Special assessments deferred inflow of resources | |
| At December 31, 2013 | (506,667) |
| At December 31, 2014 | <u>2,011,477</u> |
| Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 1,489,052</u> |

Another element of that reconciliation states that “the issuance of long-term debt (e.g. bonds and leases) provides current financial resources to governmental funds, while the repayment of the long-term debt consumes the current financial resources of governmental funds.” Neither transaction, however, has any effect on net position. The details of this \$2,045,376 difference are as follows:

| | |
|--|---------------------|
| Debt issued or incurred | |
| General obligation refunding bonds of 2014 | \$ (100,000) |
| Principal repayments | |
| General obligation improvement bonds | 260,000 |
| General obligation tax increment bonds | 340,000 |
| General obligation capital improvement plan bonds | 870,000 |
| General obligation street reconstruction bonds | 305,000 |
| Certificates of participation | 350,000 |
| Premium/discount on debt issuance | <u>20,376</u> |
| Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 2,045,376</u> |

Another element of that reconciliation states that “some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$11,678 difference are as follows:

| | |
|--|------------------|
| Compensated absences | \$ (14,300) |
| Accrued interest | <u>25,978</u> |
| Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 11,678</u> |

Note 3 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council, all of which are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a failure, the City’s deposits may be lost. Minnesota Statutes require that all city deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the city treasurer or in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. Authorized collateral includes the following:

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

The City has no additional deposit policies addressing custodial credit risk.

At year-end, the carrying amount of the City's deposits was \$91,381 and the bank balance was \$174,027. The entire bank balance was covered by federal depository insurance.

B. INVESTMENTS

As of December 31, 2014, the City had the following cash and investments:

| Investment Type | Concentration Risk Over 5% of Portfolio | Interest Risk - Maturity Duration in Years | | | | Carrying Amount at Fair Value |
|--|---|--|---------------------|---------------------|---------------------|-------------------------------|
| | | Less than 1 Year | 1 to 5 Years | 6 to 10 Years | More than 10 Years | |
| Federal National Mortgage Association | 14.4% | \$ 1,699,357 | \$ - | \$ - | \$ 3,645,932 | \$ 5,345,289 |
| Federal Home Loan Bank | 14.7% | 1,894,477 | 494,124 | 2,582,060 | 487,695 | 5,458,356 |
| Federal Home Loan Mortgage Corporation | 2.5% | - | 946,108 | - | - | 946,108 |
| Municipal bonds | ** | - | 2,382,226 | 841,944 | - | 3,224,170 |
| Marketable certificates of deposit | N/A | 399,119 | 3,058,165 | 727,127 | 465,535 | 4,649,946 |
| Money market funds | | | | | | |
| Minnesota Municipal Money Market | N/A | 17,478,334 | - | - | - | 17,478,334 |
| MSILF Government Cash Management Fund | N/A | 15,374 | - | - | - | 15,374 |
| Wells Fargo Advantage Government Money Market Fund | N/A | 8,441 | - | - | - | 8,441 |
| Total investments | | \$ 21,495,102 | \$ 6,880,623 | \$ 4,151,131 | \$ 4,599,162 | 37,126,018 |
| Deposits | | | | | | 91,381 |
| Petty cash | | | | | | 12,970 |
| Totals | | | | | | \$ 37,230,369 |
| Government-Wide Statement of Net Position | | | | | | |
| Cash and investments | | | | | | \$ 35,430,337 |
| Restricted cash with escrow agent | | | | | | 1,397,098 |
| Statement of Assets and Liabilities - Agency Fund | | | | | | |
| Cash and investments | | | | | | 402,934 |
| Totals | | | | | | \$ 37,230,369 |

** - Individual bonds less than 5%
N/A - Not Applicable

The Minnesota Municipal Money Market Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The City's investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. The fund is not rated by a nationally recognized rating agency.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk - For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy addressing this risk, but typically limits its exposure by only purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes authorize the City to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities, or organizations created by an act of Congress, excluding mortgage-backed securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a national bond rating service, and all of the investments have a final maturity of 13 months or less, and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) Obligations of any state or local municipality as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota housing finance agency which is a moral obligation of the state of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptance of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two national rating agencies, and maturing in 270 days or less.
- f) Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories by a national bond rating agency.
- g) Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the governmental entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers; or a bank qualified as a depositor.
- h) General obligation temporary bonds of the same governmental entity issued under § 429.091, Subdivision 7; § 469.178, Subdivision 5; or § 475.61, Subdivision 6.

The City's investment policy does not further address credit risk. As of December 31, 2014, the City's investment in obligations of U.S. government agencies that are only implicitly guaranteed by the U.S. government (e.g., securities issued by the Federal National Mortgage Association, the Federal Home Loan Bank, and the Federal Home Loan Mortgage Corporation), the MSILF Government Cash Management Fund shares, and Wells Fargo Advantage Government Money Market Fund received Aaa credit ratings from Moody's Investors Service, Inc. and AA+ from Standard & Poor's Corporation. The City's investments in Municipal bonds were rated Aaa, Aa and A by Moody's Investors Service, Inc. and AA by Standard & Poor's Ratings Services in the amount of \$489,385, \$490,570, \$732,642, and \$1,511,573, respectively.

Concentration Risk – This is the risk associated with investing a significant portion of the City's investment (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City's investment policies do not limit the concentration of investments.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City does not have an investment policy limiting the duration of investments.

Note 4 RECEIVABLES/UNEARNED REVENUE/DEFERRED INFLOWS OF RESOURCES

Significant receivable balances not expected to be collected within one year of December 31, 2014 are as follows:

| | Accounts Receivable | Certified Utility Accounts Receivable | Utility Customer Accounts Receivable | Delinquent Property Taxes | Special Assessment Receivable | Total |
|---------------------------------|---------------------|---------------------------------------|--------------------------------------|---------------------------|-------------------------------|---------------------|
| Major funds | | | | | | |
| General | \$ 10,523 | \$ - | \$ - | \$ 24,141 | \$ - | \$ 34,664 |
| G.O. Improvement Bonds of 2013 | - | - | - | - | 1,520,448 | 1,520,448 |
| Municipal State Aid | - | - | - | - | 3 | 3 |
| Street Renewal | - | - | - | 3,143 | 65,991 | 69,134 |
| General Fixed Asset Replacement | - | - | - | 4,705 | - | 4,705 |
| Community Investment | - | - | - | 99 | - | 99 |
| Water | - | 12,827 | 43,738 | - | 22,215 | 78,780 |
| Sewer | - | 20,305 | 77,597 | - | 20,038 | 117,940 |
| Surface Water | - | 5,483 | 27,337 | - | 4,366 | 37,186 |
| Street Lights | - | 2,506 | 10,346 | - | - | 12,852 |
| Nonmajor governmental funds | - | - | - | 3,163 | 309,390 | 312,553 |
| | <u>\$ 10,523</u> | <u>\$ 41,121</u> | <u>\$ 159,018</u> | <u>\$ 35,251</u> | <u>\$ 1,942,451</u> | <u>\$ 2,188,364</u> |

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue 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 inflows and unearned revenue reported in the governmental funds were as follows:

| | Major Funds | | | | | | | Total |
|--|------------------|------------------------|---------------------|------------------|---------------------------------|----------------------|-------------------|---------------------|
| | General Fund | 2013 Improvement Bonds | Municipal State Aid | Street Renewal | General Fixed Asset Replacement | Community Investment | Nonmajor Funds | |
| Unearned | | | | | | | | |
| Grant revenue received, but not yet earned | \$ 2,950 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,950 |
| Antenna rental fees received, but not yet earned | - | - | - | - | - | 113,155 | - | 113,155 |
| Billboard rental fees received, but not yet earned | - | - | - | - | - | 3,433 | - | 3,433 |
| Total unearned revenue | <u>\$ 2,950</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 116,588</u> | <u>\$ -</u> | <u>\$ 119,538</u> |
| Deferred inflows of resources: | | | | | | | | |
| Unavailable revenue - property taxes | \$ 44,053 | \$ - | \$ - | \$ 5,735 | \$ 8,585 | \$ 181 | \$ 49,698 | \$ 108,252 |
| Unavailable revenue - assessments | - | 1,577,963 | 8 | 76,420 | - | - | 357,086 | 2,011,477 |
| State aid received for subsequent years | 10,061 | - | 1,700,000 | - | - | - | - | 1,710,061 |
| Total deferred inflows of resources | <u>\$ 54,114</u> | <u>\$ 1,577,963</u> | <u>\$ 1,700,008</u> | <u>\$ 82,155</u> | <u>\$ 8,585</u> | <u>\$ 181</u> | <u>\$ 406,784</u> | <u>\$ 3,829,793</u> |

CITY OF SHOREVIEW
Notes to Financial Statements
December 31, 2014

Note 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Increases | Decreases | Adjustments | Ending Balance |
|---|-------------------|--------------|------------|-------------|----------------|
| Primary government | | | | | |
| Governmental activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 7,724,345 | \$ - | \$ - | \$ - | \$ 7,724,345 |
| Construction in progress | 5,634,487 | 1,396,909 | - | (4,724,083) | 2,307,313 |
| Total capital assets, not being depreciated | 13,358,832 | 1,396,909 | - | (4,724,083) | 10,031,658 |
| Capital assets, being depreciated | | | | | |
| Building and structures | 34,929,415 | 15,709 | - | - | 34,945,124 |
| Machinery and equipment | 8,102,394 | 567,028 | 360,260 | 56,966 | 8,366,128 |
| Infrastructure | 58,543,640 | 131,000 | 4,429,664 | 4,667,117 | 58,912,093 |
| Total capital assets, being depreciated | 101,575,449 | 713,737 | 4,789,924 | 4,724,083 | 102,223,345 |
| Less accumulated depreciation for | | | | | |
| Building and structures | 10,076,728 | 841,491 | - | - | 10,918,219 |
| Machinery and equipment | 4,019,893 | 552,341 | 289,842 | - | 4,282,392 |
| Infrastructure | 35,812,598 | 1,678,489 | 3,574,015 | - | 33,917,072 |
| Total accumulated depreciation | 49,909,219 | 3,072,321 | 3,863,857 | - | 49,117,683 |
| Total capital assets being depreciated - net | 51,666,230 | (2,358,584) | 926,067 | 4,724,083 | 53,105,662 |
| Governmental activities capital assets - net | \$ 65,025,062 | \$ (961,675) | \$ 926,067 | \$ - | \$ 63,137,320 |
| Business-type activities | | | | | |
| Capital assets, not being depreciated | | | | | |
| Land | \$ 304,202 | \$ 21,000 | \$ - | \$ - | \$ 325,202 |
| Construction in progress | 2,113,155 | 1,815,009 | - | (2,123,707) | 1,804,457 |
| Total capital assets, not being depreciated | 2,417,357 | 1,836,009 | - | (2,123,707) | 2,129,659 |
| Capital assets, being depreciated | | | | | |
| Building and structures | 8,341,333 | - | - | 58,891 | 8,400,224 |
| Machinery and equipment | 2,532,106 | - | 11,493 | - | 2,520,613 |
| Distribution and collection system | 40,724,180 | - | 39,454 | 2,064,816 | 42,749,542 |
| Total capital assets, being depreciated | 51,597,619 | - | 50,947 | 2,123,707 | 53,670,379 |
| Less accumulated depreciation for | | | | | |
| Building and structures | 3,347,737 | 252,256 | - | - | 3,599,993 |
| Machinery and equipment | 462,561 | 100,905 | 11,493 | - | 551,973 |
| Distribution and collection system | 18,445,001 | 905,914 | 38,462 | - | 19,312,453 |
| Total accumulated depreciation | 22,255,299 | 1,259,075 | 49,955 | - | 23,464,419 |
| Total capital assets being depreciated - net | 29,342,320 | (1,259,075) | 992 | 2,123,707 | 30,205,960 |
| Business-type activities capital assets - net | \$ 31,759,677 | \$ 576,934 | \$ 992 | \$ - | \$ 32,335,619 |

CITY OF SHOREVIEW
Notes to Financial Statements
December 31, 2014

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

| | |
|--|---------------------|
| Governmental activities | |
| General government | \$ 163,123 |
| Public safety | 85,033 |
| Public works | 1,677,328 |
| Parks and recreation | 492,297 |
| Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets | 654,540 |
| Total depreciation expense - governmental activities | \$ 3,072,321 |
| Business-type activities | |
| Water | \$ 634,561 |
| Sewer | 329,430 |
| Surface water | 243,125 |
| Street lights | 51,959 |
| Total depreciation expense - business-type activities | \$ 1,259,075 |

COMMITMENTS

At December 31, 2014, the City had construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

| Project | Amount |
|---|-------------------|
| Community Center Gym Roof Replacement | \$ 750 |
| 2014 Trail Construction/Rehabilitation | 4,326 |
| Owasso Street Realignment | 11,695 |
| Hanson/Oakridge/Nottingham Reconstruction | 92,320 |
| Total construction commitments | \$ 109,091 |

Note 6 LONG-TERM DEBT

The City issues general obligation bonds and certificates of participation to provide funds for the acquisition and construction of major capital facilities. The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

As of December 31, 2014, the governmental activities long-term debt of the City consisted of the following:

| | Issue Date | Final Maturity Date | Interest Rate | Authorized and Issued | Outstanding 12/31/2014 |
|--|------------|---------------------|---------------|-----------------------|------------------------|
| G.O. improvement bonds | | | | | |
| 2008 Improvement Bonds | 11/15/2008 | 02/01/2025 | 3.50-4.375 | \$ 330,000 | \$ 260,000 |
| 2009 Improvement Bonds | 11/15/2009 | 02/01/2021 | 3.00-4.00 | 235,000 | 175,000 |
| 2010 Improvement Bonds | 12/16/2010 | 02/01/2015 | 1.00-4.00 | 140,000 | 120,000 |
| 2013 Refunding Improvement Bonds | 03/06/2013 | 02/01/2022 | 2.00 | 235,000 | 190,000 |
| 2013 Improvement Bonds | 12/05/2013 | 02/01/2035 | 3.00-4.00 | 1,775,000 | 1,775,000 |
| 2014 Refunding Improvement Bonds | 12/04/2014 | 02/01/2022 | 2.00-3.00 | 100,000 | 100,000 |
| Total G.O. improvement bonds | | | | 2,815,000 | 2,620,000 |
| G.O. tax increment bonds | | | | | |
| G.O. Tax Increment Refunding of 2007 | 11/01/2007 | 12/01/2015 | 4.00 | 1,090,000 | 350,000 |
| Other G.O. improvement bonds | | | | | |
| G.O. Street Reconstruction Bonds of 2006 | 06/01/2006 | 02/01/2015 | 4.00-4.20 | 2,500,000 | 1,550,000 |
| G.O. Capital Improvement Plan Bonds of 2010 | 03/10/2010 | 02/01/2015 | 1.20-5.85 | 5,615,000 | 5,025,000 |
| G.O. Refunding Capital Improvement Plan Bonds of 2013 | 03/06/2013 | 02/01/2020 | 2.00 | 750,000 | 750,000 |
| G.O. Refunding Street Reconstruction Bonds of 2013 | 03/06/2013 | 02/01/2022 | 2.00 | 1,380,000 | 1,380,000 |
| G.O. Street Reconstruction Bonds of 2013 | 03/06/2013 | 02/01/2028 | 2.00-2.375 | 2,415,000 | 2,270,000 |
| G.O. Capital Improvement Plan Refunding Bonds of 2014 | 12/04/2014 | 02/01/2030 | 2.00-3.00 | 4,670,000 | 4,670,000 |
| Total other G.O. improvement bonds | | | | 17,330,000 | 15,645,000 |
| Unamortized premium | N/A | N/A | N/A | N/A | 425,312 |
| Loan payable | | | | | |
| Metropolitan Right-of-Way Acquisition Loan Fund | 09/26/2006 | N/A | - | 6,000,000 | 6,000,000 |
| Certificates of participation | | | | | |
| Refunding Certificates of Participation 2011 | 04/01/2011 | 08/01/2023 | 2.00-3.75 | 4,620,000 | 3,635,000 |
| Compensated absences | N/A | N/A | N/A | N/A | 286,288 |
| Total city indebtedness – governmental activities | | | | \$ 31,855,000 | \$ 28,961,600 |

N/A – Not Applicable

BUSINESS-TYPE ACTIVITIES

As of December 31, 2014, the business-type activities long-term debt of the City consisted of the following:

| | Issue Date | Final Maturity Date | Interest Rate | Authorized and Issued | Outstanding 12/31/2014 |
|---|------------|---------------------|---------------|-----------------------|------------------------|
| G.O. revenue bonds | | | | | |
| Water Revenue Bonds of 2007 | 11/01/2007 | 02/01/2023 | 3.50-4.15 | \$ 845,000 | \$ 570,000 |
| Sewer Revenue Bonds of 2007 | 11/01/2007 | 02/01/2023 | 3.50-4.15 | 260,000 | 175,000 |
| Surface Water Revenue Bonds of 2007 | 11/01/2007 | 02/01/2023 | 3.50-4.15 | 600,000 | 405,000 |
| Water Revenue Bonds of 2008 | 11/15/2008 | 02/01/2025 | 3.5-4.375 | 2,365,000 | 1,795,000 |
| Sewer Revenue Bonds of 2008 | 11/15/2008 | 02/01/2025 | 3.5-4.375 | 580,000 | 440,000 |
| Surface Water Revenue Bonds of 2008 | 11/15/2008 | 02/01/2025 | 3.5-4.375 | 230,000 | 180,000 |
| Surface Water Revenue Bonds of 2009 | 11/15/2009 | 02/01/2021 | 3.00-4.00 | 1,180,000 | 790,000 |
| Water Revenue Bonds of 2010 | 12/16/2010 | 02/01/2015 | 0.75-4.60 | 1,240,000 | 1,020,000 |
| Sewer Revenue Bonds of 2010 | 12/16/2010 | 02/01/2015 | 0.75-4.60 | 985,000 | 810,000 |
| Surface Water Revenue Bonds of 2010 | 12/16/2010 | 02/01/2015 | 0.75-4.60 | 355,000 | 295,000 |
| Water Refunding Revenue Bonds of 2013 | 03/06/2013 | 02/01/2022 | 2.00 | 610,000 | 570,000 |
| Water Revenue Bonds of 2013A | 03/06/2013 | 02/01/2023 | 2.00 | 775,000 | 705,000 |
| Water Revenue Bonds of 2013C | 12/05/2013 | 02/01/2024 | 3.00 | 305,000 | 305,000 |
| Sewer Refunding Revenue Bonds of 2013 | 03/06/2013 | 02/01/2022 | 2.00 | 285,000 | 245,000 |
| Surface Water Refunding Revenue Bonds of 2013 | 03/06/2013 | 02/01/2016 | 2.00 | 155,000 | 100,000 |
| Surface Water Revenue Bonds of 2013A | 03/06/2013 | 02/01/2023 | 2.00 | 960,000 | 870,000 |
| Surface Water Revenue Bonds of 2013C | 12/05/2013 | 02/01/2024 | 3.00 | 190,000 | 190,000 |
| Water Refunding Revenue Bonds of 2014 | 12/04/2014 | 02/01/2026 | 2.00-3.00 | 915,000 | 915,000 |
| Sewer Refunding Revenue Bonds of 2014 | 12/04/2014 | 02/01/2026 | 2.00-3.00 | 730,000 | 730,000 |
| Surface Water Refunding Revenue Bonds of 2014 | 12/04/2014 | 02/01/2026 | 2.00-3.00 | 265,000 | 265,000 |
| Total G.O. revenue bonds | | | | 13,830,000 | 11,375,000 |
| Unamortized premium | N/A | N/A | N/A | N/A | 207,603 |
| Compensated absences payable | N/A | N/A | N/A | N/A | 79,384 |
| Total city indebtedness – business-type activities | | | | \$ 13,830,000 | \$ 11,661,987 |

N/A – Not Applicable

CITY OF SHOREVIEW
Notes to Financial Statements
December 31, 2014

GOVERNMENTAL ACTIVITIES

Annual debt service requirements to maturity for the governmental activities long-term debt are as follows:

| Year Ending December 31, | G.O. Improvement Bonds | | G.O. Tax Increment Bonds | | Other G.O. Improvement Bonds | | Certificates of Participation | |
|-----------------------------|-------------------------|------------|--------------------------|-----------|---------------------------------|--------------|-------------------------------|------------|
| | Governmental Activities | | Governmental Activities | | Governmental Activities | | Governmental Activities | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2015 | \$ 235,000 | \$ 81,988 | \$ 350,000 | \$ 14,000 | \$ 6,835,000 | \$ 321,333 | \$ 360,000 | \$ 110,315 |
| 2016 | 200,000 | 76,847 | - | - | 685,000 | 204,731 | 365,000 | 102,935 |
| 2017 | 165,000 | 71,666 | - | - | 720,000 | 190,682 | 375,000 | 94,540 |
| 2018 | 155,000 | 66,873 | - | - | 740,000 | 176,080 | 390,000 | 84,978 |
| 2019 | 145,000 | 62,197 | - | - | 760,000 | 159,682 | 400,000 | 74,058 |
| 2020 | 160,000 | 57,267 | - | - | 765,000 | 141,606 | 415,000 | 62,057 |
| 2021 | 165,000 | 51,954 | - | - | 660,000 | 124,432 | 430,000 | 48,155 |
| 2022 | 145,000 | 46,979 | - | - | 685,000 | 107,930 | 440,000 | 33,750 |
| 2023 | 120,000 | 42,741 | - | - | 485,000 | 94,282 | 460,000 | 17,250 |
| 2024 | 125,000 | 38,704 | - | - | 495,000 | 83,462 | - | - |
| 2025 | 135,000 | 34,391 | - | - | 505,000 | 71,800 | - | - |
| 2026 | 80,000 | 30,880 | - | - | 515,000 | 58,638 | - | - |
| 2027 | 80,000 | 28,320 | - | - | 525,000 | 44,256 | - | - |
| 2028 | 85,000 | 25,680 | - | - | 540,000 | 29,422 | - | - |
| 2029 | 85,000 | 22,960 | - | - | 360,000 | 16,500 | - | - |
| 2030 | 90,000 | 19,800 | - | - | 370,000 | 5,550 | - | - |
| 2031 | 85,000 | 16,300 | - | - | - | - | - | - |
| 2032 | 85,000 | 12,900 | - | - | - | - | - | - |
| 2033 | 90,000 | 9,400 | - | - | - | - | - | - |
| 2034 | 95,000 | 5,700 | - | - | - | - | - | - |
| 2035 | 95,000 | 1,900 | - | - | - | - | - | - |
| Total | \$ 2,620,000 | \$ 805,447 | \$ 350,000 | \$ 14,000 | \$ 15,645,000 | \$ 1,830,386 | \$ 3,635,000 | \$ 628,038 |

It is not practical to determine the specific year for payment of long-term accrued compensated absences.

The Metropolitan Right-of-Way Acquisition Loan Fund loan payable repayment is subject to conveyance of the property purchased with the loan to the Minnesota Department of Transportation and the timing of highway improvements is currently not known; therefore, it is not practical to determine the annual requirements to amortize this non-interest bearing note.

CITY OF SHOREVIEW
Notes to Financial Statements
December 31, 2014

BUSINESS-TYPE ACTIVITIES

Annual debt service requirements to maturity for the business-type long-term debt are as follows:

| Year Ending December 31, | G.O. Revenue Bonds Business-Type Activities | |
|-----------------------------|--|--------------|
| | Principal | Interest |
| | 2015 | \$ 2,935,000 |
| 2016 | 960,000 | 250,574 |
| 2017 | 880,000 | 224,694 |
| 2018 | 900,000 | 198,795 |
| 2019 | 930,000 | 171,031 |
| 2020 | 950,000 | 141,040 |
| 2021 | 975,000 | 109,676 |
| 2022 | 875,000 | 79,758 |
| 2023 | 815,000 | 52,750 |
| 2024 | 495,000 | 31,168 |
| 2025 | 465,000 | 14,241 |
| 2026 | 195,000 | 2,925 |
| Total | \$ 11,375,000 | \$ 1,572,819 |

It is not practical to determine the specific year for payment of long-term accrued compensated absences.

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2014, was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|---|----------------------|--------------|--------------|-------------------|------------------------|
| Governmental activities | | | | | |
| Bonds payable | | | | | |
| G.O. improvement bonds | \$ 2,780,000 | \$ 100,000 | \$ 260,000 | \$ 2,620,000 | \$ 235,000 |
| G.O. tax increment bonds | 690,000 | - | 340,000 | 350,000 | 350,000 |
| Other G.O. improvement bonds | 12,395,000 | 4,670,000 | 1,420,000 | 15,645,000 | 6,835,000 |
| Premium | 266,669 | 184,841 | 26,198 | 425,312 | - |
| Total bonds payable | 16,131,669 | 4,954,841 | 2,046,198 | 19,040,312 | 7,420,000 |
| Loans payable | 6,000,000 | - | - | 6,000,000 | - |
| Certificates of participation | 3,985,000 | - | 350,000 | 3,635,000 | 360,000 |
| Compensated absences | 270,837 | 353,200 | 337,749 | 286,288 | 27,901 |
| Total governmental activity long-term liabilities | \$ 26,387,506 | \$ 5,308,041 | \$ 2,733,947 | \$ 28,961,600 | \$ 7,807,901 |
| Business-type activities | | | | | |
| G.O. revenue bonds | \$ 11,115,000 | \$ 1,910,000 | \$ 1,650,000 | \$ 11,375,000 | \$ 2,935,000 |
| Premium | 136,758 | 90,466 | 19,621 | 207,603 | - |
| Total bonds payable | 11,251,758 | 2,000,466 | 1,669,621 | 11,582,603 | 2,935,000 |
| Compensated absences | 74,814 | 98,228 | 93,658 | 79,384 | 7,737 |
| Total business-type activity long-term liabilities | \$ 11,326,572 | \$ 2,098,694 | \$ 1,763,279 | \$ 11,661,987 | \$ 2,942,737 |

The governmental activities loans payable and compensated absences are generally liquidated by the General Fund, special revenue funds, and capital project funds.

Financing of the certificates of participation will be provided from the General Fund, General Fixed Asset Replacement Fund, Community Investment Fund and Closed Bond Fund.

All general obligation indebtedness outstanding at December 31, 2014 is backed by the full faith and credit of the City, including improvement, tax increment, other improvement, and revenue bonds. Delinquent assessments receivable at December 31, 2014 totaled \$2,920.

In 2010, the City issued taxable "Build America Bonds," and will receive direct payment from the federal government of an amount equal to 35 percent of the amount of interest payable on each interest payment date.

BOND REFUNDING

On March 6, 2013 the City issued the \$2,910,000 General Obligation Refunding Bonds, Series 2013B, with an average interest rate of 2%, and refunded \$760,000 of the 2004 General Obligation Capital Improvement Plan Bonds with an average interest rate of 3.17%, \$100,000 of the 2006 General Obligation Improvement Bonds with an

average interest rate of 3.86%, \$520,000 of the 2006 General Obligation Water Revenue Bonds with an average interest rate of 3.89%, \$165,000 of the 2006 General Obligation Sewer Revenue Bonds with an average interest rate of 3.89% and \$1,385,000 of the 2006 General Obligation Street Reconstruction Bonds with an average interest rate of 2.84%. The refunding resulted in a gross debt service savings of \$65,598, \$7,995, \$53,835, \$14,400, \$132,035 over the next nine years and an economic gain of \$62,985, \$7,521, \$50,899, \$13,850, \$124,482 for the 2004 General Obligation Capital Improvement Plan, 2006 General Obligation Improvement, 2006 General Obligation Water Revenue, 2006 General Obligation Sewer Revenue, and 2006 General Obligation Street Reconstruction Bonds, respectively. The 2004 General Obligation Capital Improvement Plan, 2006 General Obligation Improvement, 2006 General Obligation Water Revenue, and 2006 General Obligation Sewer Revenue Bonds were called for redemption on February 1, 2014. The 2006 General Obligation Street Reconstruction Bonds will be called for redemption on February 1, 2015. Both the refunding and refunded debt will be reported in the City's financial statements until the call date of the refunded debt.

On December 4, 2014 the City issued the \$6,680,000 General Obligation Refunding Bonds, Series 2014A, with an average interest rate of 2.34%, and refunded \$105,000 of the Taxable General Obligation Improvement Bonds, Series 2010B with an average interest rate of 2.50%, \$945,000 of the Taxable General Obligation Water Improvement Bonds, Series 2010B with an average interest rate of 2.50%, \$750,000 of the Taxable General Obligation Sewer Improvement Bonds, Series 2010B with an average interest rate of 2.50%, \$275,000 of the Taxable General Obligation Surface Water Improvement Bonds, Series 2010B with an average interest rate of 2.50% and \$4,775,000 of the Taxable General Obligation Capital Improvement Plan Bonds, Series 2010A with an average interest rate of 3.30%. The refunding resulted in a gross debt service savings of \$2,078, \$30,127, \$26,934, \$7,949, \$369,041 over the next sixteen years and an economic gain of \$1,687, \$24,879, \$20,642, \$7,052, \$309,777 for the Taxable General Obligation Improvement Bonds, Series 2010B, Taxable General Obligation Water Improvement Bonds, Series 2010B, Taxable General Obligation Sewer Improvement Bonds, Series 2010B, Taxable General Obligation Surface Water Improvement Bonds, Series 2010B and Taxable General Obligation Capital Improvement Plan Bonds, Series 2010A respectively. The 2010 refunded bonds will be called for redemption on February 1, 2015. Both the refunding and refunded debt will be reported in the City's financial statements until the call date of the refunded debt.

Note 7 PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) – DEFINED BENEFIT

PLAN DESCRIPTION

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

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 statutes, and vest after five 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.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERS members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

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

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. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in 2014. In 2014, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members. The City's contributions for the years 2014, 2013, and 2012 were \$398,328, \$395,304 and \$387,654, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statutes. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.5% for members and 7.5% for employers).

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) – DEFINED CONTRIBUTION

Four councilmembers and the mayor of the City are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a

tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. The plan provisions are established and administered in accordance with Minnesota Statutes, Chapter 353D.03, which may be amended by the State Legislature and specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2014 were:

| | Amount | | Percentage of Covered Payroll | | Required Rates |
|-------|-----------|----------|-------------------------------|----------|----------------|
| | Employees | Employer | Employees | Employer | |
| PEDCP | \$ 1,477 | \$ 1,477 | 5.00% | 5.00% | 5.00% |

Note 8 INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund receivable and payable balances at December 31, 2014 are as follows:

| Fund | Receivable | Payable |
|-----------------------------|------------|------------|
| Major funds | | |
| Owasso Street Realignment | \$ - | \$ 863,738 |
| Nonmajor governmental funds | 863,738 | - |
| Total | \$ 863,738 | \$ 863,738 |

Interfund receivables/payables are used for temporary cash deficits. These balances will be eliminated by future tax receipts.

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December 31, 2014

Interfund transfers:

| Transfers out | Transfer In | | | | | | | Total |
|--------------------------------------|-------------------|---------------------------------|--------------------------|--------------------------------|-----------------------------|------------------|------------------------|---------------------|
| | General Fund | Community Center Operation Fund | Recreation Programs Fund | G.O. Improvement Bonds of 2013 | Nonmajor Governmental Funds | Sewer Fund | Internal Service Funds | |
| General Fund | \$ - | \$ 239,000 | \$ 70,000 | \$ - | \$ 593,749 | \$ - | \$ - | \$ 902,749 |
| Recreation Programs Fund | - | 100,000 | - | - | - | - | - | 100,000 |
| Municipal State Aid Fund | - | - | - | - | 91,088 | - | - | 91,088 |
| Street Renewal Fund | - | - | - | - | 793,864 | - | - | 793,864 |
| General Fixed Asset Replacement Fund | - | - | - | - | 263,649 | - | - | 263,649 |
| Community Investment | - | - | - | - | 175,000 | - | - | 175,000 |
| Nonmajor governmental funds | 160,000 | - | - | 35,666 | 435,599 | - | - | 631,265 |
| Water Fund | 260,000 | - | - | - | 136 | - | 43,000 | 303,136 |
| Sewer Fund | 138,000 | - | - | - | 136 | - | 43,000 | 181,136 |
| Surface Water Fund | 116,000 | - | - | - | - | - | 31,000 | 147,000 |
| Street Lights Fund | 18,000 | - | - | - | - | - | 2,400 | 20,400 |
| Internal Service Funds | - | - | - | - | 9,589 | 34,631 | - | 44,220 |
| Total transfers out | \$ 692,000 | \$ 339,000 | \$ 70,000 | \$ 35,666 | \$ 2,362,810 | \$ 34,631 | \$ 119,400 | \$ 3,653,507 |

Interfund transfers allow the City to allocate financial resources to the funds that receive benefits from services provided by another fund. All of the City's interfund transfers fall under that category. All of the 2014 transfers are considered routine and consistent with previous practices.

CITY OF SHOREVIEW
Notes to Financial Statements
December 31, 2014

Note 9 CAPITAL LEASE

In 2011, the City issued refunding certificates of participation for the lease of the community center expansion area. The lease is paid in semi-annual installments, and final payment is due August 1, 2023. Depreciation in the amount of \$75,598 has been recorded as depreciation expense during 2014.

The net book value of assets under capital lease at December 31, 2014 is as follows:

| | December 31, 2014 |
|--------------------------|----------------------------|
| Building and structures | \$ 5,359,094 |
| Accumulated depreciation | <u>869,374</u> |
| Net | <u>\$ 4,489,720</u> |

The following is a schedule of future minimum lease payments under the capital lease:

| Year | Community Center Expansion |
|--|----------------------------|
| 2015 | \$ 470,315 |
| 2016 | 467,935 |
| 2017 | 469,540 |
| 2018 | 474,978 |
| 2019 | 474,058 |
| 2020 | 477,057 |
| 2021 | 478,155 |
| 2022 | 473,750 |
| 2023 | <u>477,250</u> |
| Total | 4,263,038 |
| Less amount representing interest | <u>(628,038)</u> |
| Present value of minimum lease payments | <u>\$ 3,635,000</u> |

Note 10 OPERATING LEASE PAYABLE

During 2014 the City leased three copier machines under one lease agreement the leases expires in August 2018, and calls for monthly lease payments of \$1,947. During 2014 the City leased eight treadmills, eight elliptical machines, and four adaptive motion trainers under three separate lease agreements for the community center. One lease expires in February of 2015 and two in September of 2016; and call for monthly lease payments of \$1,089, \$1,484 and \$1,320, respectively. Lease expenditures for the year ended December 31, 2014 amounted to \$70,081.

Future minimum annual lease payments at December 31, 2014 are as follows:

| Year Ended December 31, | Copiers | Exercise Equipment | Total |
|----------------------------|------------------|-----------------------|-------------------|
| 2015 | \$ 23,364 | \$ 34,738 | \$ 58,102 |
| 2016 | 23,364 | 26,557 | 49,921 |
| 2017 | 23,364 | - | 23,364 |
| 2018 | 15,576 | - | 15,576 |
| Total | <u>\$ 85,668</u> | <u>\$ 61,295</u> | <u>\$ 146,963</u> |

Note 11 COMMITMENTS AND CONTINGENCIES

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Workers' compensation coverage for City employees and councilmembers is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers' Compensation Reinsurance Association (WCRA) as required by law. For workers' compensation, the City is not subject to a deductible. The City's workers' compensation coverage prior to December 1, 2004 is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Other insurance coverage is provided through a pooled self-insurance program through LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for deductible portions. These deductibles are considered immaterial to the financial statements.

The City continues to carry commercial insurance for other risks of loss, including disability insurance. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The City established the Short-Term Disability Self-Insurance Fund to account for the receipt of monthly premiums paid by employees and costs incurred in providing short-term disability insurance to employees on a self-insured basis. Under this program, the Short-Term Disability Self-Insurance Fund provides coverage for losses up to two-thirds of any employees' gross wages. Benefits begin on the sixteenth working day and cover up to three calendar months. The City purchases commercial insurance for long-term disability for claims which exceed three months.

The City established the Liability Claims Fund to account for losses in the City's general package insurance. Under this program, the Liability Claims Fund provides coverage for losses up to \$25,000 for each claim (annual aggregate is \$75,000).

All funds of the City participate in these two programs and make payments to these funds based on historical cost information. GASB Statement No. 10 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. As of the date of the report, liabilities that have occurred are immaterial.

B. LITIGATION

The City attorney has indicated that existing and pending lawsuits, claims, and other actions in which the City is a defendant are either covered by insurance; of an immaterial amount; or, in the judgment of the City attorney, remotely recoverable by plaintiffs.

C. 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, 2014.

D. TAX INCREMENT DISTRICTS

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

Note 12 DEFERRED AD VALOREM TAX LEVIES – BONDED DEBT

General obligation bond issues sold by the City are financed by ad valorem tax levies. General obligation improvement bond issues sold by the City are partially financed by ad valorem tax levies in addition to special assessments levied against the benefiting properties. When a bond issue to be financed partially or completely by ad valorem tax levies is sold, specific annual amounts of such tax levies are stated in the bond resolution and the county auditor is notified and instructed to levy these taxes over the appropriate years. The future tax levies are subject to cancellation when and if the City has provided alternative sources of financing. The City Council is required to levy any additional taxes found necessary for full payment of principal and interest. These future scheduled tax levies are

not shown as assets in the accompanying financial statements at December 31, 2014. Future scheduled tax levies for all bonds outstanding at December 31, 2014 totaled \$11,047,606.

Note 13 FUND BALANCES

A. CLASSIFICATIONS

At December 31, 2014, a summary of the governmental fund balance classifications are as follows:

| | General Fund | Major Special Revenue Funds | Major Debt Service Funds | Major Capital Project Funds | Other Funds | Total |
|-----------------------------|---------------------|-----------------------------|--------------------------|-----------------------------|---------------------|----------------------|
| Nonspendable | | | | | | |
| Prepaid items | \$ 63,953 | \$ 1,810 | \$ - | \$ - | \$ 540 | \$ 66,303 |
| Restricted for | | | | | | |
| Business loan program | - | - | - | - | 165,777 | 165,777 |
| Cable Television | - | - | - | - | 31,037 | 31,037 |
| Debt service | - | - | 229,234 | - | 2,857,874 | 3,087,108 |
| Economic development | - | - | - | - | 43,399 | 43,399 |
| Housing and redevelopment | - | - | - | - | 87,943 | 87,943 |
| Recycling | - | - | - | - | 266,624 | 266,624 |
| Tax increment purposes | - | - | - | - | 3,415,223 | 3,415,223 |
| Total restricted | - | - | 229,234 | - | 6,867,877 | 7,097,111 |
| Committed to | | | | | | |
| Community Center operations | - | 1,191,820 | - | - | - | 1,191,820 |
| Recreation programs | - | 971,694 | - | - | - | 971,694 |
| Street improvements | - | - | - | 2,400,134 | - | 2,400,134 |
| Fixed asset replacements | - | - | - | 675,302 | - | 675,302 |
| Community projects | - | - | - | 1,570,408 | - | 1,570,408 |
| Cable TV | - | - | - | - | 160,612 | 160,612 |
| Slice of Shoreview event | - | - | - | - | 76,351 | 76,351 |
| Total committed | - | 2,163,514 | - | 4,645,844 | 236,963 | 7,046,321 |
| Assigned to | | | | | | |
| Debt service | - | - | - | - | 1,210,639 | 1,210,639 |
| Street improvements | - | - | - | 843,815 | - | 843,815 |
| Computer systems | - | - | - | - | 36,096 | 36,096 |
| Total assigned | - | - | - | 843,815 | 1,246,735 | 2,090,550 |
| Unassigned | 4,383,445 | - | - | (907,931) | - | 3,475,514 |
| Total | \$ 4,447,398 | \$ 2,165,324 | \$ 229,234 | \$ 4,581,728 | \$ 8,352,115 | \$ 19,775,799 |

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year – June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes. The policy also addresses the potential for unanticipated events.

The policy establishes a year-end targeted unassigned fund balance for working capital needs at fifty percent of the ensuing years' General Fund tax levy, and levy-based state aids. The working capital allocation shall be reduced by the balance of any prepaid items at year-end. The unassigned unanticipated event fund balance is established at ten percent of the ensuing years' budgeted General Fund expenditures. At December 31, 2014, the unassigned working capital fund balance was fifty percent of the ensuing years' General Fund tax levy, and levy based aids. The unassigned unanticipated event fund balance was ten percent of the ensuing years' budgeted General Fund expenditures.

C. DEFICIT FUND BALANCES

The City had deficit fund balances at December 31, 2014 as follows:

| | Amount |
|---------------------------|------------|
| Major Funds | |
| Capital Project | |
| Owasso Street Realignment | \$ 907,931 |

The Owasso Street Realignment deficit will be eliminated through future tax increment revenue.

Note 14 HOME ENERGY IMPROVEMENT LOAN RECEIVABLE

In 2010, the Economic Development Authority (EDA) started a home energy improvement loan program. As of December 31, 2014 the EDA issued fifteen loans with interest rates of 5.25%. The terms range from 96 to 120 months and call for monthly payments.

Future minimum loan receipts at December 31, 2014 are as follows:

| <u>Year</u> | <u>Home Energy Improvement Loan Program</u> |
|-----------------------------------|---|
| 2015 | \$ 25,529 |
| 2016 | 25,529 |
| 2017 | 25,529 |
| 2018 | 25,431 |
| 2019 | 24,368 |
| 2020 | 23,972 |
| 2021 | 16,149 |
| 2022 | 10,202 |
| 2023 | <u>5,729</u> |
| Total | 182,438 |
| Less amount representing interest | <u>(31,775)</u> |
| Total loan receivable | <u>\$ 150,663</u> |

Note 15 CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Not the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2014, there were three series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$10,032,569.

Note 16 CONTINGENT NOTE PAYABLE

The City has issued several tax increment pay-as-you-go revenue notes. These notes are not a general obligation of the City and are payable solely from available tax increments. Accordingly, these notes are not reflected in the financial statements of the City. Details of the pay-as-you-go revenue notes are as follows:

TIF District #4

Within TIF District #4, there is a pay-as-you-go agreement. As of December 31, 2014, future tax increment flow will be used to pay Tax Increment Agreement (Series 1996) up to a maximum amount of \$634,333.

TIF District #6

Within TIF District #6, there are two pay-as-you-go agreements. As of December 31, 2014, future tax increment flow will be used to pay Tax Increment Agreement #1 (Series 2001) up to a maximum amount of \$1,354,977, and to pay Tax Increment Agreement #2 (Series 2001) up to a maximum amount of \$527,000.

TIF District #7

Within TIF District #7, there is a pay-as-you-go agreement. As of December 31, 2014, future tax increment flow will be used to pay Tax Increment Agreement (Series 2014) up to a maximum amount of \$672,266.

TIF District #9

Within TIF District #9, there is a pay-as-you-go agreement. As of December 31, 2014, future tax increment flow will be used to pay Tax Increment Agreement (Series 2014) up to a maximum amount of \$494,944.

Note 17 PLEDGED REVENUE

The City has issued Certificates of Participation, Tax Increment, Capital Improvement, and Utility Improvement bonds for the construction of buildings, public works infrastructure, and park and recreation facilities. Specific revenues are pledged for the payments of interest and future retirement of the obligations. As of December 31, 2014 the following pledges were in place:

G.O. Refunding Tax Increment Bonds of 2007

The City pledged \$368,231 of tax increment collections and interest earnings to meet the debt service commitment on the bonds. The debt was originally issued in 2007 to refund the 1999C Tax Increment Bonds, which financed park and recreation building and structures and public works infrastructure and it has a final maturity date of December 1, 2015. The pledged revenues represent 100 percent of the revenue stream, and \$364,000 of the pledge commitment remains outstanding.

G.O. Capital Improvement Plan Bonds of 2010/Refunding of 2014

The City pledged \$1,023,231 of Central Garage charges, property tax collections, earnings on investments, Federal Build America Bond credit, capital contributions and transfers from utility funds to meet the debt service commitment on the bonds. The debt was originally issued in 2010 to finance the Central Garage building renovation, Refunding bonds were issued in 2014 and the 2010 bonds will be called for redemption in 2015. The 2014 Refunding Bonds have a final maturity date of February 1, 2030. The pledged revenues represent 61 percent of the revenue stream, and \$10,958,480 of the pledge commitment remains outstanding.

G.O. Water Revenue Bonds

The City pledged \$1,012,591 of operating revenue, earnings on investments and Federal Build America Bond credits to meet the debt service commitment on the bonds. The debt was originally issued in years 2002 - 2014 to

CITY OF SHOREVIEW
Notes to Financial Statements
December 31, 2014

**FINANCIAL SECTION –
REQUIRED SUPPLEMENTARY FINANCIAL
INFORMATION OTHER THAN MD&A**

finance water system infrastructure improvements and it has a final maturity date of years 2015 - 2026. The pledged revenues represent 37 percent of the revenue stream, and \$6,768,665 of the pledge commitment remains outstanding.

G.O. Sewer Revenue Bonds

The City pledged \$677,671 of operating revenue, earnings on investments and Federal Build America Bond credits to meet the debt service commitment on the bonds. The debt was originally issued in years 2006 - 2014 to finance sewer system infrastructure improvements and it has a final maturity date of years 2015 - 2026. The pledged revenues represent 17 percent of the revenue stream, and \$2,693,998 of the pledge commitment remains outstanding.

G.O. Surface Water Revenue Bonds

The City pledged \$568,722 of operating revenue, earnings on investments, capital contributions and Federal Build America Bond credits to meet the debt service commitment on the bonds. The debt was originally issued in years 2002 - 2014 to finance surface water system infrastructure improvements and it has a final maturity date of years 2015 - 2026. The pledged revenues represent 40 percent of the revenue stream, and \$3,485,156 of the pledge commitment remains outstanding.

Refunding Certificates of Participation of 2011

The City pledged \$485,760 of earnings on investments, other revenue and transfers from other funds to meet the debt service commitment on the certificates. The certificates were issued in 2011 to refund the Certificates of Participation of 2002 which financed the community center expansion and it has a final maturity date of August 1, 2023. The pledged revenues represent 100 percent of the revenue stream, and \$4,263,038 of the pledge commitment remains outstanding.

Revenue available to meet debt service requirements is shown in the following table:

| Bond Issue | Gross Revenue | Direct Operating Expenses | Available Net Revenue | Debt Service Requirements | | Total |
|--|----------------------|---------------------------|-----------------------|---------------------------|--------------------------------|---------------------|
| | | | | Principal | Interest and Fees Paying Agent | |
| G.O. Refunding Tax Increment Bonds of 2007 | \$ 368,231 | \$ - | \$ 368,231 | \$ 340,000 | \$ 28,050 | \$ 368,050 |
| G.O. Capital Improvement Plan Bonds of 2010/Refunding 2014 | 1,666,362 | 643,131 * | 1,023,231 | 245,000 | 318,992 | 563,992 |
| G.O. Water Revenue Bonds | 2,748,179 | 1,735,588 * | 1,012,591 | 965,000 | 178,732 | 1,143,732 |
| G.O. Sewer Revenue Bonds | 4,022,036 | 3,344,365 * | 677,671 | 325,000 | 70,243 | 395,243 |
| G.O. Surface Water Revenue Bonds | 1,411,270 | 842,548 * | 568,722 | 360,000 | 86,406 | 446,406 |
| Refunding Certificates of Participation of 2011 | 485,760 | - | 485,760 | 350,000 | 119,315 | 469,315 |
| | <u>\$ 10,701,838</u> | <u>\$ 6,565,632</u> | <u>\$ 4,136,206</u> | <u>\$ 2,585,000</u> | <u>\$ 801,738</u> | <u>\$ 3,386,738</u> |

CITY OF SHOREVIEW, MINNESOTA
 Required Supplementary Information
 Budgetary Comparison Schedule – General Fund
 For The Year Ended December 31, 2014

REQUIRED SUPPLEMENTARY INFORMATION

| | Original and Final Budget | Actual Amounts | Variance With Final Budget |
|-------------------------------|---------------------------------|-------------------|-------------------------------|
| Revenues | | | |
| General property taxes | | | |
| Current | \$ 6,837,154 | \$ 6,692,354 | \$ (144,800) |
| Other | - | 5,683 | 5,683 |
| Total general property taxes | <u>6,837,154</u> | <u>6,698,037</u> | <u>(139,117)</u> |
| Licenses and permits | | | |
| Business | 36,300 | 38,135 | 1,835 |
| Non-business | 288,200 | 589,898 | 301,698 |
| Total licenses and permits | <u>324,500</u> | <u>628,033</u> | <u>303,533</u> |
| Intergovernmental | | | |
| State | | | |
| Road maintenance | 168,000 | 217,451 | 49,451 |
| Market value homestead credit | - | 61 | 61 |
| PERA aid | 20,122 | 20,122 | - |
| State fire aid | - | 320,917 | 320,917 |
| Other | - | 15,868 | 15,868 |
| Local | | | |
| Aggregate gravel tax | 500 | - | (500) |
| Total intergovernmental | <u>188,622</u> | <u>574,419</u> | <u>385,797</u> |
| Charges for services | | | |
| General government | 600 | 4,530 | 3,930 |
| Public works | 370,000 | 330,465 | (39,535) |
| Parks and recreation | 7,500 | 10,524 | 3,024 |
| Community development | 58,000 | 155,667 | 97,667 |
| Administrative charges | | | |
| Special revenue funds | 93,990 | 93,990 | - |
| Capital project funds | 90,000 | 73,860 | (16,140) |
| Enterprise funds | 683,020 | 683,020 | - |
| Total charges for services | <u>1,303,110</u> | <u>1,352,056</u> | <u>48,946</u> |
| Fines and forfeits | 52,800 | 49,430 | (3,370) |
| Earnings on investments | 45,000 | 197,442 | 152,442 |
| Other | 26,108 | 28,974 | 2,866 |
| Total revenues | <u>8,777,294</u> | <u>9,528,391</u> | <u>751,097</u> |
| Expenditures | | | |
| General government | | | |
| Current | | | |
| Council and Commissions | 145,385 | 138,565 | 6,820 |
| Administration | 539,688 | 508,845 | 30,843 |
| Human resources | 278,161 | 245,355 | 32,806 |
| Elections | 39,559 | 34,332 | 5,227 |
| Communications | 209,370 | 195,445 | 13,925 |
| Finance and accounting | 559,990 | 512,388 | 47,602 |
| Information systems | 334,900 | 273,406 | 61,494 |
| Legal | 120,000 | 128,048 | (8,048) |
| Capital outlay | | | |
| Information systems | - | 48,768 | (48,768) |
| Total general government | <u>2,227,053</u> | <u>2,085,152</u> | <u>141,901</u> |

CITY OF SHOREVIEW, MINNESOTA
 Required Supplementary Information
 Budgetary Comparison Schedule – General Fund
 For The Year Ended December 31, 2014

| | Original and Final Budget | Actual Amounts | Variance With Final Budget |
|---|---------------------------------|---------------------|-------------------------------|
| Expenditures (continued) | | | |
| Public safety | | | |
| Current | | | |
| Police | 1,969,030 | 1,979,639 | (10,609) |
| Fire | 1,023,220 | 1,344,162 | (320,942) |
| Emergency services | 7,973 | 2,946 | 5,027 |
| Total public safety | <u>3,000,223</u> | <u>3,326,747</u> | <u>(326,524)</u> |
| Public works | | | |
| Current | | | |
| Public works administration and engineering | 460,442 | 456,455 | 3,987 |
| Streets | 837,694 | 774,139 | 63,555 |
| Trail management | 126,347 | 117,487 | 8,860 |
| Forestry | 132,243 | 125,314 | 6,929 |
| Total public works | <u>1,556,726</u> | <u>1,473,395</u> | <u>83,331</u> |
| Parks and recreation | | | |
| Current | | | |
| Parks and recreation administration | 397,368 | 366,627 | 30,741 |
| Municipal buildings | 127,775 | 138,254 | (10,479) |
| Park and sports area maintenance | 1,200,912 | 1,185,557 | 15,355 |
| Total parks and recreation | <u>1,726,055</u> | <u>1,690,438</u> | <u>35,617</u> |
| Community development | | | |
| Current | | | |
| Planning and zoning administration | 434,522 | 424,971 | 9,551 |
| Building inspection | 155,715 | 173,350 | (17,635) |
| Total community development | <u>590,237</u> | <u>598,321</u> | <u>(8,084)</u> |
| Total expenditures | <u>9,100,294</u> | <u>9,174,053</u> | <u>(73,759)</u> |
| Revenues over (under) expenditures | <u>(323,000)</u> | <u>354,338</u> | <u>677,338</u> |
| Other financing sources (uses) | | | |
| Sale of capital assets | - | 203 | 203 |
| Transfers in | 692,000 | 692,000 | - |
| Transfers out | <u>(369,000)</u> | <u>(902,749)</u> | <u>(533,749)</u> |
| Total other financing sources (uses) | <u>323,000</u> | <u>(210,546)</u> | <u>(533,546)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>143,792</u> | <u>\$ 143,792</u> |
| Fund balance – January 1 | | 4,303,606 | |
| Fund balance – December 31 | | <u>\$ 4,447,398</u> | |

CITY OF SHOREVIEW, MINNESOTA
 Required Supplementary Information
 Budgetary Comparison Schedule – Community Center Operations Fund
 For The Year Ended December 31, 2014

| | Original and Final Budget | Actual Amounts | Variance With Final Budget |
|------------------------------------|---------------------------------|---------------------|-------------------------------|
| Revenues | | | |
| Charges for services | \$ 2,431,850 | \$ 2,401,381 | \$ (30,469) |
| Earnings on investments | 8,000 | 65,924 | 57,924 |
| Other | 13,000 | 13,529 | 529 |
| Total revenues | <u>2,452,850</u> | <u>2,480,834</u> | <u>27,984</u> |
| Expenditures | | | |
| Parks and recreation | | | |
| Current | | | |
| Personal services | 1,570,841 | 1,475,984 | 94,857 |
| Materials and supplies | 499,815 | 528,353 | (28,538) |
| Contractual services | 597,020 | 670,494 | (73,474) |
| Total expenditures | <u>2,667,676</u> | <u>2,674,831</u> | <u>(7,155)</u> |
| Revenues over (under) expenditures | <u>(214,826)</u> | <u>(193,997)</u> | <u>20,829</u> |
| Other financing sources (uses) | | | |
| Transfers in | 339,000 | 339,000 | - |
| Net change in fund balance | <u>\$ 124,174</u> | <u>145,003</u> | <u>\$ 20,829</u> |
| Fund balance – January 1 | | 1,048,539 | |
| Fund balance – December 31 | | <u>\$ 1,193,542</u> | |

CITY OF SHOREVIEW, MINNESOTA
 Required Supplementary Information
 Budgetary Comparison Schedule – Recreation Programs Fund
 For The Year Ended December 31, 2014

| | Original and Final Budget | Actual Amounts | Variance With Final Budget |
|---|---------------------------------|-------------------|-------------------------------|
| Revenues | | | |
| Charges for services | \$ 1,460,213 | \$ 1,419,065 | \$ (41,148) |
| Earnings on investments | 4,200 | 44,575 | 40,375 |
| Other | - | 48 | 48 |
| Total revenues | <u>1,464,413</u> | <u>1,463,688</u> | <u>(725)</u> |
| Expenditures | | | |
| Parks and recreation | | | |
| Current | | | |
| Personal services | 1,060,229 | 940,734 | 119,495 |
| Materials and supplies | 83,766 | 68,853 | 14,913 |
| Contractual services | 221,758 | 214,054 | 7,704 |
| Total expenditures | <u>1,365,753</u> | <u>1,223,641</u> | <u>142,112</u> |
| Revenues over (under) expenditures | <u>98,660</u> | <u>240,047</u> | <u>141,387</u> |
| Other financing sources (uses) | | | |
| Transfers in | 70,000 | 70,000 | - |
| Transfers out | (100,000) | (100,000) | - |
| Total other financing sources (uses) | <u>(30,000)</u> | <u>(30,000)</u> | <u>-</u> |
| Net change in fund balance | <u>\$ 68,660</u> | <u>210,047</u> | <u>\$ 141,387</u> |
| Fund balance – January 1 | | 761,735 | |
| Fund balance – December 31 | | <u>\$ 971,782</u> | |

CITY OF SHOREVIEW, MINNESOTA
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 December 31, 2014

Note A LEGAL COMPLIANCE – BUDGETS

The General Fund, Community Center Operations Fund, and Recreation Programs Fund budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the department level (general government, public safety, public works, parks and recreation, community development, and miscellaneous) for all funds. For the year ended December 31, 2014, the following is a list of funds whose departments exceeded budgeted appropriations:

| | Original and Final Budget | Actual | Over Budget |
|---|---------------------------------|--------------|----------------|
| Major funds | | | |
| General Fund | | | |
| Public Safety | \$ 3,000,223 | \$ 3,326,747 | \$ 326,524 |
| Community Development | 590,237 | 598,321 | 8,084 |
| Community Center Operations Fund | 2,667,676 | 2,674,831 | 7,155 |

The General Fund over expenditures were funded by greater than anticipated revenues. The Community Center Operations Fund over expenditures were funded by greater than anticipated revenues and available fund balance.

City of Shoreview, Minnesota
\$7,605,000* General Obligation Utility Revenue Bonds, Series 2016A

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$_____ (which may not be less than \$7,513,740) plus accrued interest, if any, to the date of delivery.

| <u>Year</u> | <u>Interest Rate (%)</u> | <u>Yield (%)</u> | <u>Dollar Price</u> | <u>Year</u> | <u>Interest Rate (%)</u> | <u>Yield (%)</u> | <u>Dollar Price</u> |
|-------------|--------------------------|------------------|---------------------|-------------|--------------------------|------------------|---------------------|
| 2017 | _____% | _____% | _____% | 2027 | _____% | _____% | _____% |
| 2018 | _____% | _____% | _____% | 2028 | _____% | _____% | _____% |
| 2019 | _____% | _____% | _____% | 2029 | _____% | _____% | _____% |
| 2020 | _____% | _____% | _____% | 2030 | _____% | _____% | _____% |
| 2021 | _____% | _____% | _____% | 2031 | _____% | _____% | _____% |
| 2022 | _____% | _____% | _____% | 2032 | _____% | _____% | _____% |
| 2023 | _____% | _____% | _____% | 2033 | _____% | _____% | _____% |
| 2024 | _____% | _____% | _____% | 2034 | _____% | _____% | _____% |
| 2025 | _____% | _____% | _____% | 2035 | _____% | _____% | _____% |
| 2026 | _____% | _____% | _____% | 2036 | _____% | _____% | _____% |

Designation of Term Maturities

Years of Term Maturities _____

In making this offer on the sale date of December 14, 2015 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated November 19, 2015 including the City’s right to modify the principal amount of the Bonds. (See “Terms of Proposal” herein.) In the event of failure to deliver these Bonds in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

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

NET INTEREST COST: \$_____

TRUE INTEREST RATE: _____ %

Account Members

Account Manager

By: _____

Phone: _____

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

Attest: _____

Date: _____

* Preliminary; subject to change.

Phone: 651-223-3000

Fax: 651-223-3046

Email: bond_services@springsted.com

Website: www.springsted.com



TO: Mayor, City Council and
Terry Schwerm, City Manager

FROM: Fred Espe, Finance Director

DATE: December 14, 2015

RE: Award Sale of Bonds

Bid Results

On November 2, 2015 the City Council authorized the sale of \$7,605,000 in general obligation bonds. Below is a description of the bid results, and attached are bid tabulations for all submitted bids. A revised resolution has been provided by the City's bonding attorney that incorporates pricing information, the revised resolution is attached.

General Obligation Bonds, series 2016A

The City received 4 bids ranging from 2.4535% to 2.5140%. The winning bid is from Robert W. Baird & Co., Inc. (at a true interest cost of 2.4535%) and is 9 basis points (.09 percent) lower than the preliminary rate provided in the recommendations. Individual coupon rates range from 2% to 3%, depending on the year of maturity. The true interest cost is lower than some of the coupon rates due to the premium included in the winning bid.

AAA Bond Rating Awarded to Shoreview

On Friday December 11 Standard and Poor's (S&P) affirmed the City's AAA bond rating, the highest bond rating awarded. Although the rating certainly reduced interest costs for the proposed debt, more importantly, the rating is a statement of confidence in the City's current and future financial stability.

The bond rating process is repeated for each new debt issue. Potential investors use the most recent rating as a measure of security to determine interest rates to bid on the bonds. The complete rating summary (written by Standard and Poor's) is attached to this report.

Recommendation

Staff recommends adoption of the attached revised resolution.



Springsted Incorporated
 380 Jackson Street, Suite 300
 Saint Paul, MN 55101-2887
 Tel: 651-223-3000
 Fax: 651-223-3002
 Email: advisors@springsted.com
 www.springsted.com

\$7,605,000*

CITY OF SHOREVIEW, MINNESOTA
 GENERAL OBLIGATION UTILITY REVENUE BODS, SERIES 2016A
 (BOOK ENTRY ONLY)

AWARD: ROBERT W. BAIRD & COMPANY, INCORPORATED
 AND SYNIDCATES

SALE: December 14, 2015

Standard & Poor's Rating: AAA

| Bidder | Interest Rates | Price | Net Interest Cost | True Interest Rate |
|---|-------------------------------|----------------|-------------------|--------------------|
| ROBERT W. BAIRD & COMPANY, INCORPORATED | 2.00% 2017-2025 2.25% 2026 | \$7,731,833.40 | \$2,027,644.62 | 2.4535% |
| C.L. KING & ASSOCIATES | 2.50% 2027-2028 | | | |
| CRONIN & COMPANY, INC. | 2.75% 2029-2030 | | | |
| LOOP CAPITAL MARKETS, LLC | 3.00% 2031-2036 | | | |
| VINING-SPARKS IBG, LIMITED PARTNERSHIP | | | | |
| EDWARD D. JONES & COMPANY | | | | |
| SAMCO CAPITAL MARKETS, INC. | | | | |
| COASTAL SECURITIES L.P. | | | | |
| WNJ CAPITAL | | | | |
| CREWS & ASSOCIATES | | | | |
| DAVENPORT & COMPANY LLC | | | | |
| DUNCAN-WILLIAMS, INC. | | | | |
| ROSS, SINCLAIRE & ASSOCIATES, LLC | | | | |
| DOUGHERTY & COMPANY LLC | | | | |
| COUNTRY CLUB BANK | | | | |
| OPPENHEIMER & CO. INC. | | | | |
| SUMRIDGE PARTNERS | | | | |
| R. SEELAUS & COMPANY, INC. | | | | |
| SIERRA PACIFIC SECURITIES | | | | |
| ALAMO CAPITAL | | | | |
| IFS SECURITIES | | | | |
| RAFFERTYCAPIAL MARKETS | | | | |
| FIRST EMPIRE SECURITIES | | | | |
| UMB BANK, N.A. | | | | |
| WEDBUSH SECURITIES INC. | | | | |

* Subsequent to bid opening, the issue size was not changed.

| Bidder | Interest Rates | Price | Net Interest Cost | True Interest Rate |
|--|-----------------|----------------|-------------------|--------------------|
| FTN FINANCIAL CAPITAL MARKETS | 2.00% 2017-2025 | \$7,749,008.17 | \$2,043,242.94 | 2.4660% |
| | 2.50% 2026-2029 | | | |
| | 2.75% 2030 | | | |
| | 3.00% 2031-2034 | | | |
| | 3.25% 2035-2036 | | | |
| PIPER JAFFRAY & CO. | 3.00% 2017-2025 | \$7,879,583.00 | \$2,059,852.94 | 2.4783% |
| | 2.50% 2026-2028 | | | |
| | 2.75% 2029-2030 | | | |
| | 3.00% 2031-2036 | | | |
| BOSC, INC., A SUBSIDIARY OF, BOK FINANCIAL CORP. STIFEL, NICOLAUS & COMPANY, INCORPORATED SUNTRUST ROBINSON HUMPHREY, INC. | 3.00% 2017-2022 | \$8,026,126.05 | \$2,109,256.34 | 2.5139% |
| | 4.00% 2023-2025 | | | |
| | 3.00% 2026-2035 | | | |
| | 3.10% 2036 | | | |

REOFFERING SCHEDULE OF THE PURCHASER

| <u>Rate</u> | <u>Year</u> | <u>Yield</u> |
|-------------|-------------|--------------|
| 2.00% | 2017 | 0.55% |
| 2.00% | 2018 | 0.85% |
| 2.00% | 2019 | 1.00% |
| 2.00% | 2020 | 1.15% |
| 2.00% | 2021 | 1.30% |
| 2.00% | 2022 | 1.45% |
| 2.00% | 2023 | 1.60% |
| 2.00% | 2024 | 1.75% |
| 2.00% | 2025 | 1.90% |
| 2.25% | 2026 | 2.00% |
| 2.50% | 2027 | 2.10% |
| 2.50% | 2028 | 2.20% |
| 2.75% | 2029 | 2.30% |
| 2.75% | 2030 | 2.40% |
| 3.00% | 2031 | 2.50% |
| 3.00% | 2032 | 2.60% |
| 3.00% | 2033 | 2.75% |
| 3.00% | 2036 | Par |

BBI: 3.57%
Average Maturity: 10.653 Years

Robert W. Baird & Co., Inc. - Milwaukee , WI's Bid



City of Shoreview, Minnesota

\$7,605,000

General Obligation Utility Revenue Bonds, Series 2016A

For the aggregate principal amount of \$7,605,000.00, we will pay you \$7,731,833.40, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

| Maturity Date | Amount \$ | Coupon % | Yield % | Dollar Price |
|---------------|-----------|----------|---------|--------------|
| 02/01/2017 | 340M | 2.0000 | 0.5500 | 101.511 |
| 02/01/2018 | 355M | 2.0000 | 0.8500 | 102.328 |
| 02/01/2019 | 360M | 2.0000 | 1.0000 | 102.993 |
| 02/01/2020 | 360M | 2.0000 | 1.1500 | 103.351 |
| 02/01/2021 | 370M | 2.0000 | 1.3000 | 103.408 |
| 02/01/2022 | 375M | 2.0000 | 1.4500 | 103.173 |
| 02/01/2023 | 380M | 2.0000 | 1.6000 | 102.655 |
| 02/01/2024 | 380M | 2.0000 | 1.7500 | 101.868 |
| 02/01/2025 | 385M | 2.0000 | 1.9000 | 100.827 |
| 02/01/2026 | 400M | 2.2500 | 2.0000 | 102.059 |
| 02/01/2027 | 405M | 2.5000 | 2.1000 | 103.279 |
| 02/01/2028 | 410M | 2.5000 | 2.2000 | 102.448 |
| 02/01/2029 | 420M | 2.7500 | 2.3000 | 103.656 |
| 02/01/2030 | 435M | 2.7500 | 2.4000 | 102.830 |
| 02/01/2031 | 450M | 3.0000 | 2.5000 | 104.025 |
| 02/01/2032 | 335M | 3.0000 | 2.6000 | 103.205 |
| 02/01/2033 | 345M | 3.0000 | 2.7500 | 101.989 |
| 02/01/2034 | | | | |
| 02/01/2035 | | | | |
| 02/01/2036 | 1,100M | 3.0000 | 3.0000 | 100.000 |

Total Interest Cost: \$2,154,478.02
 Premium: \$126,833.40
 Net Interest Cost: \$2,027,644.62
 TIC: 2.453541

Time Last Bid Received On: 12/14/2015 10:23:01 CST

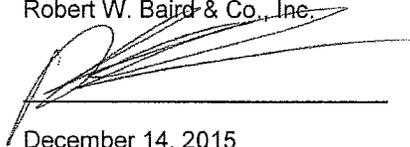
This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: Robert W. Baird & Co., Inc., Milwaukee , WI
 Contact: Peter Anderson
 Title:
 Telephone:414-765-7331
 Fax:

Issuer Name: City of Shoreview

Company Name: Robert W. Baird & Co., Inc.

Accepted By: _____

Accepted By:  _____

Date: December 14, 2015

Date: December 14, 2015

RatingsDirect®

Summary:

Shoreview, Minnesota; Appropriations; General Obligation

Primary Credit Analyst:

Andrew J Truckenmiller, Chicago (1) 312-233-7032; andrew.truckenmiller@standardandpoors.com

Secondary Contact:

Jennifer Boyd, Chicago (1) 312-233-7040; jennifer.boyd@standardandpoors.com

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Summary:

Shoreview, Minnesota; Appropriations; General Obligation

Credit Profile

US\$7.605 mil GO utility rev bnds ser 2016A due 02/01/2036

| | | |
|-------------------------|------------|----------|
| <i>Long Term Rating</i> | AAA/Stable | New |
| Shoreview GO bnds | | |
| <i>Long Term Rating</i> | AAA/Stable | Affirmed |

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating and stable outlook to Shoreview, Minn.'s series 2016A general obligation (GO) utility revenue bonds and affirmed its 'AAA' rating, with a stable outlook, on the city's existing GO debt.

Standard & Poor's also affirmed its 'AA+' rating, with a stable outlook, on the city's certificates of participation (COPs).

We rate the COPs one notch below the city's GO debt rating due to the annual appropriation risk associated with the security.

The bonds are a GO of the city, and the city pledges its full faith and credit to levy direct general ad valorem property taxes without limitation as to rate or amount to the GO debt. In addition, the city pledges net revenue of its water, sewer, and surface water utility funds to the GO debt. The GO debt rating reflects the unlimited-tax GO pledge. Officials intend to use series 2016A bond proceeds to finance various utility projects.

Shoreview's GO bonds are eligible to be rated above the sovereign because we believe the city can maintain better credit characteristics than the U.S. in a stress scenario. Under our criteria, titled "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions", published Nov. 19, 2013, on RatingsDirect, we consider local governments to have moderate sensitivity to country risk. Shoreview's GO pledge is the sole source of security on the bonds; this severely limits the possibility of negative sovereign intervention in the payment of the debt or in the operations of the city. The institutional framework in the nation is predictable for local governments, allowing them significant autonomy, independent treasury management, and no history of government intervention. Very high general fund balance as a percent of expenditures and very strong liquidity demonstrate Shoreview's financial flexibility.

The rating reflects our opinion of the city's:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with "strong" financial management policies and practices under our Financial Management Assessment (FMA) methodology;

- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2014;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2014 of 46% of operating expenditures;
- Very strong liquidity, with total government available cash at 1.8x total governmental fund expenditures and 21.1x governmental debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability position, with debt service carrying charges at 8.7% of expenditures and net direct debt that is 122.1% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value and rapid amortization, with 67% of debt scheduled to be retired within 10 years; and
- Strong institutional framework score.

Very strong economy

We consider Shoreview's economy very strong. The city, with an estimated population of 26,068, is located in Ramsey County in the Minneapolis-St. Paul-Bloomington MSA in Minnesota and Wisconsin, which we consider broad and diverse. The city has a projected per capita effective buying income of 148% of the national level and per capita market value of \$110,748. Overall, the city's market value grew by 4.7% over the past year to \$2.9 billion in 2015. The county unemployment rate was 3.9% in 2014.

The city is about 10 miles north of St. Paul, providing residents with full access to the Twin Cities MSA area economy. Although Shoreview is a suburb of St. Paul and almost completely built out, it continues to experience commercial development within city limits. In addition, housing developments have recently begun to pick up. The city implemented a comprehensive business retention program that has helped sustain and attract employment opportunities.

Very strong management

We view the city's management as very strong, with "strong" financial management policies and practices under our FMA methodology, indicating financial practices are strong, well embedded, and likely sustainable.

Management provides the city council with monthly reports on budget-to-actual results. The city has its own investment policy, and it contracts with investment managers. Management updates the council monthly on investment holdings and earnings. The city also maintains long-term financial and capital improvement plans that city officials and the city council view. Shoreview's formal reserve policy calls for the maintenance of a general fund balance minimum of 50% of the ensuing year's taxes and state aid. The city also has a policy of maintaining additional general funds by reserving up to 10% of the ensuing year's budgeted expenditures.

Strong budgetary performance

Shoreview's budgetary performance is strong in our opinion. The city had operating surpluses of 3.7% of expenditures in the general fund and 22.3% of expenditures across all governmental funds in fiscal 2014. General fund operating results of the city have been stable over the last three years, with a result of 3.1% of expenditures in 2013 and a result of 1.9% of expenditures in 2012.

Shoreview is projecting surpluses in the general fund and total government funds for fiscal 2015. The city does not rely on local government aid, which is typical of cities in Minnesota. Tax revenue, however, generates 70% of general fund revenue. Tax revenue has increased modestly over the past few fiscal years because the city is willing to raise, and has raised, the tax levy slightly to increase revenue. Due to the city's historical budget-to-actual performance, we do not

currently expect to change our assessment of the city's general fund performance. If tax revenue were to decrease, however, we believe Shoreview will be in a good position to maintain, at least, strong performance. The city expects to adopt a balanced budget for fiscal 2016.

Very strong budgetary flexibility

Shoreview's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2014 of 46% of operating expenditures, or \$4.4 million. We expect the available fund balance to remain above 30% of expenditures for the current and next fiscal years, which we view as a positive credit factor. Over the past three years, the total available fund balance has remained at a consistent level overall, totaling 46% of expenditures in 2013 and 47% of expenditures in 2012.

Due to management's expectations for, at least, positive operations in fiscal 2015 and, at least, break-even operations in fiscal 2016, we believe Shoreview will likely maintain its very strong budgetary flexibility within the next two fiscal years.

Very strong liquidity

In our opinion, Shoreview's liquidity is very strong, with total government available cash at 1.8x total governmental fund expenditures and 21.1x governmental debt service in 2014. In our view, the city has strong access to external liquidity if necessary.

Routine GO issuances throughout the past 15 years highlight Shoreview's access to capital markets. The city does not currently have any privately placed or direct-placement debt. The majority of the city's investments are nonaggressive, in our view.

Strong debt and contingent liability profile

In our view, Shoreview's debt and contingent liability profile is strong. Total governmental fund debt service is 8.7% of total governmental fund expenditures, and net direct debt is 122.1% of total governmental fund revenue. Overall net debt is low at 2.8% of market value, and approximately 67% of the direct debt is scheduled to be repaid within 10 years, which are in our view positive credit factors.

We now believe the city's debt profile has improved to strong levels since it has retired at least 65% of GO debt within the past 10 years. Shoreview has self-supporting debt from GO bonds, supported by water, sewer, and surface water utility revenue. The city currently expects to issue \$6 million of additional debt in fiscal 2017 and an additional \$3 million in fiscal 2019.

Shoreview's pension contributions totaled 2.1% of total governmental fund expenditures in fiscal 2014. The city made its full annual required pension contribution in fiscal 2014.

Defined-benefit pension plans administered by the Minnesota Public Employees' Retirement Assn. (PERA) cover all full-time and certain part-time employees. PERA administers the Minnesota General Employees' Retirement Fund and the Minnesota Public Employees' Police & Fire Fund, which are cost-sharing, multiemployer retirement plans. The plans provide retirees the option to remain in the city's health insurance plan, but eligible retirees are responsible for 100% of the premiums. Therefore, the plans are an implicit subsidy of the city, which funds them through pay-as-you-go financing. Shoreview has contributed 100% of its annual required contribution (ARC) in each of the past

three fiscal years. The combined ARC for pension and other postemployment benefit pay-as-you-go costs for fiscal 2014 were 2.1% of expenditures, and the city does not expect these costs to increase substantially over the next few years.

Strong institutional framework

The institutional framework score for Minnesota cities with a population greater than 2,500 is strong.

Outlook

The stable outlook reflects Standard & Poor's opinion of the city's very strong economy and strong financial performance, supported by very strong management. We do not expect to change the rating within the next two years because we believe the city will likely maintain very strong reserves. Although not expected to occur, we could lower the rating or revise the outlook to negative if the city's economic profile and finances were to deteriorate significantly. We believe the city's access to the broad and diverse Minneapolis-St. Paul MSA provides rating stability.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Methodology: Rating Approach To Obligations With Multiple Revenue Streams, Nov. 29, 2011
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Minnesota Local Governments

Ratings Detail (As Of December 11, 2015)

| | | |
|--|------------|----------|
| Shoreview rfdg certs of part | | |
| <i>Long Term Rating</i> | AA+/Stable | Affirmed |
| Shoreview GO | | |
| <i>Long Term Rating</i> | AAA/Stable | Affirmed |
| Shoreview GO bnds ser 2009A dtd 11/15/2009 due 02/01/2011-2021 | | |
| <i>Long Term Rating</i> | AAA/Stable | Affirmed |
| Shoreview GO bnds ser 2013A dtd 03/06/2013 due 02/01/2014-2023 2026 2028 | | |
| <i>Long Term Rating</i> | AAA/Stable | Affirmed |
| Shoreview GO imp & util rev bnds ser 2015A due 02/01/2036 | | |
| <i>Long Term Rating</i> | AAA/Stable | Affirmed |

Summary: Shoreview, Minnesota; Appropriations; General Obligation

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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CERTIFICATION OF MINUTES

Municipality: The City of Shoreview, Minnesota

Governing Body: City Council

Meeting: A meeting of the City Council of the City of Shoreview was held on the 14th day of December at 7:00 p.m. at the City offices, 4600 Victoria Street North, Shoreview, Minnesota.

Members present:

Members absent:

Documents: Resolution No. 15-113 - Authorizing Issuance, Awarding Sale, Prescribing the Form and Details and Providing for the Payment of \$7,605,000 General Obligation Utility Revenue Bonds, Series 2016A

Certification:

I, Terry Schwerm, City Manager of the City of Shoreview, Minnesota, do hereby certify the following:

Attached hereto is a true and correct copy of a resolution on file and of record in the offices of the City of Shoreview, Minnesota, which resolution was adopted by the Shoreview City Council, at the meeting referred to above. Said meeting was a regular meeting of the Shoreview City Council, was open to the public, and was held at the time at which meetings of the City Council are regularly held. Member _____ moved the adoption of the attached resolution. The motion for adoption of the attached resolution was seconded by Member _____. A vote being taken on the motion, the following voted in favor of the resolution:

and the following voted against the resolution:

Whereupon said resolution was declared duly passed and adopted by at least two-thirds of the members of the City Council. The attached resolution is in full force and effect and no action has been taken by the City Council of the City of Shoreview, Minnesota which would in any way alter or amend the attached resolution.

Witness my hand officially as the City Manager of the City of Shoreview, Minnesota this _____ day of December, 2015.

By _____
Its City Manager

It was reported that four (4) proposals for the purchase of \$7,605,000 General Obligation Utility Revenue Bonds, Series 2016A were received prior to 10:30 o'clock a.m., Central time, pursuant to the Official Statement distributed to potential purchasers of the Bonds by Springsted Incorporated, municipal advisors to the City. The proposals have been publicly opened, read and tabulated and were found to be as follows:

See Attached

RESOLUTION AUTHORIZING ISSUANCE, AWARDING SALE,
PRESCRIBING THE FORM AND DETAILS AND PROVIDING FOR THE
PAYMENT OF \$7,605,000 GENERAL OBLIGATION UTILITY REVENUE
BONDS, SERIES 2016A

BE IT RESOLVED by the City Council, City of Shoreview, Minnesota (the "City"), as follows:

SECTION 1. AUTHORIZATION AND SALE.

1.01. Authorization. This City Council, by resolution duly adopted on November 2, 2015, authorized the issuance and sale of its \$7,605,000 General Obligation Utility Revenue Bonds, Series 2016A (the "Bonds"), pursuant to Minnesota Statutes, Section 444.075 and Chapter 475. The Bonds will be used to finance improvements (the "Projects") to the municipal water, sewer and surface water systems (collectively, the "System").

1.02. Sale. Pursuant to the Terms of Proposal and the Official Statement prepared on behalf of the City by Springsted Incorporated, sealed proposals for the purchase of the Bonds were received at or before the time specified for receipt of proposals. The bids have been opened and publicly read and considered, and the purchase price, interest rates and net interest cost under the terms of each proposal have been determined. The most favorable proposal received is that of Robert W. Baird & Company, Incorporated, in Milwaukee, Wisconsin (the "Purchaser") to purchase the Bonds at a price of \$7,731,833.40, on the further terms and conditions hereinafter set forth.

1.03. Award. The sale of the Bonds is hereby awarded to the Purchaser, and the Mayor and City Manager are hereby authorized and directed on behalf of the City to execute a contract for the sale of the Bonds with the Purchaser in accordance with the Terms of Proposal. The good faith deposit of the Purchaser shall be retained and deposited by the City until the Bonds have been delivered, and shall be deducted from the purchase price paid at settlement.

SECTION 2. BOND TERMS; REGISTRATION; EXECUTION AND DELIVERY.

2.01. Issuance of Bonds. All acts, conditions and things which are required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be performed precedent to and in the valid issuance of the Bonds having been done, now existing, having happened and having been performed, it is now necessary for the Council to establish the form and terms of the Bonds, to provide security therefor and to issue the Bonds forthwith.

2.02. Maturities; Interest Rates; Denominations and Payment. The Bonds shall be originally dated as of the date of issuance thereof, shall be in the denomination of \$5,000 each, or any integral multiple thereof, of single maturities, shall mature on February 1 in the years and amounts stated below, and shall bear interest from date of issue until paid or duly called for redemption, at the annual rates set forth opposite such years and amounts, as follows:

| <u>Year</u> | <u>Amount</u> | <u>Rate</u> | <u>Year</u> | <u>Amount</u> | <u>Rate</u> |
|-------------|---------------|-------------|-------------|---------------|-------------|
| 2017 | \$340,000 | 2.00% | 2027 | \$ 405,000 | 2.50% |
| 2018 | 355,000 | 2.00 | 2028 | 410,000 | 2.50 |
| 2019 | 360,000 | 2.00 | 2029 | 420,000 | 2.75 |
| 2020 | 360,000 | 2.00 | 2030 | 435,000 | 2.75 |
| 2021 | 370,000 | 2.00 | 2031 | 450,000 | 3.00 |
| 2022 | 375,000 | 2.00 | 2032 | 335,000 | 3.00 |
| 2023 | 380,000 | 2.00 | 2033 | 345,000 | 3.00 |
| 2024 | 380,000 | 2.00 | 2036 | 1,100,000 | 3.00 |
| 2025 | 385,000 | 2.00 | | | |
| 2026 | 400,000 | 2.25 | | | |

The Bonds shall be issuable only in fully registered form. The interest thereon and, upon surrender of each Bond, the principal amount thereof shall be payable by check or draft issued by the Registrar described herein, provided that so long as the Bonds are registered in the name of a securities depository, or a nominee thereof, in accordance with Section 2.08 hereof, principal and interest shall be payable in accordance with the operational arrangements of the securities depository.

2.03. Dates and Interest Payment Dates. Upon initial delivery of the Bonds pursuant to Section 2.07 and upon any subsequent transfer or exchange pursuant to Section 2.06, the date of authentication shall be noted on each Bond so delivered, exchanged or transferred. Interest on the Bonds shall be payable on February 1 and August 1 in each year, commencing August 1, 2016, each such date being referred to herein as an Interest Payment Date, to the persons in whose names the Bonds are registered on the Bond Register, as hereinafter defined, at the Registrar's close of business on the fifteenth day of the calendar month immediately preceding the Interest Payment Date, whether or not such day is a business day. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

2.04. Redemption. Bonds maturing in 2026 and later years shall be subject to redemption and prepayment at the option of the City, in whole or in part, in such order of maturity dates as the City may select and, within a maturity, by lot as selected by the Registrar (or, if applicable, by the bond depository in accordance with its customary procedures) in integral multiples of \$5,000, on February 1, 2025, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption. The City Manager shall cause notice of the call for redemption thereof to be published if and as required by law, and at least thirty (30) and not more than sixty (60) days prior to the designated redemption date, shall cause notice of call for redemption to be mailed, by first class mail, to the Registrar and registered holders of any Bonds to be redeemed at their addresses as they appear on the Bond Register described in Section 2.06 hereof, provided that notice shall be given to any securities depository in accordance with its operational arrangements. No defect in or failure to give such notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease

to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the owner without charge, representing the remaining principal amount outstanding.

Bonds maturing on February 1, 2036 (the "Term Bonds") shall be subject to mandatory redemption prior to maturity pursuant to the sinking fund requirements of this Section 2.04 at a redemption price equal to the stated principal amount thereof plus interest accrued thereon to the redemption date, without premium. The Registrar shall select for redemption, by lot or other manner deemed fair, on February 1 in each of the following years the following stated principal amounts of such Bonds:

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2034 | \$355,000 |
| 2035 | 365,000 |

The remaining \$380,000 stated principal amount of such Bonds shall be paid at maturity on February 1, 2036.

Notice of redemption shall be given as provided in the preceding paragraph.]

2.05. Appointment of Registrar. The City hereby appoints U.S. Bank National Association, in St. Paul, Minnesota, as the initial Bond registrar, transfer agent and paying agent (the "Registrar"). The Mayor and City Manager are authorized to execute and deliver, on behalf of the City, a contract with the Registrar. Upon merger or consolidation of the Registrar with another corporation, if the resulting corporation is a bank or trust company organized under the laws of the United States or one of the states of the United States and authorized by law to conduct such business, such corporation shall be authorized to act as successor Registrar. The City agrees to pay the reasonable and customary charges of the Registrar for the services performed. The City reserves the right to remove the Registrar, effective upon not less than thirty days' written notice and upon the appointment and acceptance of a successor Registrar, in which event the predecessor Registrar shall deliver all cash and Bonds in its possession to the successor Registrar and shall deliver the Bond Register to the successor Registrar.

2.06. Registration. The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep at its principal corporate trust office a register (the "Bond Register") in which the Registrar shall provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged. The term Holder or Bondholder as used herein shall mean the person (whether a natural person, corporation, association, partnership, trust, governmental unit, or other legal entity) in whose name a Bond is registered in the Bond Register.

(b) Transfer of Bonds. Upon surrender for transfer of any Bond duly endorsed by the Holder thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the Holder thereof or by an attorney

duly authorized by the Holder in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the fifteenth day of the month preceding each interest payment date and until such interest payment date.

(c) Exchange of Bonds. At the option of the Holder of any Bond in a denomination greater than \$5,000, such Bond may be exchanged for other Bonds of authorized denominations, of the same maturity and a like aggregate principal amount, upon surrender of the Bond to be exchanged at the office of the Registrar. Whenever any Bond is so surrendered for exchange the City shall execute and the Registrar shall authenticate and deliver the Bonds which the Bondholder making the exchange is entitled to receive.

(d) Cancellation. All Bonds surrendered for payment, transfer or exchange shall be promptly canceled by the Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Bond is at any time registered in the Bond Register as the absolute owner of the Bond, whether the Bond shall be overdue or not, for the purpose of receiving payment of or on account of, the principal of and interest on the Bond and for all other purposes; and all payments made to or upon the order of such Holder shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer or exchange of Bonds (except for an exchange upon a partial redemption of a Bond), the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Registrar shall deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that the Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory

to it, in which both the City and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be canceled by it and evidence of such cancellation shall be given to the City. If the mutilated, destroyed, stolen or lost Bond has already matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Bond prior to payment.

(i) Authenticating Agent. The Registrar is hereby designated authenticating agent for the Bonds, within the meaning of Minnesota Statutes, Section 475.55, Subdivision 1, as amended.

(j) Valid Obligations. All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the City, evidencing the same debt, and entitled to the same benefits under this Resolution as the Bonds surrendered upon such transfer or exchange.

2.07. Execution, Authentication and Delivery. The Bonds shall be prepared under the direction of the City Manager and shall be executed on behalf of the City by the signatures of the Mayor and the City Manager, provided that the signatures may be printed, engraved or lithographed facsimiles of the originals. In case any officer whose signature or a facsimile of whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until the date of delivery of such Bond. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until a certificate of authentication on the Bond, substantially in the form provided in Section 2.09, has been executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on any Bond shall be conclusive evidence that it has been duly authenticated and delivered under this Resolution. When the Bonds have been prepared, executed and authenticated, the City Manager shall deliver them to the Purchaser upon payment of the purchase price in accordance with the contract of sale theretofore executed, and the Purchaser shall not be obligated to see to the application of the purchase price.

2.08. Securities Depository. (a) For purposes of this section the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

“DTC” shall mean The Depository Trust Company of New York, New York.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds bonds as securities depository.

“Representation Letter” shall mean the Representation Letter pursuant to which the City agrees to comply with DTC’s Operational Arrangements.

(b) The Bonds shall be initially issued as separately authenticated fully registered bonds, and one Bond shall be issued in the principal amount of each stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC. The Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Bonds under this resolution, registering the transfer of Bonds, and for all other purposes whatsoever; and neither the Registrar nor the City shall be affected by any notice to the contrary. Neither the Registrar nor the City shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the Bond Register as being a registered owner of any Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Bonds, with respect to any notice which is permitted or required to be given to owners of Bonds under this resolution, with respect to the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Bonds. So long as any Bond is registered in the name of Cede & Co., as nominee of DTC, the Registrar shall pay all principal of and interest on such Bond, and shall give all notices with respect to such Bond, only to Cede & Co. in accordance with DTC’s Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the City’s obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the City to make payments of principal and interest. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Bonds will be transferable to such new nominee in accordance with paragraph (e) hereof.

(c) In the event the City determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bonds in the form of physical certificates, the City may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through DTC of Bonds in the form of certificates. In such event, the Bonds will be transferable in accordance with paragraph (e) hereof. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and the Registrar and discharging its responsibilities with respect thereto under applicable law. In such event the Bonds will be transferable in accordance with paragraph (e) hereof.

(d) The execution and delivery of the Representation Letter to DTC, if not previously filed with DTC, by the Mayor or City Manager is hereby authorized and directed.

(e) In the event that any transfer or exchange of Bonds is permitted under paragraph (b) or (c) hereof, such transfer or exchange shall be accomplished upon receipt by the Registrar of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the

permitted transferee in accordance with the provisions of this resolution. In the event Bonds in the form of certificates are issued to owners other than Cede & Co., its successor as nominee for DTC as owner of all the Bonds, or another securities depository as owner of all the Bonds, the provisions of this resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Bonds in the form of physical certificates and the method of payment of principal of and interest on such Bonds in the form of physical certificates.

2.09. Form of Bonds. The Bonds shall be prepared in substantially the form found at Exhibit A attached hereto.

SECTION 3. USE OF PROCEEDS. There is hereby established on the official books and records of the City a General Obligation Utility Revenue Bonds, Series 2016A Construction Fund (the "Construction Fund"). The Construction Fund shall be credited with \$7,677,123.40 from the proceeds of the Bonds, an amount equal to the estimated cost of the Projects. The City Manager shall maintain the Construction Fund until all costs and expenses incurred by the City in connection with the construction of the Projects have been paid.

All funds on hand in the Construction Fund when terminated shall be credited to the Bond Fund described in Section 4 hereof, unless and except as such proceeds may be transferred to some other fund or account as to which the City has received from bond counsel an opinion that such other transfer is permitted by applicable laws and does not impair the exemption of interest on the Bonds from federal income taxes.

SECTION 4. GENERAL OBLIGATION UTILITY REVENUE BONDS, SERIES 2016A BOND FUND. So long as any of the Bonds are outstanding and any principal or interest thereon unpaid, the City Manager shall maintain on the official books and records of the City a separate fund designated as the General Obligation Utility Revenue Bonds, Series 2016A Bond Fund (the "Bond Fund"). Into the Bond Fund shall be paid (a) the amounts specified in Section 3 above, (b) any amount in excess of the amounts credited to the Construction Fund as provided in Section 3 hereof received from the Purchaser upon delivery of the Bonds, (c) the net revenues described in Section 6 hereof; (d) any taxes collected pursuant to Section 7 hereof, and (e) any other funds appropriated by the City Council for the payment of the Bonds. The principal of and interest on the Bonds shall be payable from the Bond Fund, and the money on hand in the Bond Fund from time to time shall be used only to pay the principal of and interest on the Bonds. If the balance on hand in the Bond Fund is at any time insufficient to pay principal and interest then due on the Bonds, such amounts shall be paid from other money on hand in other funds of the City, which other funds shall be reimbursed therefor when sufficient money becomes available in the Bond Fund. The City Council also covenants and agrees that it will each year levy a sufficient amount of ad valorem taxes to pay any accumulated or anticipated deficiency, which levy is not subject to any constitutional or statutory limitation.

There are hereby established two accounts in the Bond Fund, designated as the "Debt Service Account" and the "Surplus Account." There shall initially be deposited into the Debt Service Account upon the issuance of the Bonds the amount set forth in (b) above. Thereafter, during each Bond Year (i.e., each twelve month period commencing on February 2 and ending on the following February 1), as monies are received into the Bond Fund, the City Manager shall first deposit such monies into the Debt Service Account until an amount has been appropriated

thereto sufficient to pay all principal and interest due on the Bonds through the end of the Bond Year. All subsequent monies received in the Bond Fund during the Bond Year shall be appropriated to the Surplus Account. If at any time the amount on hand in the Debt Service Account is insufficient for the payment of principal and interest then due, the City Manager shall transfer to the Debt Service Account amounts on hand in the Surplus Account to the extent necessary to cure such deficiency. Investment earnings (and losses) on amounts from time to time held in the Debt Service Account and Surplus Account shall be credited or charged to said accounts.

SECTION 5. [RESERVED.]

SECTION 6. PLEDGE OF NET REVENUES. It is hereby found, determined and declared that the City owns and operates the System as a revenue-producing utility and convenience, and that the net operating revenues of the System, after deducting from the gross receipts derived from charges for the service, use and availability of the System the normal, current and reasonable expenses of operation and maintenance thereof, will be sufficient, together with any other pledged funds, for the payment when due of the principal of and interest on the Bonds herein authorized, and on any other bonds to which such revenues are pledged.

Pursuant to Minnesota Statutes, Section 444.075, the City hereby covenants and agrees with the registered owners from time to time of the Bonds, that until the Bonds and the interest thereon are discharged as provided in Section 8 or paid in full, the City will impose and collect reasonable charges in accordance with said Section 444.075 for the service, use and availability of the System according to schedules sufficient to produce net revenues sufficient to pay the Bonds and any other bonds to which said net revenues have been pledged, and the net revenues, to the extent necessary, are hereby irrevocably pledged and appropriated to the payment of the Bonds herein authorized and interest thereon when due. Nothing herein shall preclude the City from hereafter making further pledges and appropriations of the net revenues of the System for payment of additional obligations of the City hereafter authorized if the Council determines before the authorization of such additional obligations that the estimated net revenues of the System will be sufficient, together with any other sources pledged to the payment of the outstanding and additional obligations, for payment of the outstanding bonds and such additional obligations. Such further pledges and appropriations of net revenues may be made superior or subordinate to or on a parity with, the pledge and appropriation herein made.

SECTION 7. PLEDGE OF TAXING POWERS. For the prompt and full payment of the principal of and interest on the Bonds as such payments respectively become due, the full faith, credit and unlimited taxing powers of the City shall be and are hereby irrevocably pledged. No upfront levy is currently expected with respect to the Bonds.

SECTION 8. DEFEASANCE. When all of the Bonds have been discharged as provided in this Section, all pledges, covenants and other rights granted by this Resolution to the Holders of the Bonds shall cease. The City may discharge its obligations with respect to any Bonds which are due on any date by depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full; or, if any Bond should not be paid when due, it may nevertheless be discharged by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued from the due date to the date of such deposit. The City may also discharge its

obligations with respect to any prepayable Bonds called for redemption on any date when they are prepayable according to their terms by depositing with the Registrar on or before that date an amount equal to the principal, redemption premium, if any, and interest then due, provided that notice of such redemption has been duly given as provided herein. The City may also at any time discharge its obligations with respect to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with the Registrar or with a bank or trust company qualified by law to act as an escrow agent for this purpose, cash or securities which are authorized by law to be so deposited for such purpose, bearing interest payable at such times and at such rates and maturing or callable at the holder's option on such dates as shall be required to pay all principal and interest to become due thereon to maturity or, if notice of redemption as herein required has been irrevocably provided for, to an earlier designated redemption date. If such deposit is made more than ninety days before the maturity date or specified redemption date of the Bonds to be discharged, the City must have received a written opinion of Bond Counsel to the effect that such deposit does not adversely affect the exemption of interest on any Bonds from federal income taxation and a written report of an accountant or investment banking firm verifying that the deposit is sufficient to pay when due all of the principal and interest on the Bonds to be discharged on and before their maturity dates or earlier designated redemption date.

SECTION 9. TAX COVENANTS; ARBITRAGE MATTERS AND CONTINUING DISCLOSURE.

9.01. General Tax Covenant. The City agrees with the registered owners from time to time of the Bonds that it will not take, or permit to be taken by any of its officers, employees or agents, any action that would cause interest on the Bonds to become includable in gross income of the recipient under the Internal Revenue Code of 1986, as amended (the "Code") and applicable Treasury Regulations (the "Regulations"), and agrees to take any and all actions within its powers to ensure that the interest on the Bonds will not become includable in gross income of the recipient under the Code and the Regulations. All proceeds of the Bonds deposited in the Construction Fund will be expended solely for the payment of the costs of the Projects. The Projects are and will be owned and maintained by the City and available for use by members of the general public on a substantially equal basis. The City shall not enter into any lease, management contract, use agreement, capacity agreement or other agreement with any non-governmental person relating to the use of the Projects, or any portion thereof, or security for the payment of the Bonds which might cause the Bonds to be considered "private activity bonds" or "private loan bonds" pursuant to Section 141 of the Code.

9.02. Arbitrage Certification. The Mayor and City Manager being the officers of the City charged with the responsibility for issuing the Bonds pursuant to this Resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with Section 148 of the Code, and applicable Regulations, stating the facts, estimates and circumstances in existence on the date of issue and delivery of the Bonds which make it reasonable to expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of the Code and Regulations.

9.03. Arbitrage Rebate. The City acknowledges that the Bonds may be subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such

records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Regulations to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes, unless the Bonds qualify for an exception from the rebate requirement pursuant to one of the spending exceptions set forth in Section 1.148-7 of the Regulations and no "gross proceeds" of the Bonds (other than amounts constituting a "bona fide debt service fund") arise during or after the expenditure of the original proceeds thereof.

9.04. Qualified Tax-Exempt Obligations. The City Council hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the disallowance of interest expense for financial institutions, and hereby finds that the reasonably anticipated amount of tax-exempt obligations (within the meaning of Section 265(b)(3) of the Code) which will be issued by the City and all subordinate entities during calendar year 2016 does not exceed \$10,000,000.

9.05. Reimbursement. The City certifies that the proceeds of the Bonds will not be used by the City to reimburse itself for any expenditure with respect to the Projects which the City paid or will have paid more than 60 days prior to the issuance of the Bonds unless, with respect to such prior expenditures, the City shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations, provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Projects meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to "preliminary expenditures" for the Projects as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the "issue price" of the Bonds.

9.06. Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance

reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2015, the following financial information and operating data in respect of the City (the Disclosure Information):
 - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and
 - (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: "City Property Values;" "City Indebtedness;" and "City Tax Rates, Levies and Collections."

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access System (EMMA) or to the SEC. The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be described in paragraph (2) hereof, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding

the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events:
 - (A) Principal and interest payment delinquencies;
 - (B) Non-payment related defaults, if material;
 - (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (E) Substitution of credit or liquidity providers, or their failure to perform;
 - (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds;
 - (G) Modifications to rights of Bond holders, if material;
 - (H) Bond calls, if material, and tender offers;
 - (I) Defeasances;
 - (J) Release, substitution, or sale of property securing repayment of the Bonds, if material;
 - (K) Rating changes;
 - (L) Bankruptcy, insolvency, receivership or similar event of the obligated person;
 - (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (N) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

As used herein, for those events that must be reported if material, an event is “material” if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also “material” if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (3) In a timely manner, notice of the occurrence of any of the following events or conditions:
 - (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
 - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
 - (C) the termination of the obligations of the City under this section pursuant to subsection (d);
 - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
 - (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange

Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

SECTION 10. CERTIFICATION OF PROCEEDINGS.

10.01. Registration of Bonds. The City Manager is hereby authorized and directed to file a certified copy of this resolution with the County Auditor of Ramsey County, together with such additional information as is required, and to obtain a certificate that the Bonds and the taxes levied pursuant hereto have been duly entered upon the County Auditor's Bond register.

10.02. Authentication of Transcript. The officers of the City and the County Auditor are hereby authorized and directed to prepare and furnish to the Purchaser and to Dorsey & Whitney LLP, Bond Counsel, certified copies of all proceedings and records relating to the Bonds and such other affidavits, certificates and information as may be required to show the facts relating to the legality and marketability of the Bonds, as the same appear from the books and records in their custody and control or as otherwise known to them, and all such certified copies, affidavits and certificates, including any heretofore furnished, shall be deemed representations of the City as to the correctness of all statements contained therein.

10.03. Official Statement. The Official Statement relating to the Bonds, dated December 17, 2015, prepared and distributed by Springsted Incorporated, the municipal advisor for the City, is hereby approved. Springsted Incorporated is hereby authorized on behalf of the City to prepare and deliver to the Purchaser within seven business days from the date hereof, a supplement to the Official Statement listing the offering price, the interest rates, selling compensation, delivery date, the underwriters and such other information relating to the Bonds required to be included in the Official Statement by Rule 15c2-12 adopted by the SEC under the Securities and Exchange Act of 1934. The officers of the City are hereby authorized and directed to execute such certificates as may be appropriate concerning the accuracy, completeness and sufficiency of the Official Statement.

10.04. Effective Date. This resolution shall be in full force and effect from and after its passage.

PASSED AND APPROVED this 14th day of December, 2015.

THE CITY OF SHOREVIEW, MINNESOTA.

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF RAMSEY

CITY OF SHOREVIEW

GENERAL OBLIGATION UTILITY REVENUE BONDS, SERIES 2016A

R- _____ \$ _____

| <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Date of Original Issue</u> | <u>CUSIP No.</u> |
|----------------------|----------------------|-------------------------------|------------------|
| ___% | February 1, 20__ | January 14, 2016 | |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THOUSAND DOLLARS

CITY OF SHOREVIEW, State of Minnesota (the "City") acknowledges itself to be indebted and for value received hereby promises to pay to the registered owner specified above, or registered assigns, the principal amount specified above on the maturity date specified above and promises to pay interest thereon from the date of original issue specified above or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, at the annual interest rate specified above, payable on February 1 and August 1 in each year, commencing August 1, 2016 (each such date, an "Interest Payment Date"), all subject to the provisions referred to herein with respect to the redemption of the principal of this Bond before maturity. The interest so payable on any Interest Payment Date shall be paid to the person in whose name this Bond is registered at the close of business on the fifteenth day (whether or not a business day) of the calendar month immediately preceding the Interest Payment Date. Interest hereon shall be computed on the basis of a 360-day year composed of twelve 30-day months. The interest hereon and, upon presentation and surrender hereof at the principal office of the agent of the Registrar described below, the principal hereof are payable in lawful money of the United States of America by check or draft drawn on U.S. Bank National Association, St. Paul, Minnesota, as Bond registrar, transfer agent and paying agent, or its successor designated under the Resolution described herein (the "Registrar") or other agreed-upon means of payment by the Registrar or its designated successor. For the prompt and full payment of such principal and interest as the same respectively come due, the full faith and credit and taxing powers of the City have been and are hereby irrevocably pledged.

This Bond is one of an issue (the "Bonds") in the aggregate principal amount of \$7,605,000 issued pursuant to a resolution adopted by the City Council on December 14, 2015 (the "Resolution"), to finance improvements to the City's water, sewer and surface water systems (collectively, the "System"), and is issued by authority of and in strict accordance with

the provisions of the Constitution and laws of the State of Minnesota thereunto enabling, including Minnesota Statutes, Sections 444.075 and Chapter 475. For the full and prompt payment of the principal of and interest on the Bonds as the same become due, the full faith, credit and taxing power of the City have been and are hereby irrevocably pledged. The Bonds are issuable only in fully registered form, in the denomination of \$5,000 or any integral multiple thereof, of single maturities.

Bonds maturing in 2026 and later years shall be subject to redemption and prepayment at the option of the City, in whole or in part, in such order of maturity dates as the City may select and, within a maturity, by lot as selected by the Registrar (or, if applicable, by the Bond depository in accordance with its customary procedures) in multiples of \$5,000, on February 1, 2025, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption. The City shall cause notice of the call for redemption thereof to be published if and to the extent required by law, and at least thirty (30) and not more than sixty (60) days prior to the designated redemption date, shall cause notice of call for redemption to be mailed, by first class mail (or, if applicable, provided in accordance with the operational arrangements of the securities depository), to the registered holders of any Bonds, at the holders' addresses as they appear on the Bond register maintained by the Bond Registrar, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the owner without charge, representing the remaining principal amount outstanding.

Bonds maturing in the year 2036 shall be subject to mandatory redemption, at a redemption price equal to their principal amount plus interest accrued thereon to the redemption date, without premium, on February 1 in each of the years shown below, in an amount equal to the following principal amounts:

Term Bonds Maturing in 2036

| <u>Sinking Fund Payment Date</u> | <u>Aggregate Principal Amount</u> |
|--------------------------------------|---------------------------------------|
| 2034 | \$355,000 |
| 2035 | 365,000 |
| 2036* | 380,000 |

* Final Maturity

Notice of redemption shall be given as provided in the preceding paragraph.

As provided in the Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the City at the principal office of the Registrar, by the registered owner hereof in person or by the owner's attorney duly authorized in writing upon

surrender hereof together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or the owner's attorney, and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange the City will cause a new Bond or Bonds to be issued in the name of the designated transferee or registered owner, of the same aggregate principal amount, bearing interest at the same rate and maturing on the same date; subject to reimbursement for any tax, fee or governmental charge required to be paid with respect to any such transfer or exchange.

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

The City and the Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment as herein provided and for all other purposes, and neither the City nor the Registrar shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Bond, so long as this Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Registrar shall pay all principal of and interest on this Bond, and shall give all notices with respect to this Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the City.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be performed preliminary to and in the issuance of this Bond in order to make it a valid and binding general obligation of the City in accordance with its terms, have been done, do exist, have happened and have been performed as so required; that, prior to the issuance hereof, the City Council has by the Resolution covenanted and agreed to collect and apply to payment of the Bonds certain net revenues of the System, which revenues are estimated to be collectible in years and amounts sufficient to produce sums not less than 5% in excess of the principal of and interest on the Bonds when due, and has appropriated such revenues to its General Obligation Utility Revenue Bonds, Series 2016A Bond Fund for the payment of such principal and interest; that if necessary for the payment of such principal and interest, ad valorem taxes are required to be levied upon all taxable property in the City, without limitation as to rate or amount; that all proceedings relative to the projects financed by this Bond have been or will be taken according to law and that the issuance of this Bond, together with all other indebtedness of the City outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of the City to exceed any constitutional or statutory limitation of indebtedness.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been executed by the Registrar by manual signature of one of its authorized representatives.

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration of the within Bond, with full power of substitution in the premises.

Dated: _____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Registrar in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE:

RAMSEY COUNTY AUDITOR'S
CERTIFICATE AS TO REGISTRATION AND TAX LEVY

The undersigned, being the duly qualified and acting County Auditor of Ramsey County, Minnesota, hereby certifies that there has been filed in my office a certified copy of a resolution duly adopted on December 14, 2015, by the City Council of Shoreview, Minnesota, setting forth the form and details of an issue of \$7,605,000 General Obligation Utility Revenue Bonds, Series 2016A dated the date of issuance thereof.

I further certify that the issue has been entered on my bond register as required by Minnesota Statutes, Sections 475.61 to 475.63.

WITNESS my hand and official seal on the ____ day of _____, 2015.

Ramsey County Auditor

(SEAL)

TO: MAYOR AND COUNCILMEMBERS

**FROM: TERRY SCHWERM
CITY MANAGER**

DATE: DECEMBER 11, 2015

SUBJECT: PRESENTATION OF COMMUNITY SURVEY RESULTS

Earlier this year, the City Council hired the Morris Leatherman Company (formerly Decision Resources Ltd.) to conduct a community survey. This year's survey was a scaled down version of the longer community survey that is now completed every four years. Many of the questions in the survey are included in the 2016-2017 Budget as performance measures for the City.

Bill Morris will be at the special meeting of the Council to present the results of the community survey. The City will be taping the special meeting so that we can replay his presentation. Dr. Morris presented the survey results to all City staff earlier this week. Following the presentation, the Council may wish to continue the discussion of the survey results in the workshop meeting.

Enclosed is a copy of the 2015 community survey results and the powerpoint slides that will be used in the presentation.

THE MORRIS LEATHERMAN COMPANY
3128 Dean Court
Minneapolis, Minnesota 55416

SHOREVIEW RESIDENTIAL
QUALITY OF LIFE STUDY
FINAL AUGUST 2015

Hello, I'm _____ of the Morris Leatherman Company, a nationwide polling firm located in Minneapolis. We've been retained by the City of Shoreview to speak with a random sample of residents about issues facing the city. This survey is being taken because the City is interested in your opinions and suggestions. I want to assure you that all individual responses will be held strictly confidential; only summaries of the entire sample will be reported. (DO NOT PAUSE)

- | | |
|--|----------------------------|
| 1. Approximately how many years have you lived in Shoreview? | LESS THAN TWO YEARS.....4% |
| | TWO TO FIVE YEARS.....15% |
| | SIX TO TEN YEARS.....18% |
| | ELEVEN - TWENTY YRS....26% |
| | OVER TWENTY YEARS.....38% |
| | DON'T KNOW/REFUSED.....0% |
| 2. As things stand now, how long in the future do you expect to live in Shoreview? | LESS THAN TWO YEARS.....4% |
| | TWO TO FIVE YEARS.....6% |
| | SIX TO TEN YEARS.....9% |
| | OVER TEN YEARS.....73% |
| | DON'T KNOW/REFUSED.....9% |
| 3. How would you rate the quality of life in Shoreview -- excellent, good, only fair, or poor? | EXCELLENT.....58% |
| | GOOD.....40% |
| | ONLY FAIR.....2% |
| | POOR.....0% |
| | DON'T KNOW/REFUSED.....0% |
| 4. What do you like most about living in Shoreview? | LOCATION.....11% |
| | SCHOOLS.....11% |
| | QUIET.....15% |
| | PEOPLE.....10% |
| | GOOD COMMUNITY.....20% |
| | PARKS.....5% |
| | RURAL/OPEN SPACE.....7% |
| | SMALL TOWN FEEL.....7% |
| | NEIGHBORHOOD/HOUSING....8% |
| | CITY SERVICES.....3% |
| | SAFE.....3% |
| | SCATTERED.....1% |

5. All in all, do you think things in Shoreview are generally headed in the right direction, or do you feel things are off on the wrong track?
- RIGHT DIRECTION.....97%
WRONG TRACK.....2%
DON'T KNOW/REFUSED.....1%
6. How would you rate the sense of community identity among residents in Shoreview -- would you say it is very strong, somewhat strong, not too strong, or not at all strong?
- VERY STRONG.....31%
SOMEWHAT STRONG.....56%
NOT TOO STRONG.....9%
NOT AT ALL STRONG.....1%
DON'T KNOW/REFUSED.....4%
7. Please tell me which of the following do you feel the closest connection to -- the City of Shoreview as a whole, your neighborhood, your School District or something else? (IF "SOMETHING ELSE," ASK:) What would that be?
- CITY OF SHOREVIEW.....27%
NEIGHBORHOOD.....42%
SCHOOL DISTRICT.....8%
CHURCH.....10%
WORKPLACE.....2%
FAMILY/FRIENDS.....9%
DON'T KNOW/REFUSED.....1%
SCATTERED.....1%
8. Would you recommend living in the City of Shoreview to others?
- YES.....98%
NO.....1%
DON'T KNOW/REFUSED.....1%
9. What aspects, if any, of the community should be fixed or improved in the future?
- UNSURE, 13%; NOTHING, 36%; RECREATION FACILITIES, 2%; RAINBOW GROCERY STORE SITE, 3%; PARKS/TRAILS, 2%; ROADS, 5%; RETAIL, 3%; PUBLIC TRANSIT, 5%; SENSE OF COMMUNITY, 3%; COMMUNICATION, 2%; RESTAURANTS, 3%; GROCERY STORE, 3%; SIDEWALKS, 3%; RECREATION PROGRAMS, 2%; SCATTERED, 15%.
10. What, if anything, is currently missing from the City of Shoreview which, if present, would greatly improve the quality of life for residents?
- UNSURE, 11%; NOTHING, 46%; RECREATION FACILITIES, 2%; RETAIL, 7%; ENTERTAINMENT, 3%; LESS ROAD CONSTRUCTION, 2%; RESTAURANTS, 8%; GROCERY STORE, 12%; SIDEWALKS, 3%; SCATTERED, 6%.

I would now like to read a list of characteristics which are a part of the overall quality of life in a community. First, for each one tell me if it is a very important aspect of the quality of life, a somewhat important aspect, a not very important aspect or not at all important aspect of the quality of life.

| | VIM | SIM | NVI | NAA | DKR |
|-----------------------------|-----|-----|-----|-----|-----|
| 11. Parks and trails? | 52% | 40% | 7% | 2% | 0% |
| 12. Recreational programs? | 47% | 44% | 6% | 2% | 0% |
| 13. Schools? | 78% | 19% | 2% | 0% | 1% |
| 14. Open space? | 43% | 48% | 8% | 1% | 0% |
| 15. Lakes? | 43% | 47% | 9% | 1% | 0% |
| 16. Shopping opportunities? | 31% | 46% | 20% | 4% | 0% |
| 17. Public safety? | 76% | 19% | 4% | 1% | 0% |
| 18. Community celebrations? | 29% | 53% | 15% | 3% | 1% |
| 19. Theater and Arts? | 15% | 54% | 27% | 4% | 1% |
| 20. Public transportation? | 27% | 45% | 20% | 8% | 1% |

Now for each one, please rate the City of Shoreview on that characteristic as excellent, good, only fair or poor.

| | EXC | GOO | FAI | POO | DKR |
|-----------------------------|-----|-----|-----|-----|-----|
| 21. Parks and trails? | 45% | 47% | 7% | 0% | 1% |
| 22. Recreational programs? | 33% | 54% | 8% | 1% | 4% |
| 23. Schools? | 64% | 27% | 5% | 0% | 4% |
| 24. Open space? | 47% | 42% | 11% | 0% | 1% |
| 25. Lakes? | 39% | 50% | 10% | 0% | 1% |
| 26. Shopping opportunities? | 22% | 46% | 27% | 5% | 1% |
| 27. Public safety? | 58% | 34% | 7% | 0% | 1% |
| 28. Community celebrations? | 21% | 57% | 18% | 1% | 4% |
| 29. Theater and Arts? | 12% | 54% | 24% | 4% | 6% |
| 30. Public transportation? | 13% | 34% | 32% | 14% | 8% |

Let's discuss recreational opportunities in the community....

| | | |
|--|-------------------------|-----|
| 31. How would you rate park and recreational facilities in Shoreview | EXCELLENT..... | 33% |
| -- excellent, good, only fair, or | GOOD..... | 63% |
| poor? | ONLY FAIR..... | 2% |
| | POOR..... | 0% |
| | DON'T KNOW/REFUSED..... | 2% |

- | | |
|--|---|
| 32. Which Shoreview park, if any, do you or members of your household use most frequently? | DON'T KNOW/REFUSED.....4% NONE.....15% SHOREVIEW COMMONS.....13% MCCULLOUGH.....5% LAKE JUDY.....5% WILSON.....4% SITZER.....3% BOBBY THEISEN.....4% ISLAND LAKE.....7% SNAIL LAKE.....15% BUCHER.....2% SHAMROCK.....3% LAKE OWASSO.....6% TURTLE LAKE.....9% RICE CREEK REGIONAL.....4% |
| 33. How would you rate the upkeep and maintenance of Shoreview City Parks -- excellent, good, only fair, or poor? | EXCELLENT.....35% GOOD.....62% ONLY FAIR.....3% POOR.....0% DON'T KNOW/REFUSED.....0% |
| 34. Do you feel the current mix of recreational or sports facilities meets the needs of members of your household? | YES.....92% NO.....6% DON'T KNOW/REFUSED.....3% |
| 35. In the past year, have you or any members of this household participated in any city-sponsored park and recreation programs? | YES.....40% NO.....59% DON'T KNOW/REFUSED.....2% |
| 36. Does the current mix of city-sponsored recreational programs meet the needs of members of your household? | YES.....89% NO.....8% DON'T KNOW/REFUSED.....4% |

Changing focus....

- | | |
|--|--|
| 37. During the past year, have you or any members of your household used the Shoreview Community Center? | YES.....50% NO.....50% DON'T KNOW/REFUSED.....1% |
|--|--|

IF "NO," SKIP TO QUESTION #45.
IF "YES," ASK: (n=198)

| | | | |
|-----|---|-------------------------|-----|
| 38. | Are you or members of your household currently members of the Shoreview Community Center? (IF "NO," ASK:) Were you members in the past? | YES..... | 40% |
| | | NO/YES..... | 22% |
| | | NO/NO..... | 37% |
| | | DON'T KNOW/REFUSED..... | 0% |

For each of the following characteristics of the Shoreview Community Center, rate the facility as excellent, good, only fair, or poor. If you have no opinion, just say so....

| | EXCL | GOOD | FAIR | POOR | DK/R |
|-------------------------|------|------|------|------|------|
| 39. Customer service? | 45% | 52% | 3% | 0% | 1% |
| 40. Operating hours? | 39% | 52% | 9% | 0% | 1% |
| 41. Cleanliness? | 47% | 46% | 7% | 1% | 0% |
| 42. Cost of membership? | 28% | 44% | 22% | 2% | 4% |
| 43. Cost of programs? | 33% | 42% | 21% | 3% | 2% |
| 44. Overall experience? | 49% | 49% | 3% | 0% | 0% |

Changing topics....

I would like to read you a list of a few city services. For each one, please tell me whether you would rate the quality of the service as excellent, good, only fair, or poor....

| | EXCL | GOOD | FAIR | POOR | DK/R |
|---------------------------------|------|------|------|------|------|
| 45. Police protection? | 54% | 41% | 3% | 1% | 2% |
| 46. Fire protection? | 57% | 36% | 3% | 0% | 4% |
| 47. Sewer and water? | 31% | 56% | 12% | 1% | 1% |
| 48. Drainage and flood control? | 25% | 57% | 13% | 2% | 3% |
| 49. Building inspections? | 21% | 46% | 9% | 1% | 22% |
| 50. Animal control? | 30% | 52% | 11% | 1% | 6% |
| 51. Pond maintenance? | 20% | 48% | 17% | 3% | 13% |

For the next set of city services, please consider only their job on city-maintained streets and roads in neighborhoods. That means you should exclude state and county roads, such as Highway 96, Highway 49 and Lexington Avenue, that are taken care of by other levels of government. Keeping that in mind, would you rate each of the following as excellent, good, only fair or poor.....

| | EXCL | GOOD | FAIR | POOR | DK/R |
|------------------------------------|------|------|------|------|------|
| 52. Street repair and maintenance? | 22% | 59% | 17% | 2% | 0% |
| 53. Trail maintenance? | 35% | 51% | 9% | 1% | 5% |

| | EXCL | GOOD | FAIR | POOR | DK/R |
|---|------|------|-------------------------|------|------|
| 54. Snow plowing of residential streets? | 35% | 50% | 13% | 2% | 0% |
| 55. Snow plowing of trails? | 23% | 54% | 10% | 3% | 10% |
| 56. How would you rate the quality of city drinking water -- excellent, good, only fair, or poor? | | | | | |
| | | | EXCELLENT..... | 27% | |
| | | | GOOD..... | 59% | |
| | | | ONLY FAIR..... | 11% | |
| | | | POOR..... | 3% | |
| | | | DON'T KNOW/REFUSED..... | 1% | |
| 57. When you consider the city property taxes you pay and the quality of city services you receive, would you rate the general value of city services as excellent, good, only fair, or poor? | | | EXCELLENT..... | 21% | |
| | | | GOOD..... | 68% | |
| | | | ONLY FAIR..... | 8% | |
| | | | POOR..... | 2% | |
| | | | DON'T KNOW/REFUSED..... | 2% | |

Changing topics....

| | | | | | |
|--|--|--|--------------------------|-----|--|
| 58. From what you know, do you approve or disapprove of the job the Mayor and City Council are doing? (WAIT FOR RESPONSE) And do you feel strongly that way? | | | STRONGLY APPROVE..... | 29% | |
| | | | SOMEWHAT APPROVE..... | 63% | |
| | | | SOMEWHAT DISAPPROVE..... | 3% | |
| | | | STRONGLY DISAPPROVE..... | 1% | |
| | | | DON'T KNOW/REFUSED..... | 4% | |
| 59. From what you have seen or heard, how would you rate the job performance of the Shoreview City Staff -- excellent, good, only fair, or poor? | | | EXCELLENT..... | 24% | |
| | | | GOOD..... | 69% | |
| | | | ONLY FAIR..... | 4% | |
| | | | POOR..... | 1% | |
| | | | DON'T KNOW/REFUSED..... | 3% | |
| 60. During the past year, have you telephoned or visited Shoreview City Hall? | | | YES..... | 41% | |
| | | | NO..... | 59% | |
| | | | DON'T KNOW/REFUSED..... | 0% | |

IF "YES," ASK: (n=162)

| | | | | | |
|--|--|--|-------------------------|-----|--|
| 61. Thinking about your last contact with the City would you rate the overall service you received as excellent, good, only fair, or poor? | | | EXCELLENT..... | 40% | |
| | | | GOOD..... | 56% | |
| | | | ONLY FAIR..... | 4% | |
| | | | POOR..... | 1% | |
| | | | DON'T KNOW/REFUSED..... | 0% | |

Moving on....

| | | |
|-----|--|---|
| 62. | How would you rate the general condition and appearance of homes in your neighborhood -- excellent, good, only fair, or poor? | EXCELLENT.....38% GOOD.....59% ONLY FAIR.....3% POOR.....0% DON'T KNOW/REFUSED.....0% |
| 63. | How would you rate the general condition and appearance of yards in your neighborhood -- excellent, good, only fair, or poor? | EXCELLENT.....36% GOOD.....58% ONLY FAIR.....6% POOR.....0% DON'T KNOW/REFUSED.....1% |
| 64. | Over the past two years, has the appearance of your neighborhood improved, declined or remained the same? | IMPROVED.....33% DECLINED.....6% REMAINED THE SAME.....61% DON'T KNOW/REFUSED.....1% |
| 65. | Is the City of Shoreview doing enough, too much or too little in providing residents and business owners opportunities to maintain and improve the appearance of their properties? | ENOUGH.....85% TOO MUCH.....2% TOO LITTLE.....6% DON'T KNOW/REFUSED.....7% |

Currently, the City of Shoreview generally enforces codes concerning residential property only when a complaint is made. Some cities take a more active approach, and inspect residential neighborhoods for code violations on an on-going basis.

| | | |
|-----|---|---|
| 66. | Would you favor or oppose a more active approach by the City in the enforcement of residential property codes? (WAIT FOR RESPONSE) Do you feel strongly that way? | STRONGLY FAVOR.....15% FAVOR.....45% OPPOSE.....21% STRONGLY OPPOSE.....11% DON'T KNOW/REFUSED.....8% |
|-----|---|---|

The City of Shoreview contracts with the Greater Metropolitan Housing Corporation to provide Shoreview residents with the Housing Resource Center. This center offers free home improvement counseling services to residents and access to a variety of loan programs including the Shoreview Home Improvement Loan.

| | | |
|-----|--|--|
| 67. | Prior to this survey, were you aware of the Housing Resource Center? | YES.....56% NO.....43% DON'T KNOW/REFUSED.....1% |
|-----|--|--|

Turning to the issue of public safety in the community....

I would like to read you a short list of public safety concerns.

68. Please tell me which one you consider to be the greatest concern in Shoreview? If you feel that none of these problems are serious in Shoreview, just say so.
69. Which do you consider to be the second major concern in the city? Again, if you feel that none of the remaining problems are serious in the city, just say so.

| | FIRST | SECOND |
|--|-------|--------|
| Violent crime..... | 6% | 3% |
| Traffic speeding..... | 25% | 12% |
| Drugs..... | 10% | 11% |
| Youth crimes and vandalism..... | 16% | 16% |
| Identity theft..... | 3% | 7% |
| Break-ins and theft from automobiles..... | 10% | 10% |
| Business crimes, such as shop- lifting and check fraud..... | 3% | 6% |
| Residential crimes, such as burglary, and theft..... | 8% | 6% |
| ALL EQUALLY..... | 2% | 2% |
| NONE OF THE ABOVE..... | 16% | 25% |
| DON'T KNOW/REFUSED..... | 2% | 3% |

70. How would you rate the amount of patrolling the Ramsey County Sheriff's Department does in your neighborhood -- would you say they do too much, about the right amount, or not enough?
- | | |
|-------------------------|-----|
| TOO MUCH..... | 3% |
| ABOUT RIGHT AMOUNT..... | 86% |
| NOT ENOUGH..... | 11% |
| DON'T KNOW/REFUSED..... | 1% |

71. How serious of a problem is traffic speeding in your neighborhood -- very serious, somewhat serious, not too serious, or not at all serious?
- | | |
|-------------------------|-----|
| VERY SERIOUS..... | 7% |
| SOMEWHAT SERIOUS..... | 46% |
| NOT TOO SERIOUS..... | 26% |
| NOT AT ALL SERIOUS..... | 20% |
| DON'T KNOW/REFUSED..... | 2% |

Changing topics...

72. What retail or business services do you feel are lacking or are limited in Shoreview?
- | | |
|-------------------------|-----|
| DON'T KNOW/REFUSED..... | 3% |
| NONE..... | 33% |
| FINE DINING..... | 12% |
| FAMILY RESTAURANTS..... | 19% |
| ENTERTAINMENT..... | 10% |
| BOUTIQUE SHOPS..... | 6% |
| FAST FOOD..... | 3% |
| BIG BOX RETAIL..... | 6% |
| GROCERY STORE..... | 9% |

Turning to communications....

73. What is your primary source of information about the City of Shoreview?

| | |
|--------------------------|-----|
| DON'T KNOW/REFUSED..... | 1% |
| CITY NEWSLETTER..... | 52% |
| LOCAL NEWSPAPER..... | 16% |
| CITY WEBSITE..... | 11% |
| CABLE TELEVISION..... | 3% |
| MEETINGS..... | 4% |
| WORD OF MOUTH..... | 8% |
| SOCIAL MEDIA..... | 2% |
| PIONEER PRESS/STRIB..... | 2% |
| SCATTERED..... | 1% |

74. Do you recall receiving the City publication -- "The Shore Views" -- during the past year?

| | |
|-------------------------|-----|
| YES..... | 88% |
| NO..... | 12% |
| DON'T KNOW/REFUSED..... | 0% |

IF "YES," ASK: (n=350)

75. Do you or any members of your household regularly read it?

| | |
|-------------------------|-----|
| YES..... | 95% |
| NO..... | 5% |
| DON'T KNOW/REFUSED..... | 0% |

76. How effective is this city publication in keeping you informed about activities in the city -- very effective, somewhat effective, not too effective, or not at all effective?

| | |
|---------------------------|-----|
| VERY EFFECTIVE..... | 39% |
| SOMEWHAT EFFECTIVE..... | 53% |
| NOT TOO EFFECTIVE..... | 6% |
| NOT AT ALL EFFECTIVE..... | 0% |
| DON'T KNOW/REFUSED..... | 1% |

78. Does your household currently subscribe to cable television, satellite television, or neither?

| | |
|-------------------------|-----|
| CABLE..... | 55% |
| SATELLITE..... | 30% |
| NEITHER..... | 15% |
| DON'T KNOW/REFUSED..... | 0% |

IF "CABLE," ASK: (n=218)

For each of the following, please tell me if you have watched that channel or program during the past month? (IF "NO," ASK:) How about during the past six months?

| | MONT | SIXM | NOWT | DK/R |
|---|------|------|------|------|
| 79. Local Government Access Channel 16? | 10% | 27% | 58% | 6% |
| 80. City Council meetings? | 7% | 23% | 63% | 7% |
| 81. Planning Commission Meetings? | 6% | 19% | 68% | 7% |

| | | |
|-----|--|---------------------------|
| 82. | Do you have access to the Internet from your home? | YES.....84% |
| | | NO.....16% |
| | | DON'T KNOW/REFUSED.....0% |

IF "YES," ASK: (n=336)

| | | |
|-----|--|---------------------------|
| 83. | Do you access the Internet by DSL, broadband cable, dial-up modem or wireless service? | DSL.....18% |
| | | BROADBAND CABLE.....40% |
| | | DIAL-UP MODEM.....5% |
| | | WIRELESS.....36% |
| | | DON'T KNOW/REFUSED.....1% |

| | | |
|-----|--|---------------------------|
| 84. | Have you accessed the City of Shoreview's website? | YES.....59% |
| | | NO.....41% |
| | | DON'T KNOW/REFUSED.....0% |

IF "YES," ASK: (n=197)

| | | |
|-----|---|---------------------------|
| 85. | How would you evaluate the content of the City's web site -- excellent, good, only fair, or poor? | EXCELLENT.....24% |
| | | GOOD.....71% |
| | | ONLY FAIR.....5% |
| | | POOR.....0% |
| | | DON'T KNOW/REFUSED.....1% |

| | | |
|-----|---|---------------------------|
| 86. | How would you rate the ease of navigating the site and finding the information you sought -- excellent, good, only fair, or poor? | EXCELLENT.....19% |
| | | GOOD.....71% |
| | | ONLY FAIR.....10% |
| | | POOR.....1% |
| | | DON'T KNOW/REFUSED.....0% |

Changing topics....

| | | |
|-----|---|---------------------------|
| 87. | Prior to this survey, were you aware of the Shoreview Community Foundation? | YES.....50% |
| | | NO.....49% |
| | | DON'T KNOW/REFUSED.....1% |

As you may know, the Shoreview Community Foundation is a local non-profit organization whose mission is to maintain, enhance, and enrich the quality of life in Shoreview by connecting the generosity of people with evolving community needs. The Foundation has established and built an endowment fund and has provided grants to groups such as the Shoreview Northern Lights Variety Band, Mounds View High School Volunteer Club, Shoreview Historical Society, Northwest Youth and Family Services and the Turtle Lake School Playground for Everyone project.

88. Keeping in mind the Shoreview Community Foundation will be competing with other charities and causes for contributions, how likely would you be to contribute to the Shoreview Community Foundation in the future -- very likely, somewhat likely, not too likely or not at all likely?

| | |
|-------------------------|-----|
| VERY LIKELY..... | 7% |
| SOMEWHAT LIKELY..... | 41% |
| NOT TOO LIKELY..... | 27% |
| NOT AT ALL LIKELY..... | 19% |
| DON'T KNOW/REFUSED..... | 7% |

Now, just a few more questions for demographic purposes....

89. What is your age, please?

| | |
|------------------|-----|
| 18-24..... | 3% |
| 25-34..... | 17% |
| 35-44..... | 18% |
| 45-54..... | 25% |
| 55-64..... | 19% |
| 65 AND OVER..... | 18% |
| REFUSED..... | 0% |

Could you tell me how many people in each of the following age groups live in your household. Let's start oldest to youngest...

90. First, persons over 65?

| | |
|------------------|-----|
| NONE..... | 78% |
| ONE..... | 11% |
| TWO OR MORE..... | 11% |

91. Adults between the ages of 50 and 64?

| | |
|------------------|-----|
| NONE..... | 68% |
| ONE..... | 15% |
| TWO OR MORE..... | 17% |

92. Adults between the ages of 18 and 49?

| | |
|------------------|-----|
| NONE..... | 40% |
| ONE..... | 24% |
| TWO OR MORE..... | 36% |

93. School-aged children or pre-schoolers?

| | |
|------------------|-----|
| NONE..... | 68% |
| ONE..... | 19% |
| TWO OR MORE..... | 13% |

94. Do you rent or own your present residence?

| | |
|--------------|-----|
| OWN..... | 80% |
| RENT..... | 20% |
| REFUSED..... | 0% |

IF "OWN," ASK: (n=320)

| | | |
|---|---|---|
| 95. | Which of the following categories contains the approximate value of your residential property -- under \$150,000, \$150,000-\$250,000, \$250,001-\$350,000, \$350,001-\$450,000, or over \$450,000? | UNDER \$150,000.....3% \$150,000-\$250,000.....32% \$250,001-\$350,000.....37% \$350,001-\$450,000.....12% OVER \$450,000.....7% DON'T KNOW.....1% REFUSED.....9% |
| 96. | Which of the following best describes your household: (READ) A. Single, no other family at home. B. Single parent with children at home. C. Married or partnered, with children at home. D. Married or partnered with no children or no children at home. E. Something else. | SINGLE/NO OTHER.....25% SINGLE PARENT.....5% MAR/PARTN/CHILDREN.....28% MAR/PARTN/NO CHILD.....41% SOMETHING ELSE.....1% DON'T KNOW/REFUSED.....0% |
| 97. | Are you a member of a private health club? | YES.....15% NO.....85% DON'T KNOW/REFUSED.....1% |
| 98. | What is your occupation and the occupation of your spouse or partner, if applicable? REFUSED, 9%; PROFESSIONAL-TECHNICAL, 29%; OWNER-MANGER, 8%; CLERICAL-SALES, 10%; BLUE COLLAR, 15%; RETIRED, 22%; NOT WORKING/STUDENT, 7%. | |
| 99. | Is your household telephone service by land line only, cell phone only, or both land line and cell phone? | LAND LINE ONLY.....13% CELL PHONE ONLY.....37% BOTH LAND/CELL.....50% DON'T KNOW/REFUSED.....1% |
| And now, for one final question, keeping in mind that your answers are held strictly confidential.... | | |
| 100. | Is your pre-tax yearly household income over or under \$75,000? (IF "OVER," ASK:) Is it over \$100,000? (IF YES, ASK) Is it over \$125,000? (IF "UNDER," ASK:) Is it under \$50,000? | UNDER \$50,000.....16% \$50,000-\$75,000.....25% \$75,001-\$100,000.....28% \$100,001-\$125,000.....9% OVER \$125,000.....10% DON'T KNOW.....1% REFUSED.....12% |
| 101. | Gender | MALE.....49% FEMALE.....51% |

102. Area of City

| | |
|------------------|-----|
| PRECINCT 1N..... | 10% |
| PRECINCT 1S..... | 8% |
| PRECINCT 2..... | 9% |
| PRECINCT 3..... | 20% |
| PRECINCT 4..... | 15% |
| PRECINCT 5..... | 22% |
| PRECINCT 6..... | 16% |

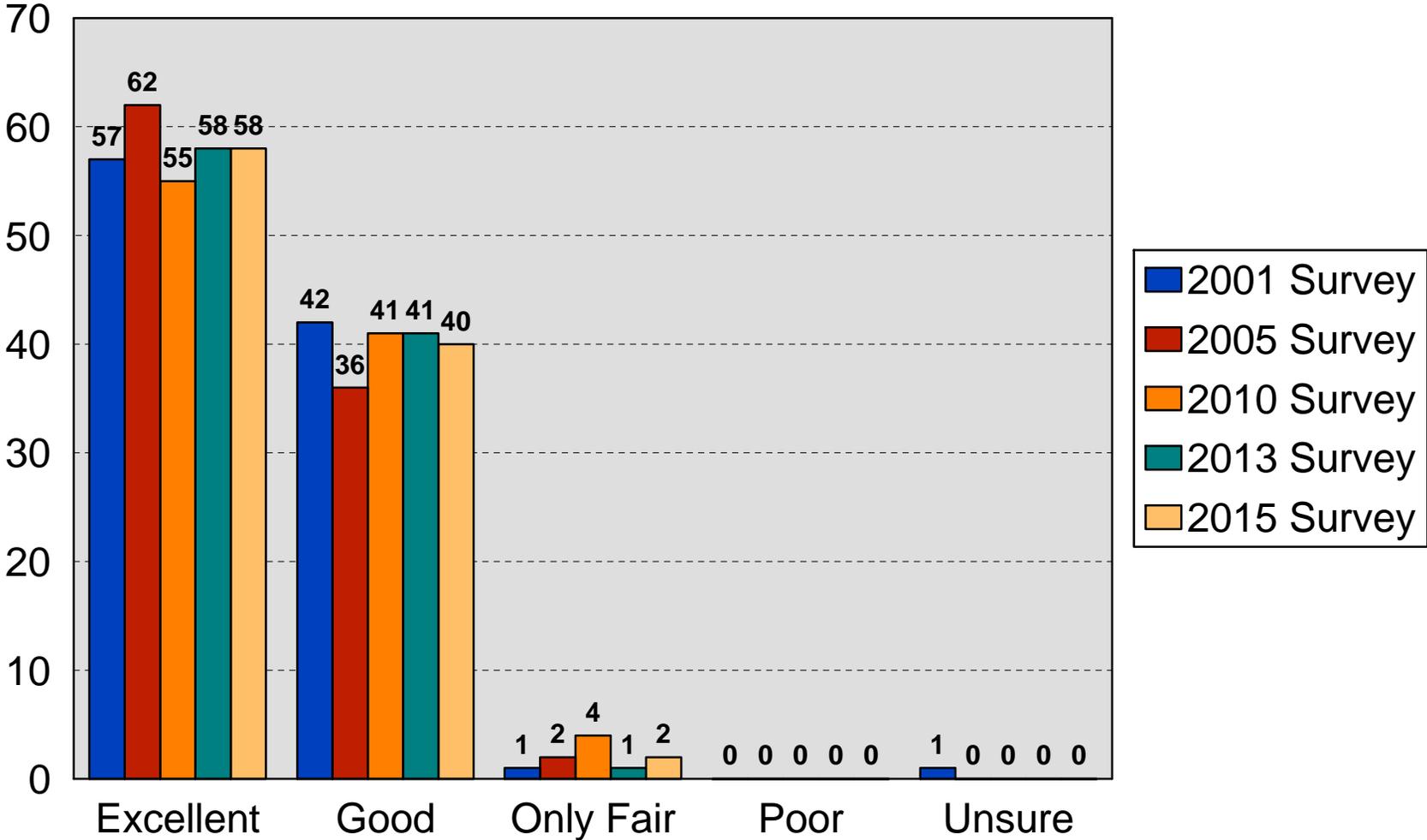
City of Shoreview

2015 Quality of Life Study

The Morris Leatherman Company

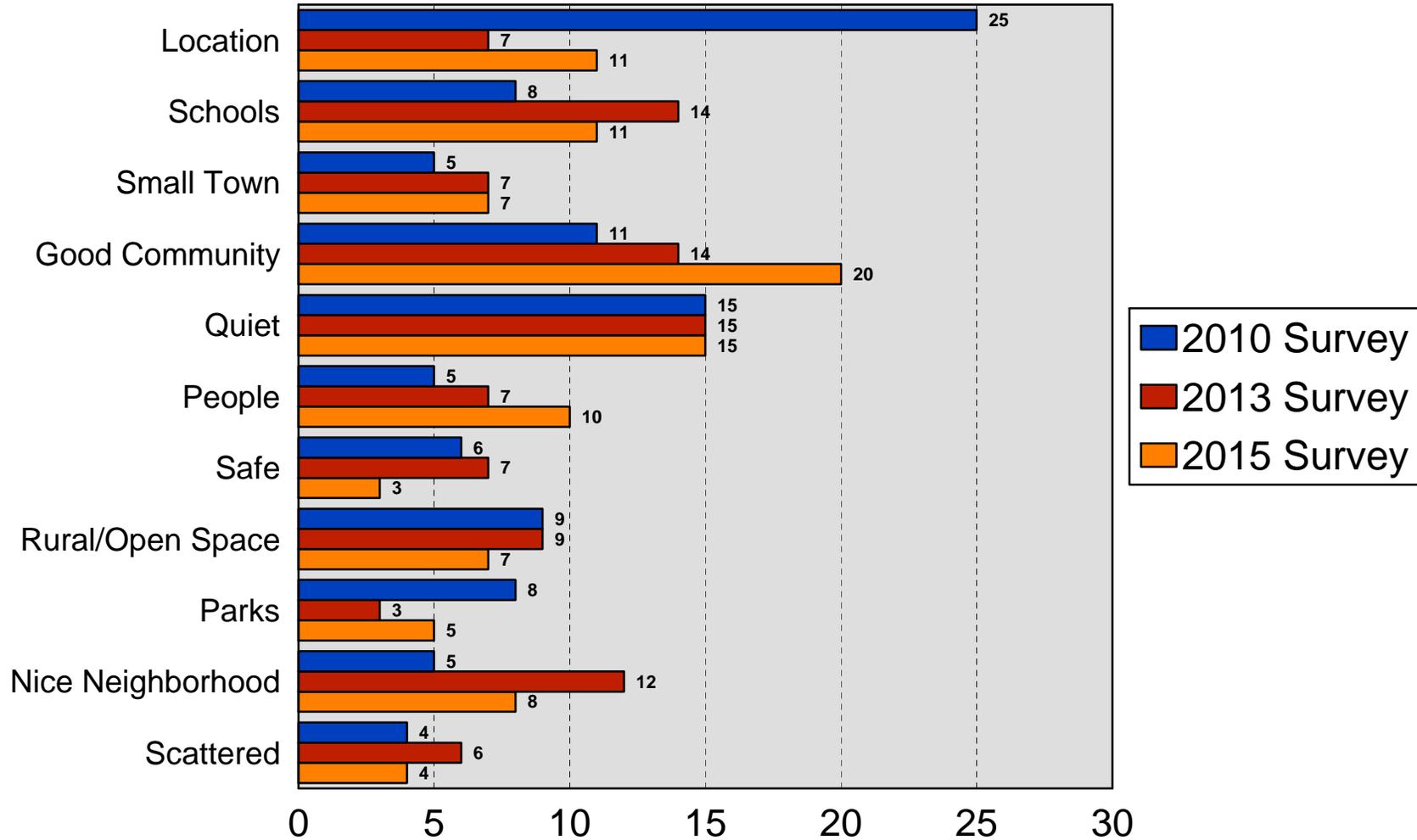
Quality of Life Rating

2015 City of Shoreview



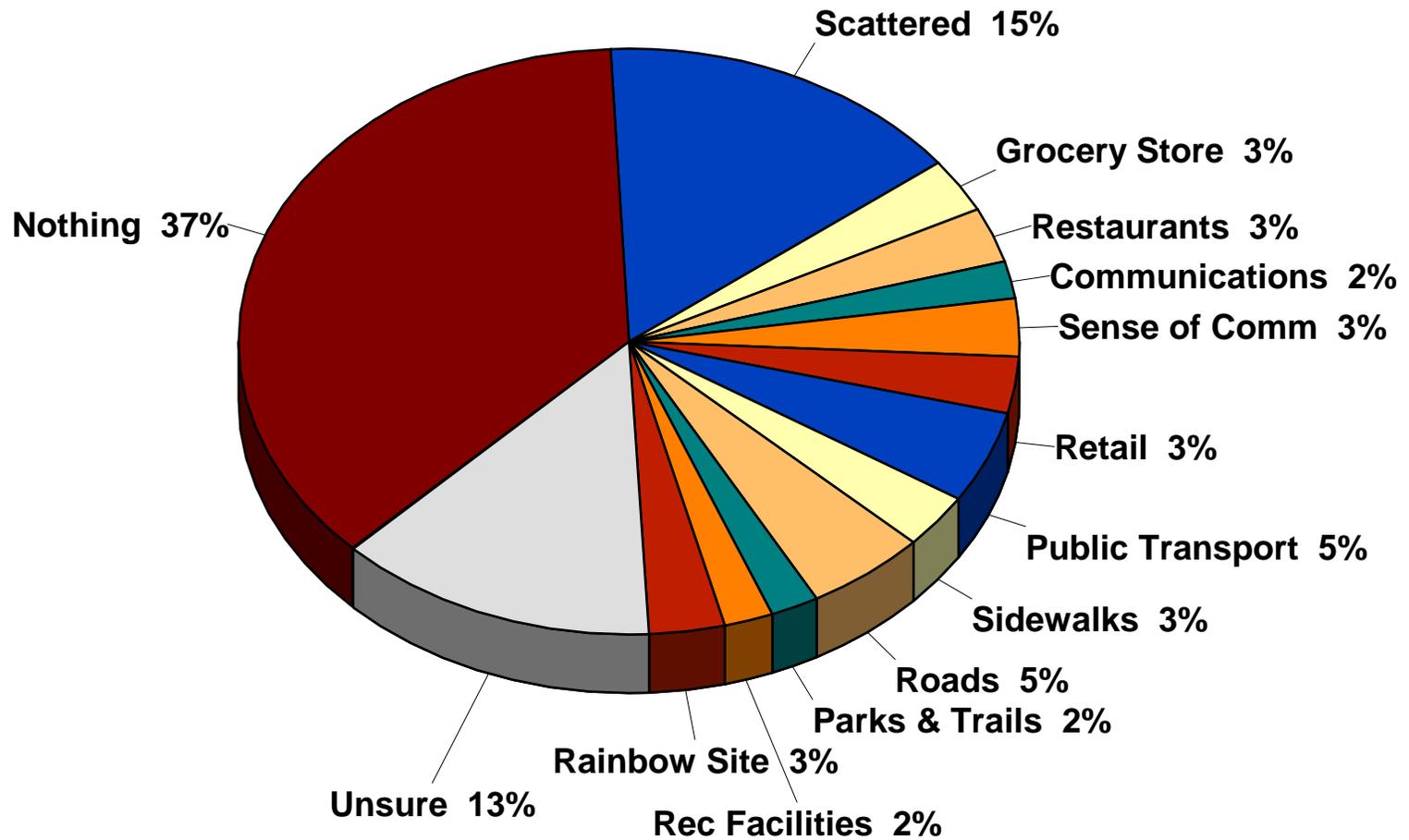
Like Most about City

2015 City of Shoreview



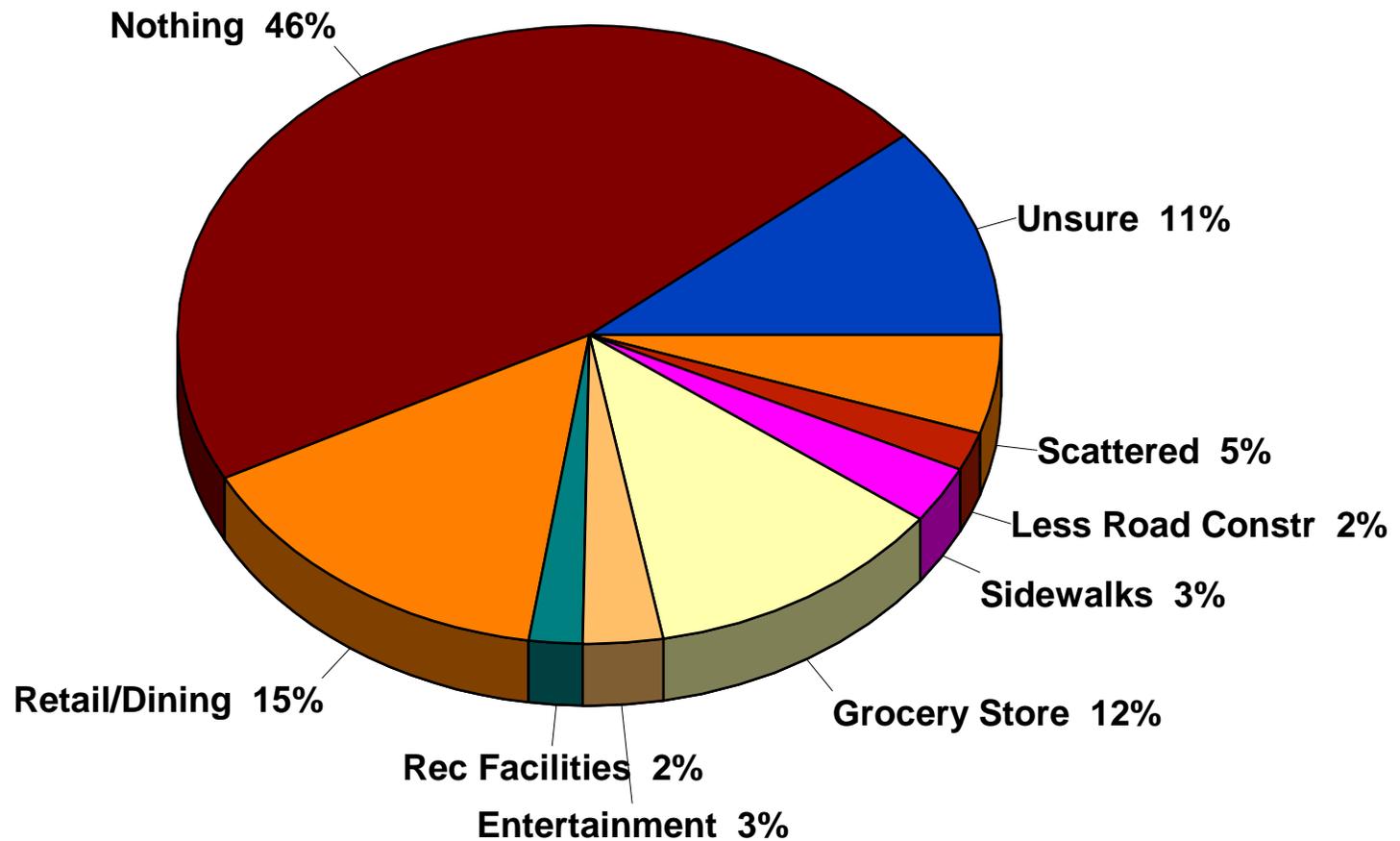
Fixed or Improved

2015 City of Shoreview



Currently Missing

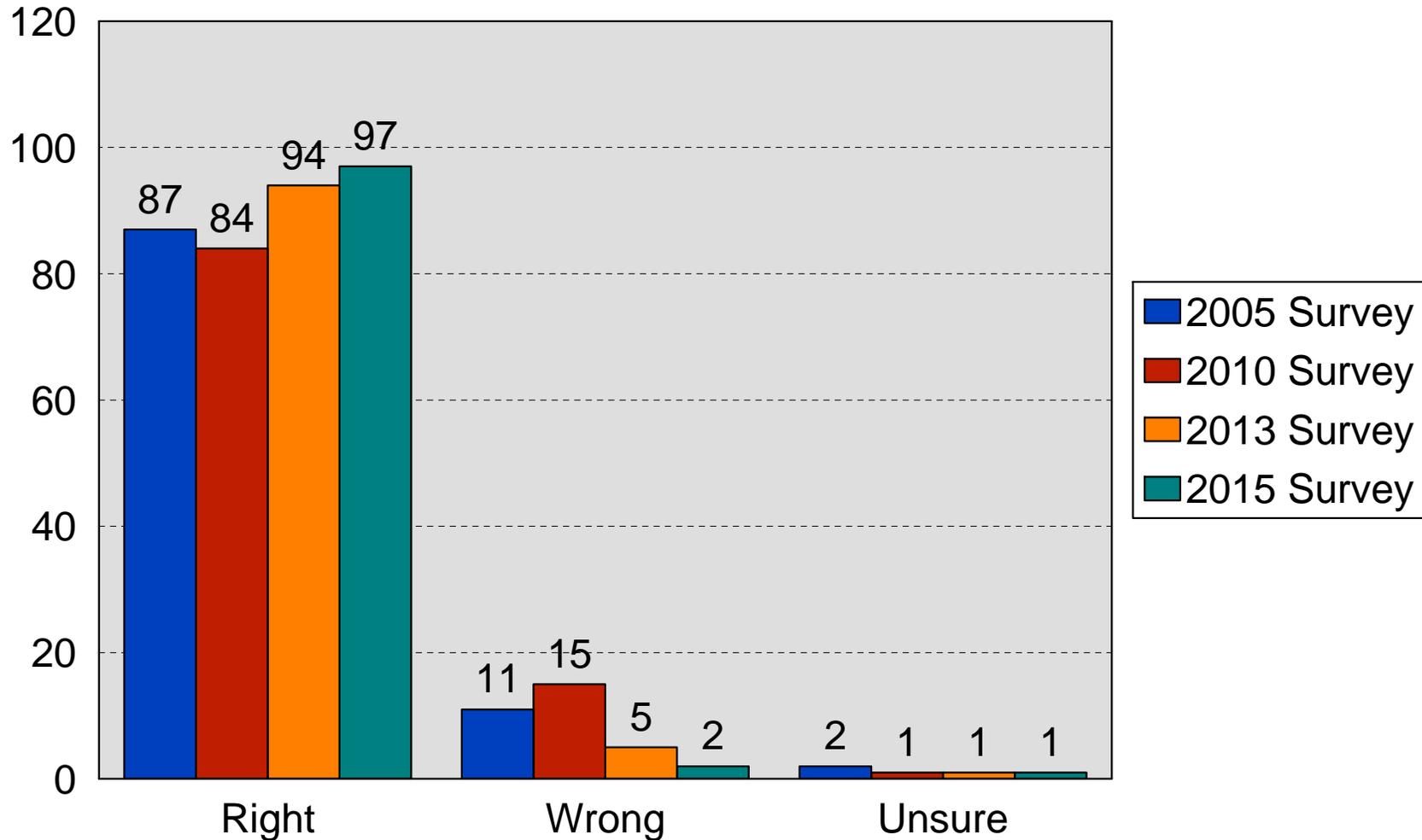
2015 City of Shoreview



The Morris Leatherman Company

Direction of Community

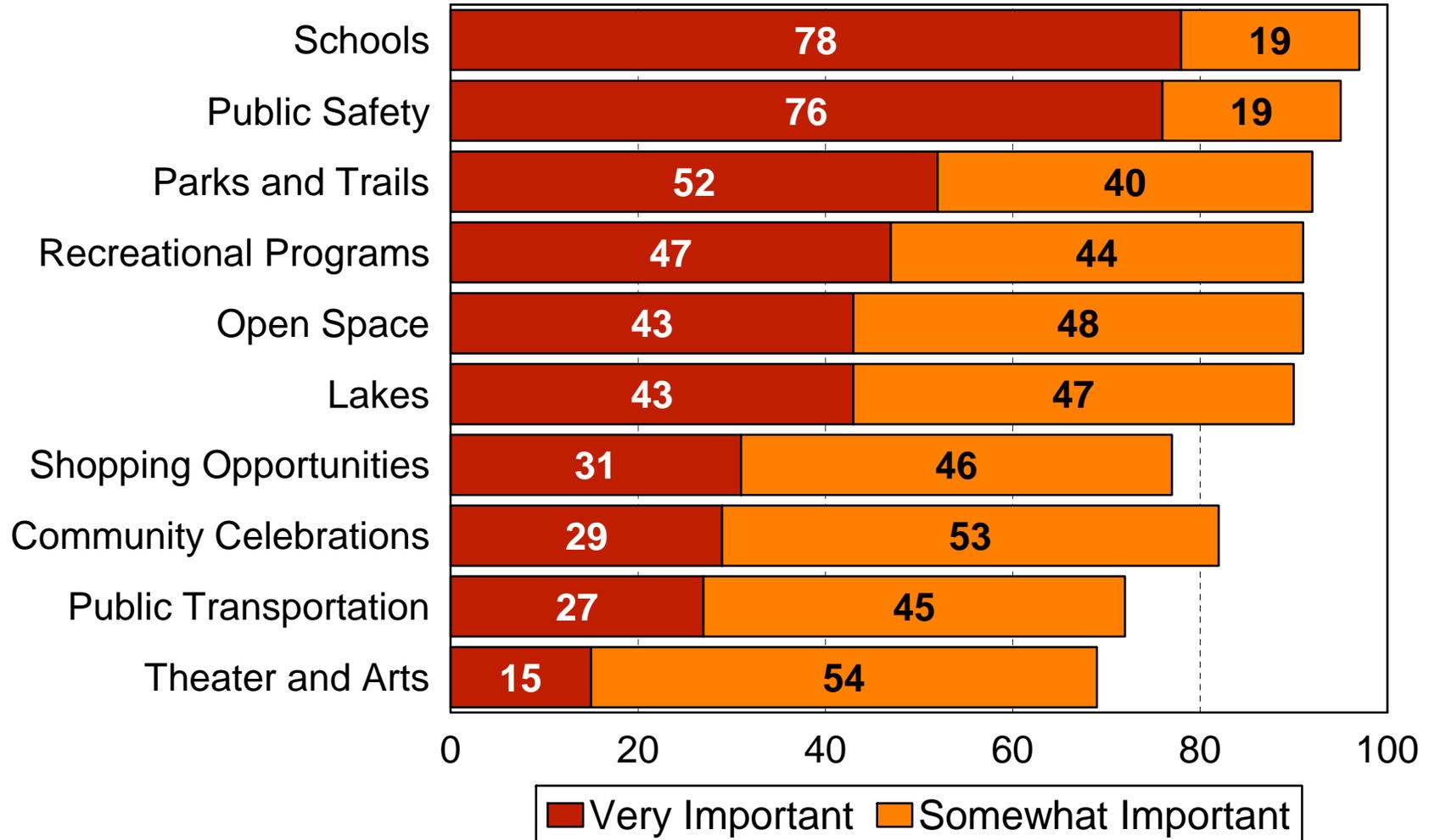
2015 City of Shoreview



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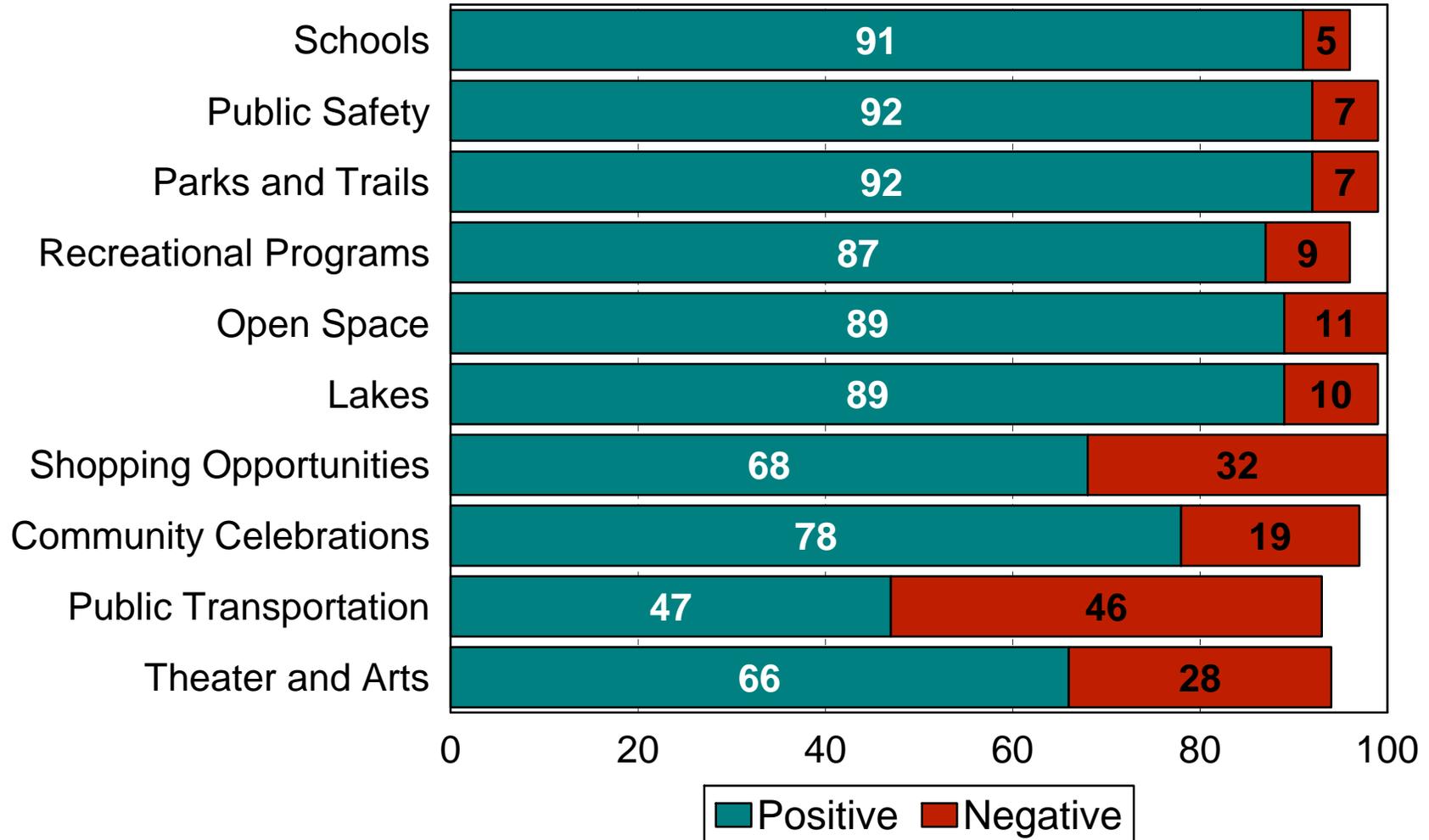
Quality of Life Components

2015 City of Shoreview



Ratings on Quality Components

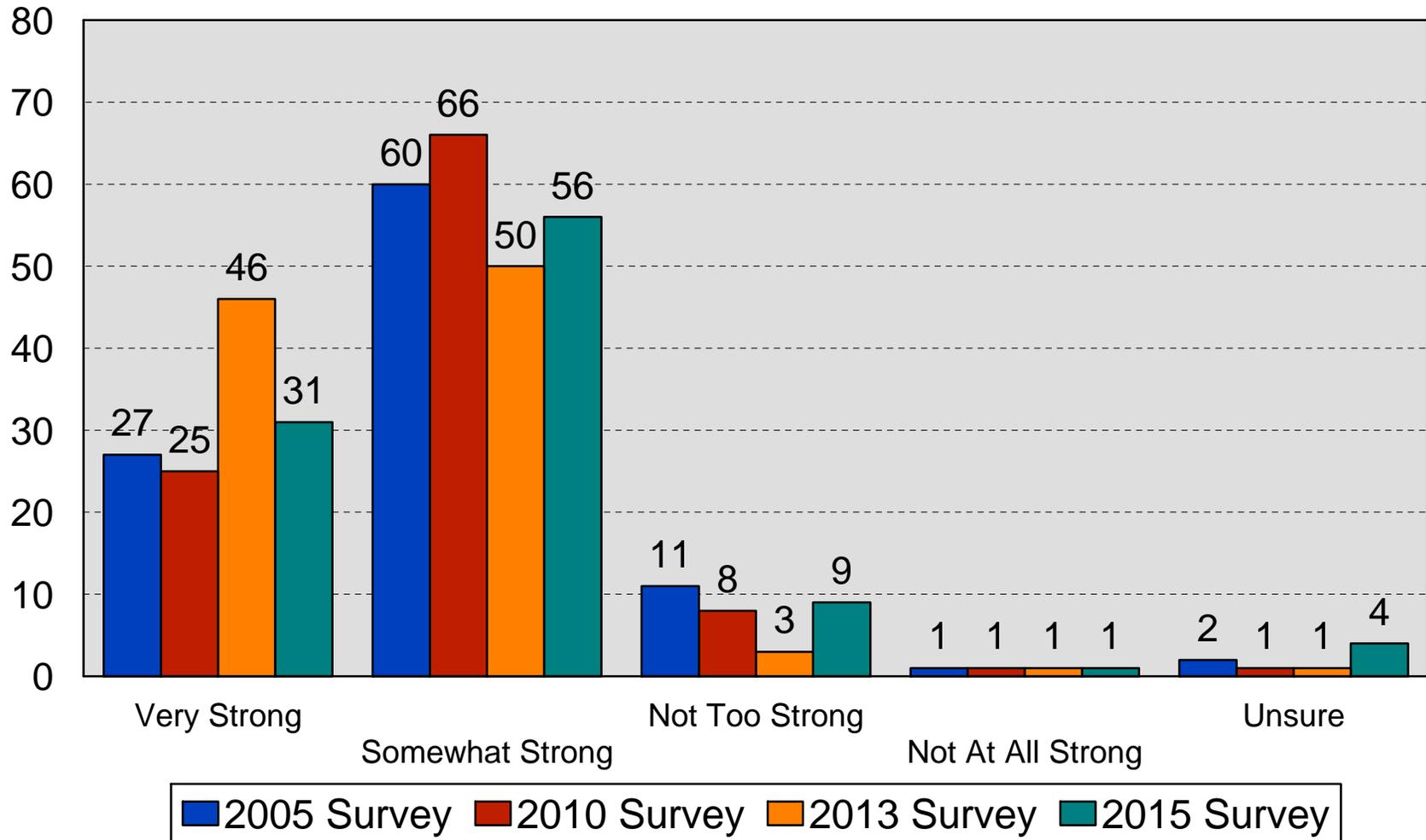
2015 City of Shoreview



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Community Identity

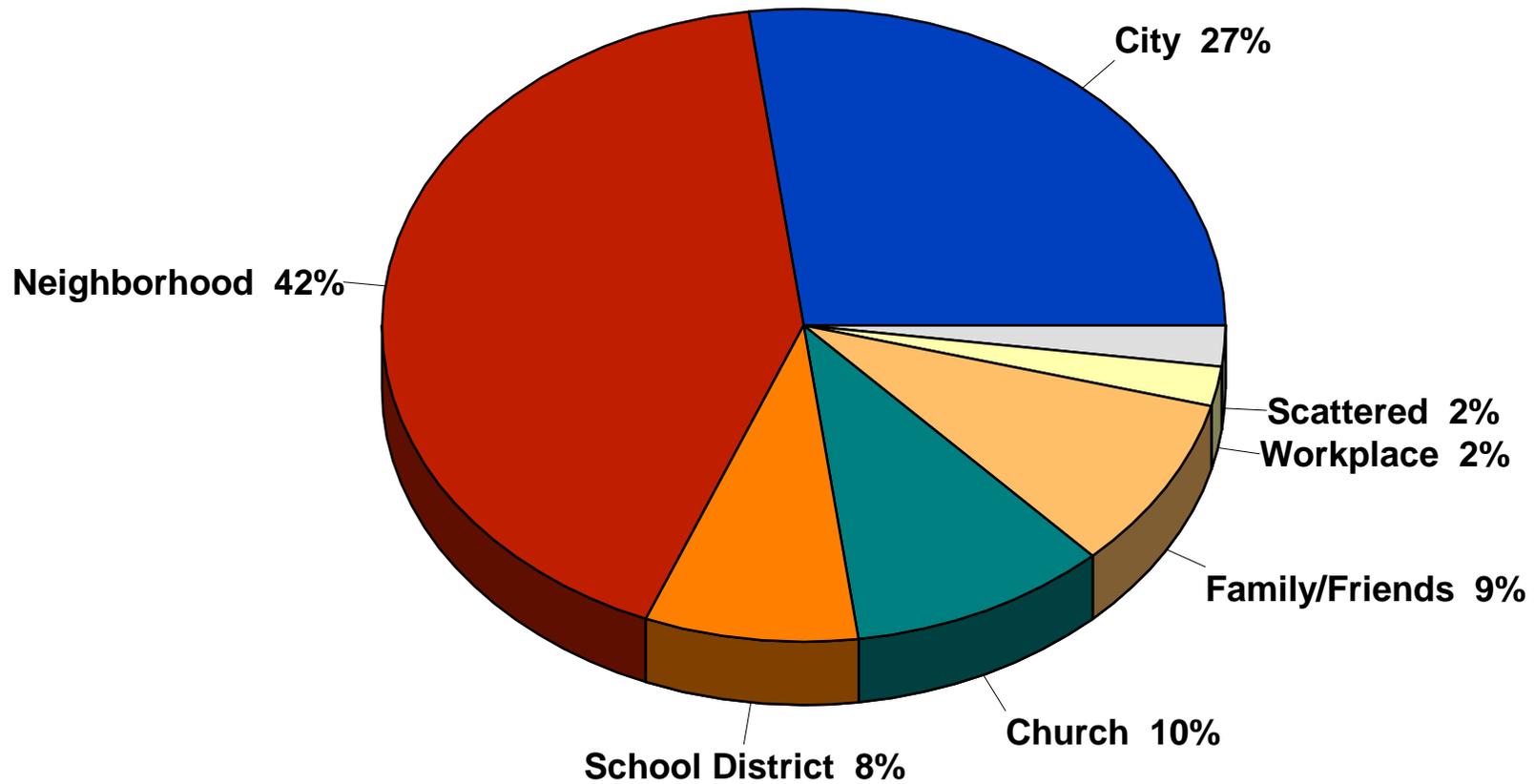
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Closest Connection

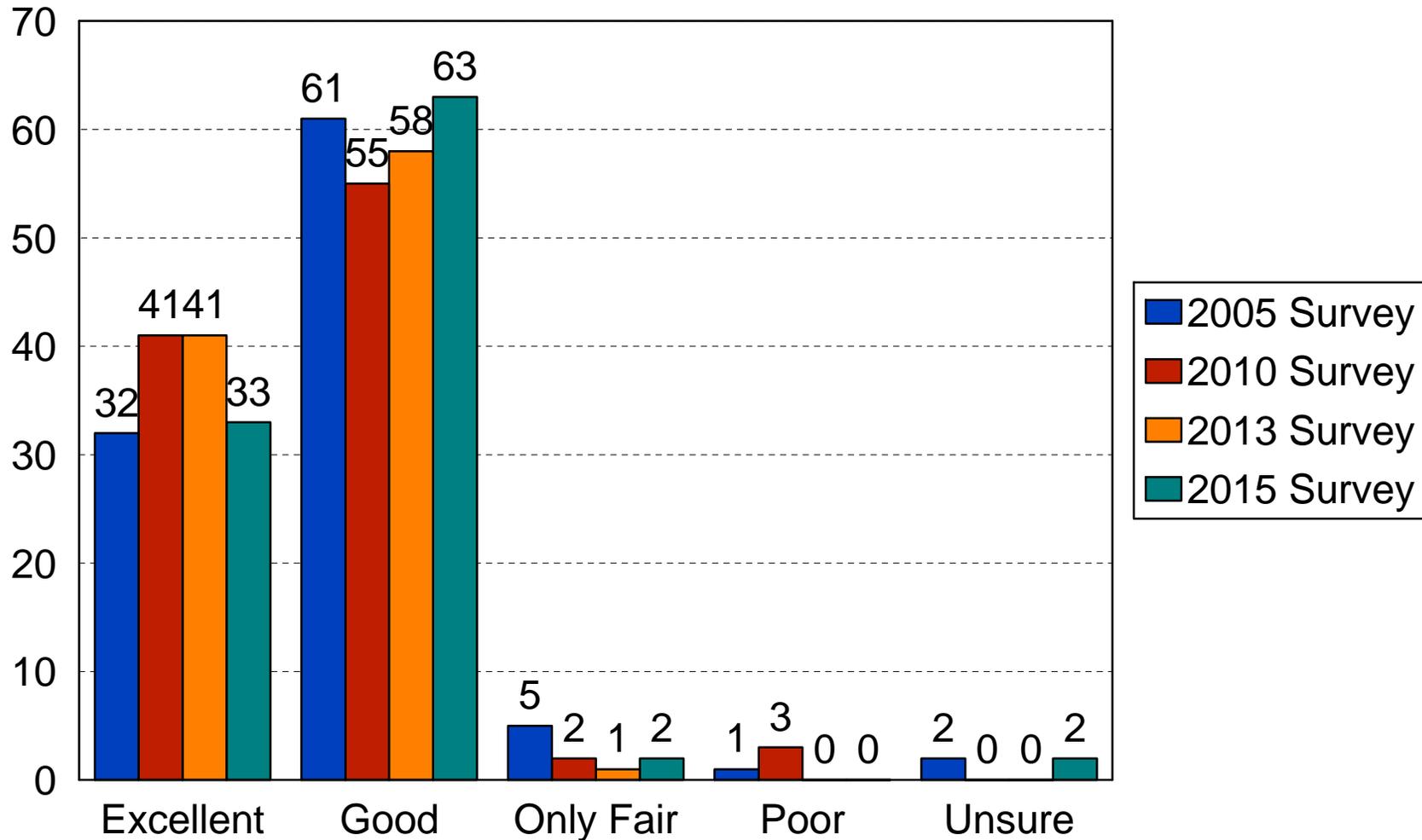
2015 City of Shoreview



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City Recreational Facilities

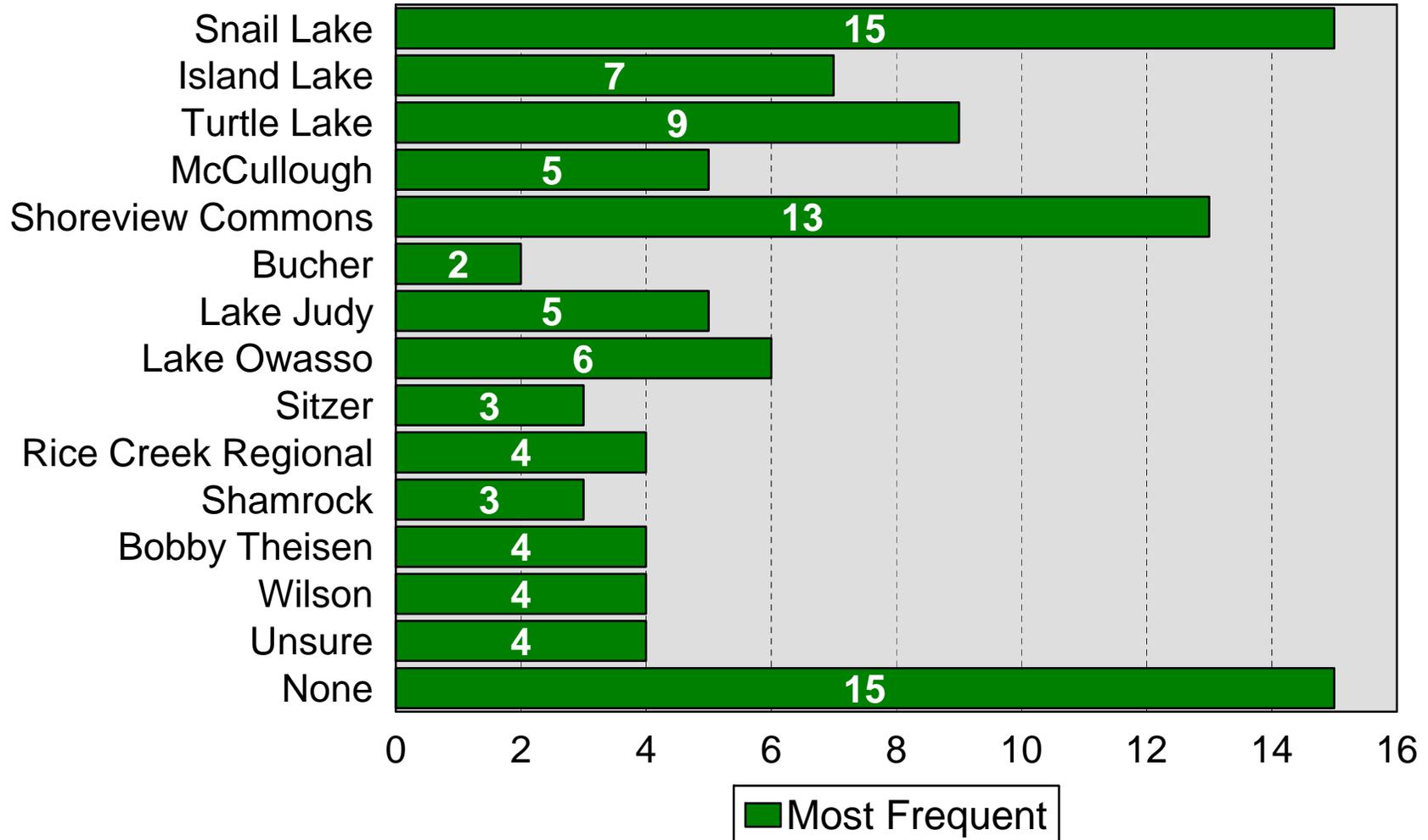
2015 City of Shoreview



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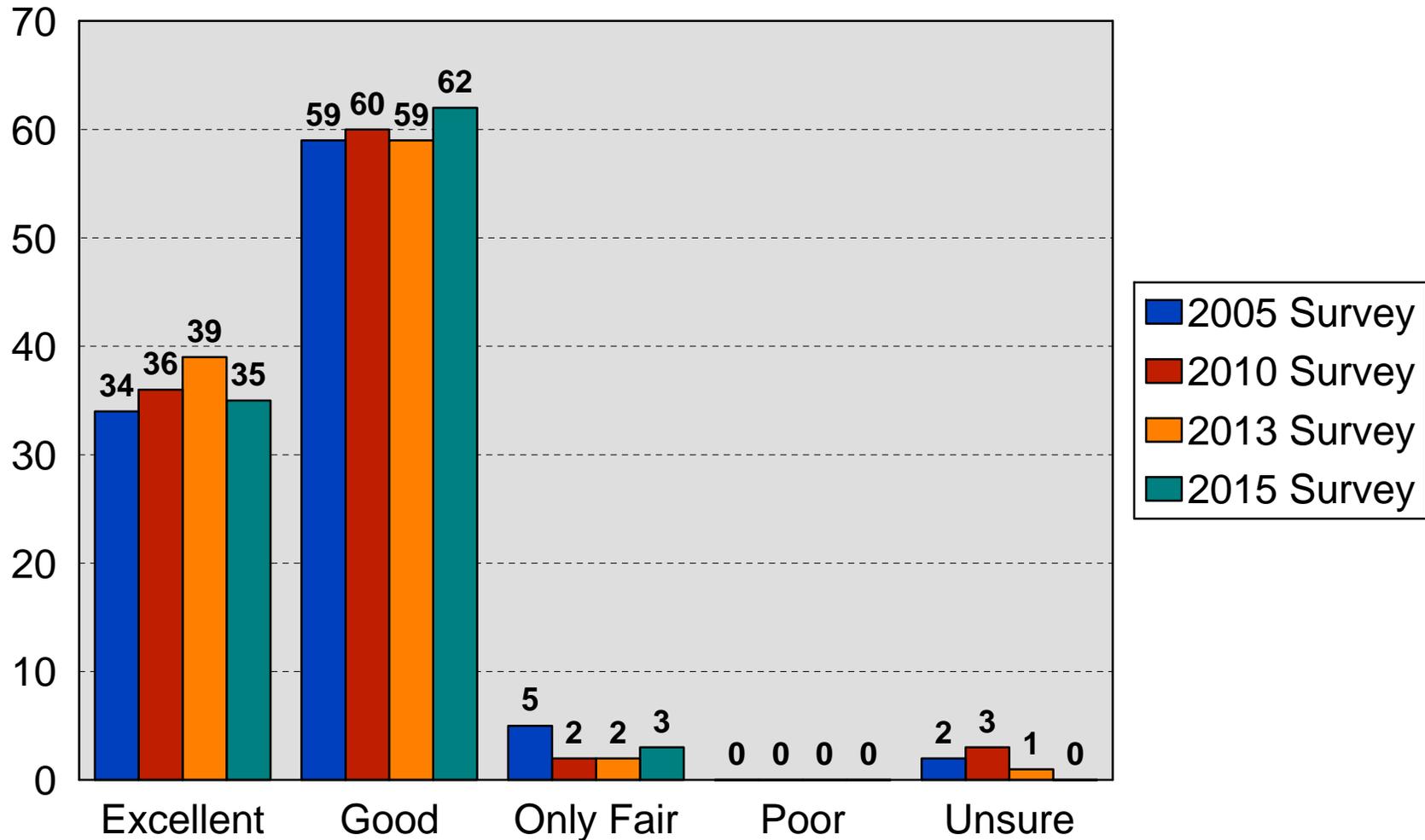
Most Frequent Park Usage

2015 City of Shoreview



Upkeep of City Parks

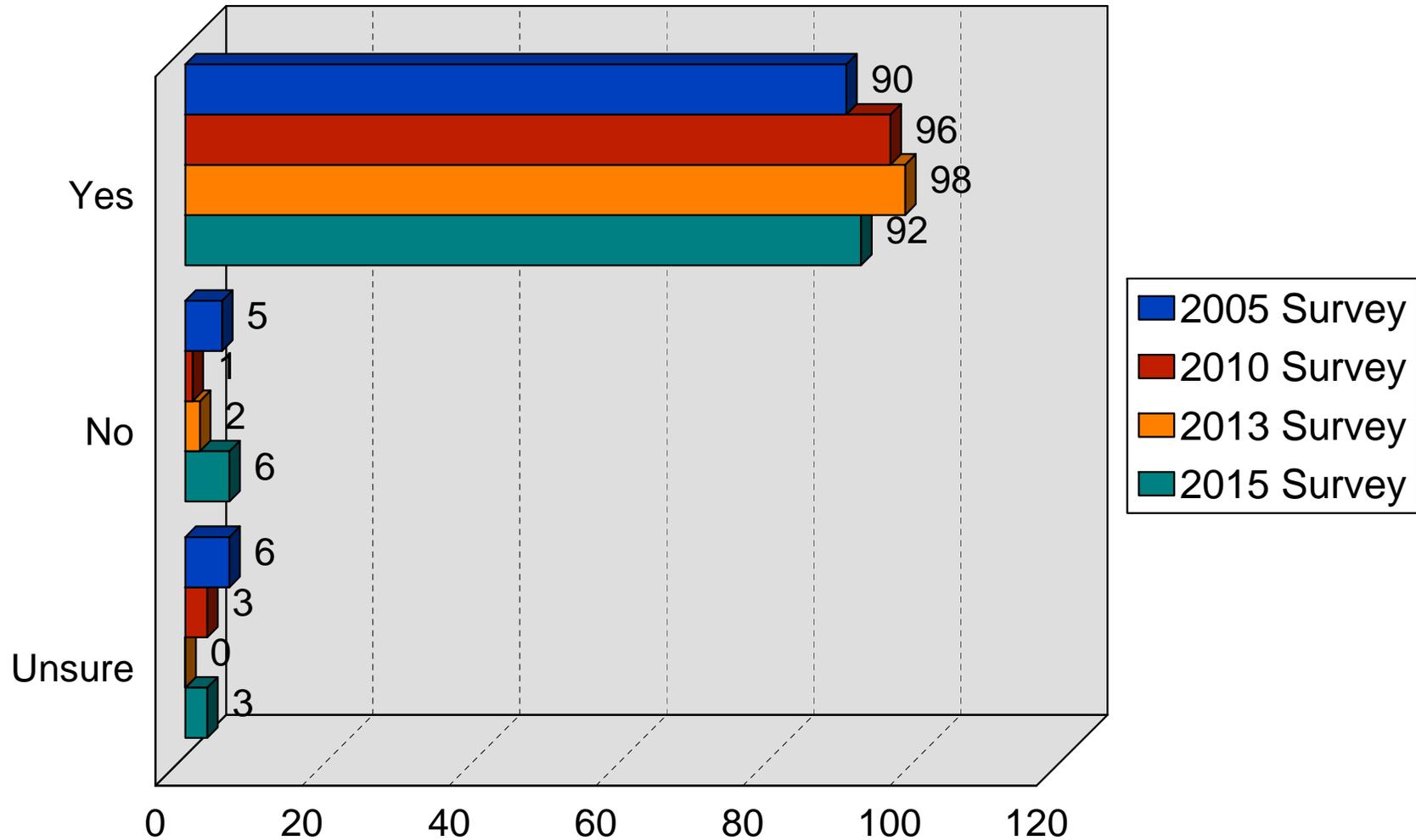
2015 City of Shoreview



The Morris Leatherman Company

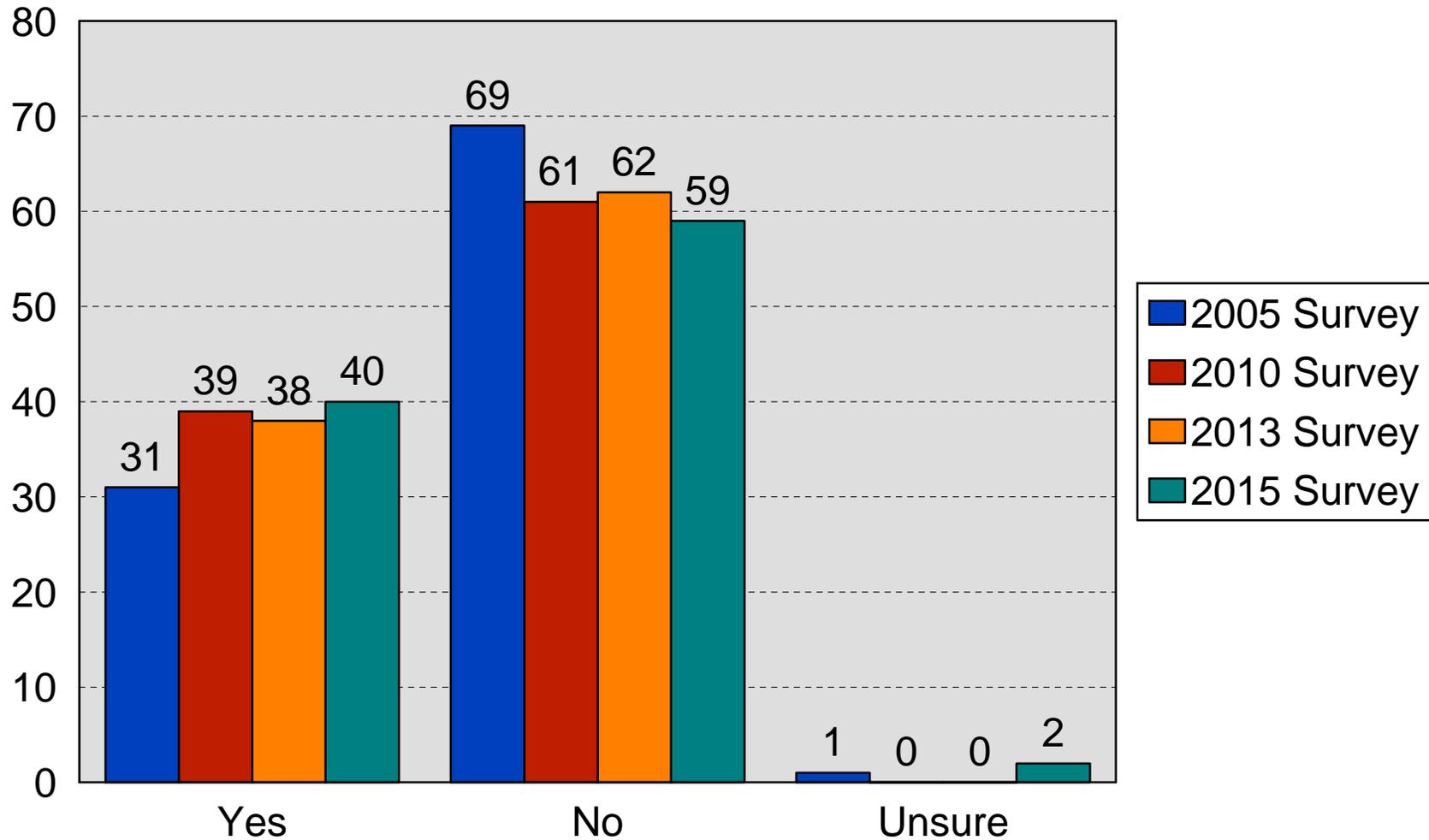
Facilities Mix Meets Needs

2015 City of Shoreview



Program Participation

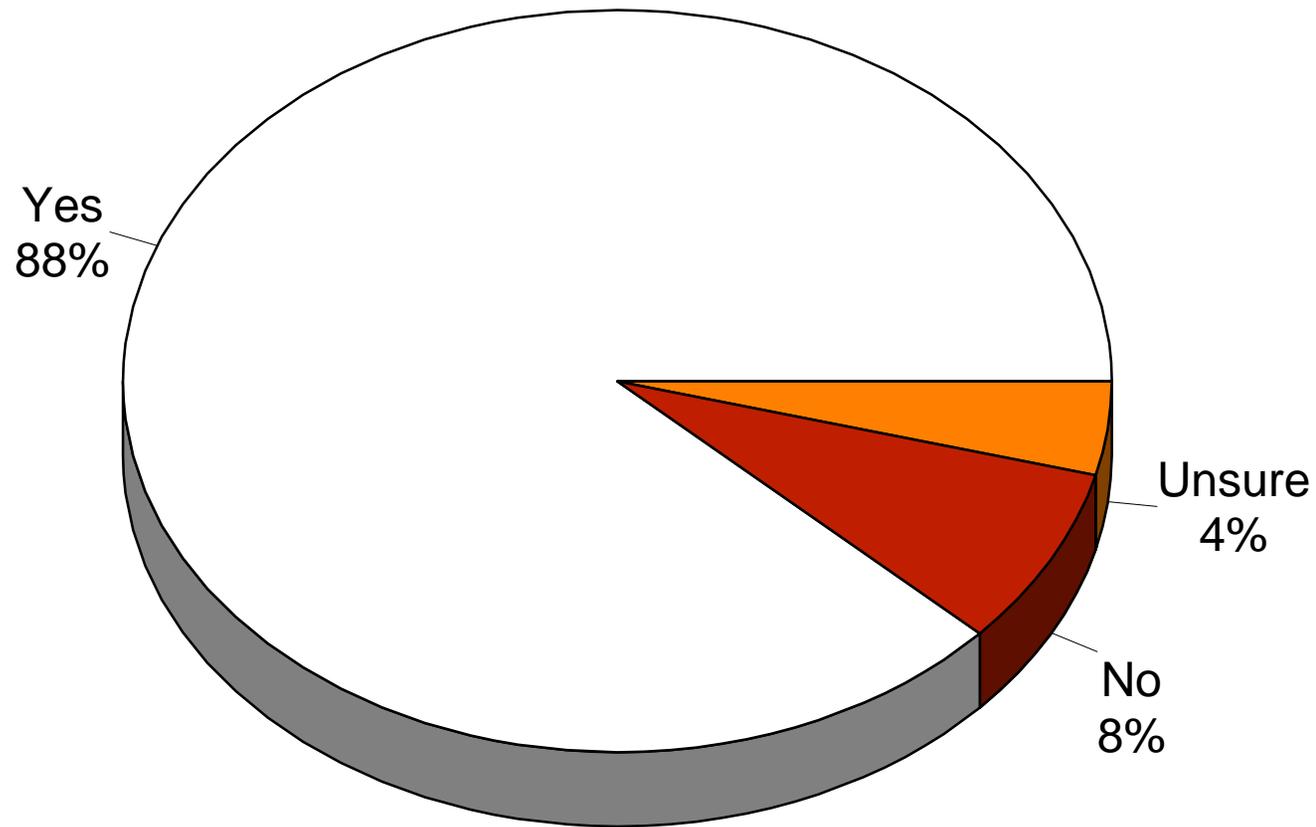
2015 City of Shoreview



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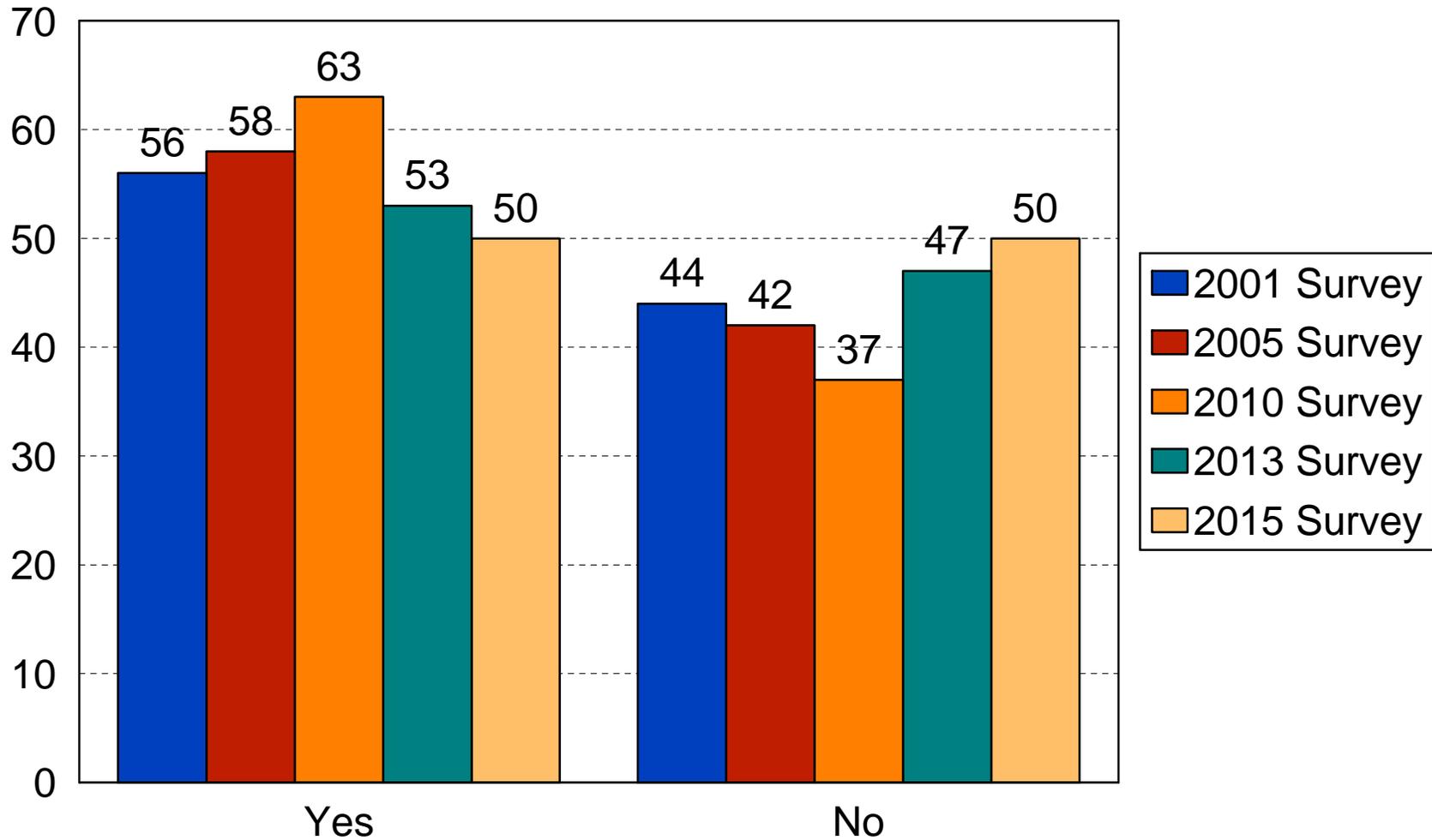
Mix Meets Household Needs

2015 City of Shoreview



Community Center Usage

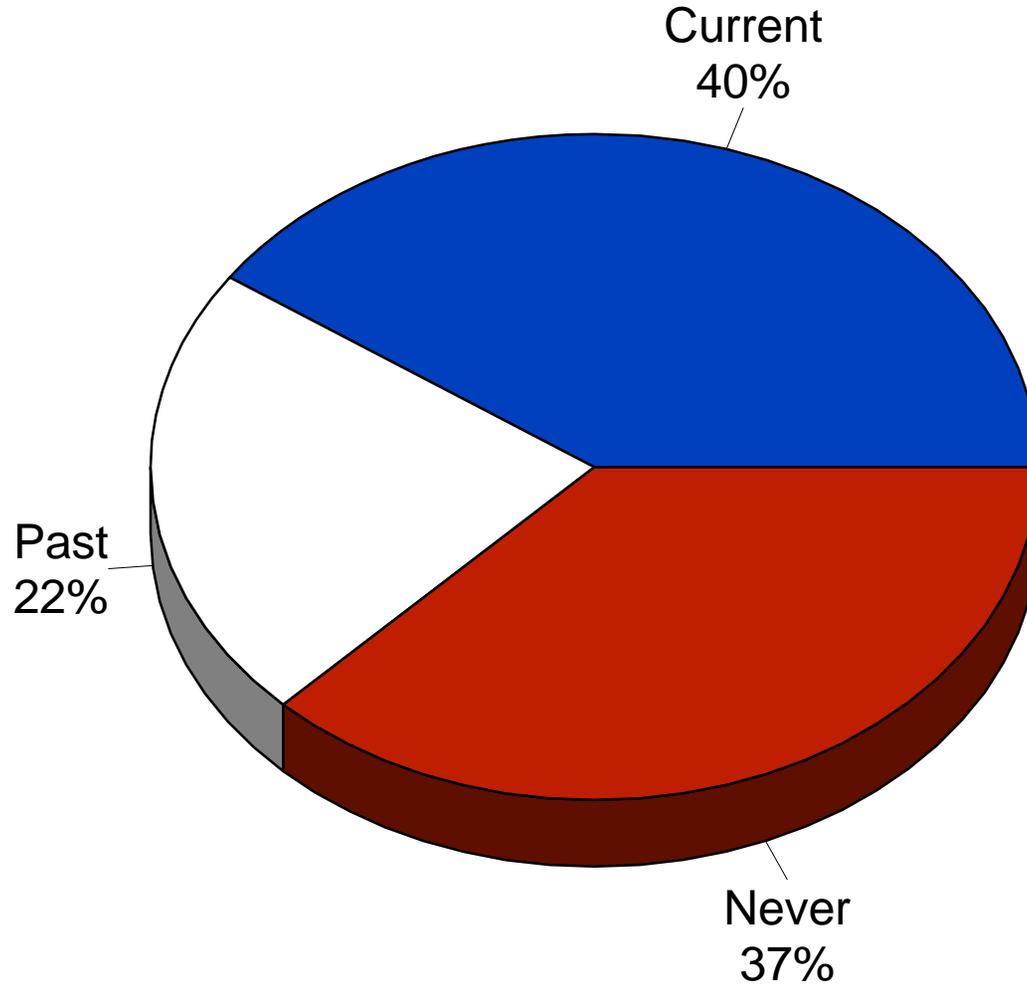
2015 City of Shoreview



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Community Center Membership

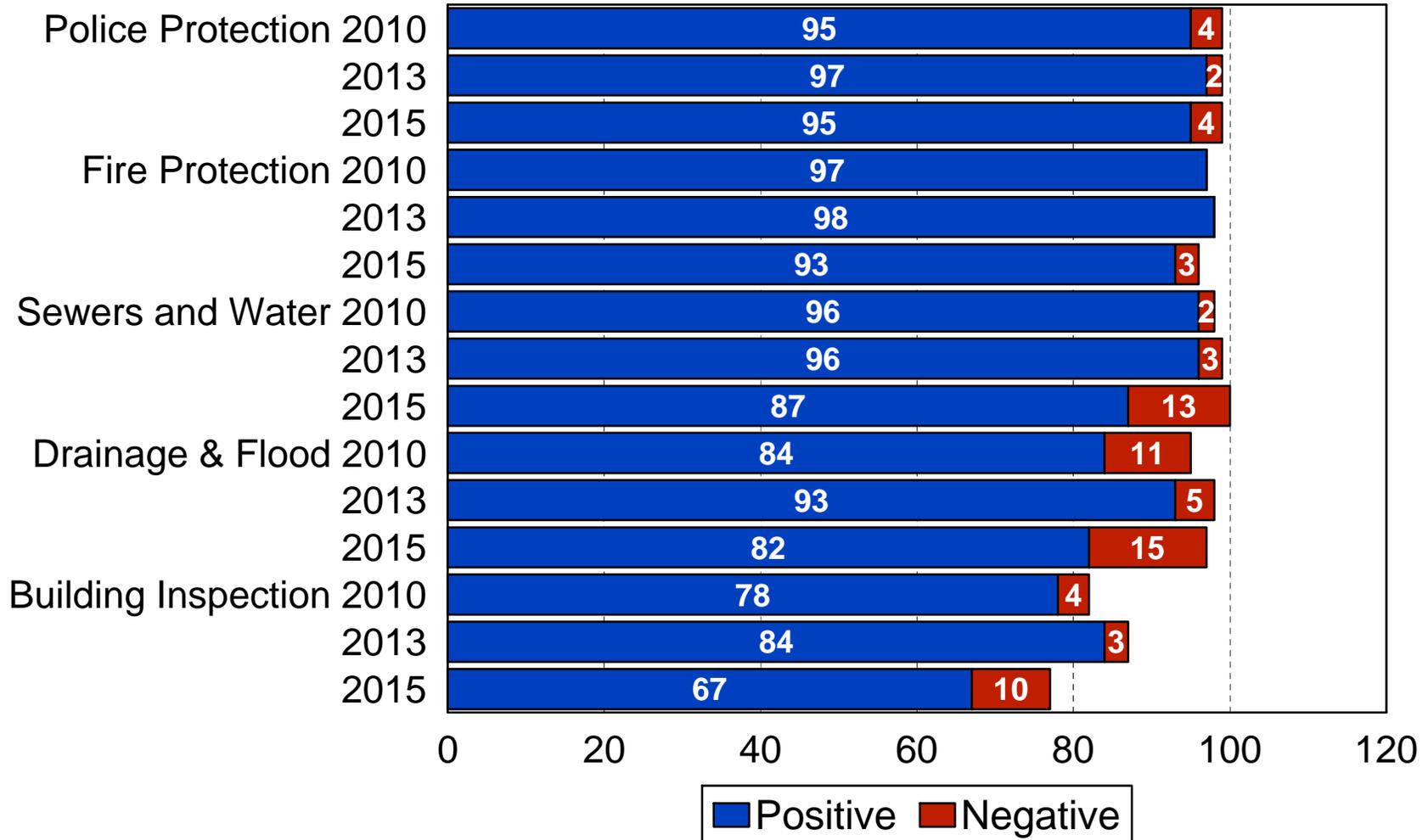
2015 City of Shoreview



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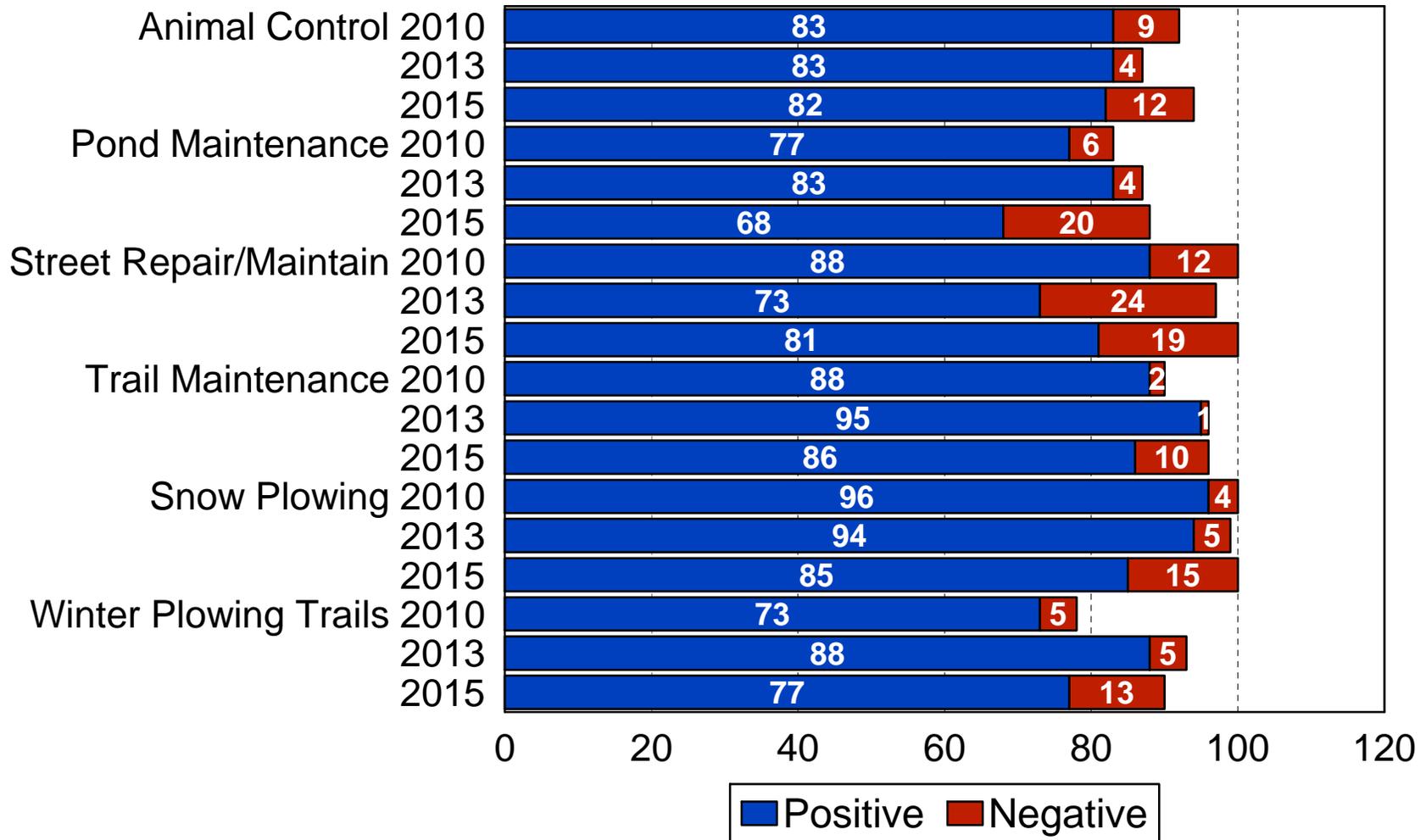
City Service Ratings I

2015 City of Shoreview



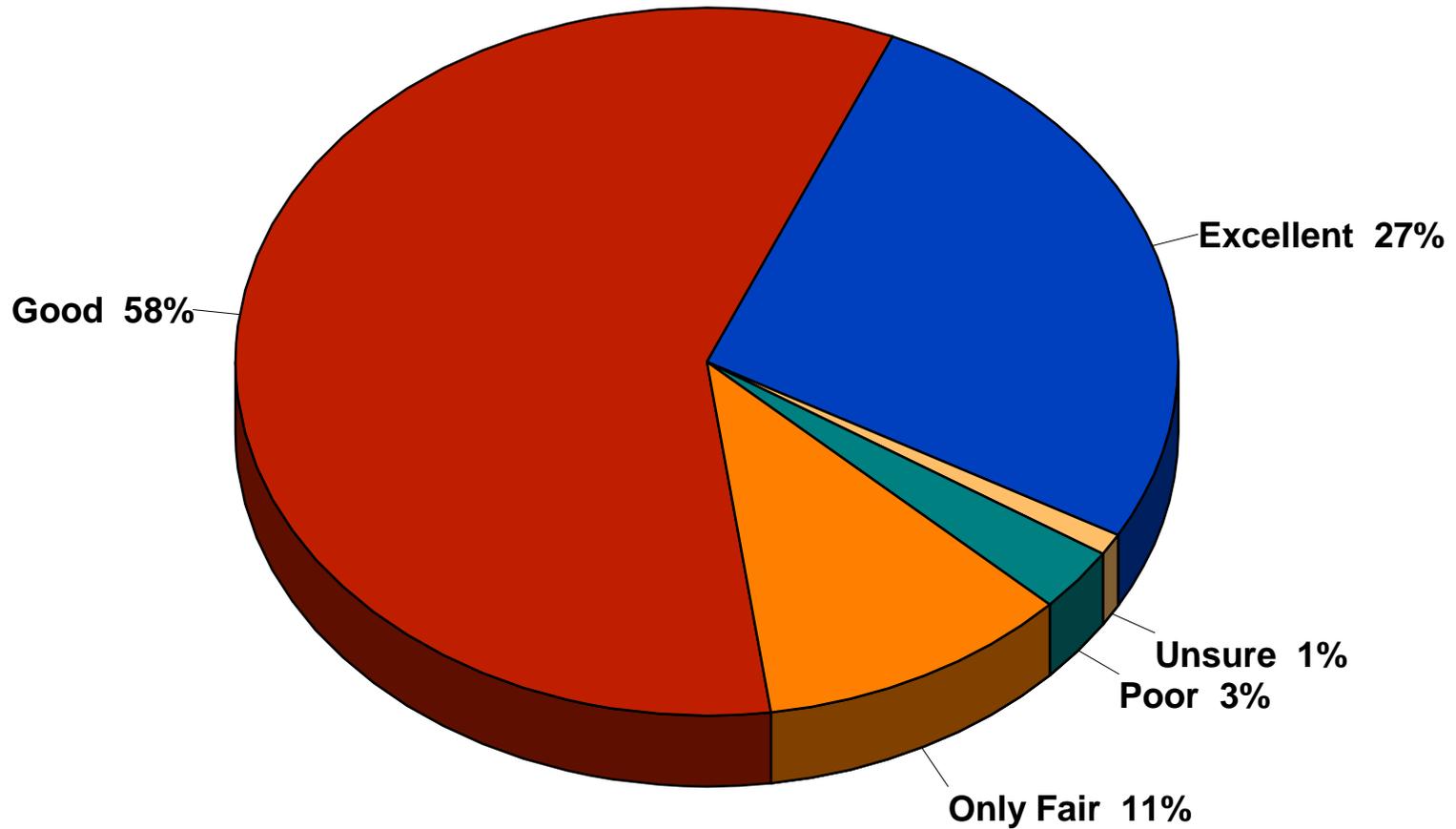
City Service Ratings II

2015 City of Shoreview



Drinking Water Quality

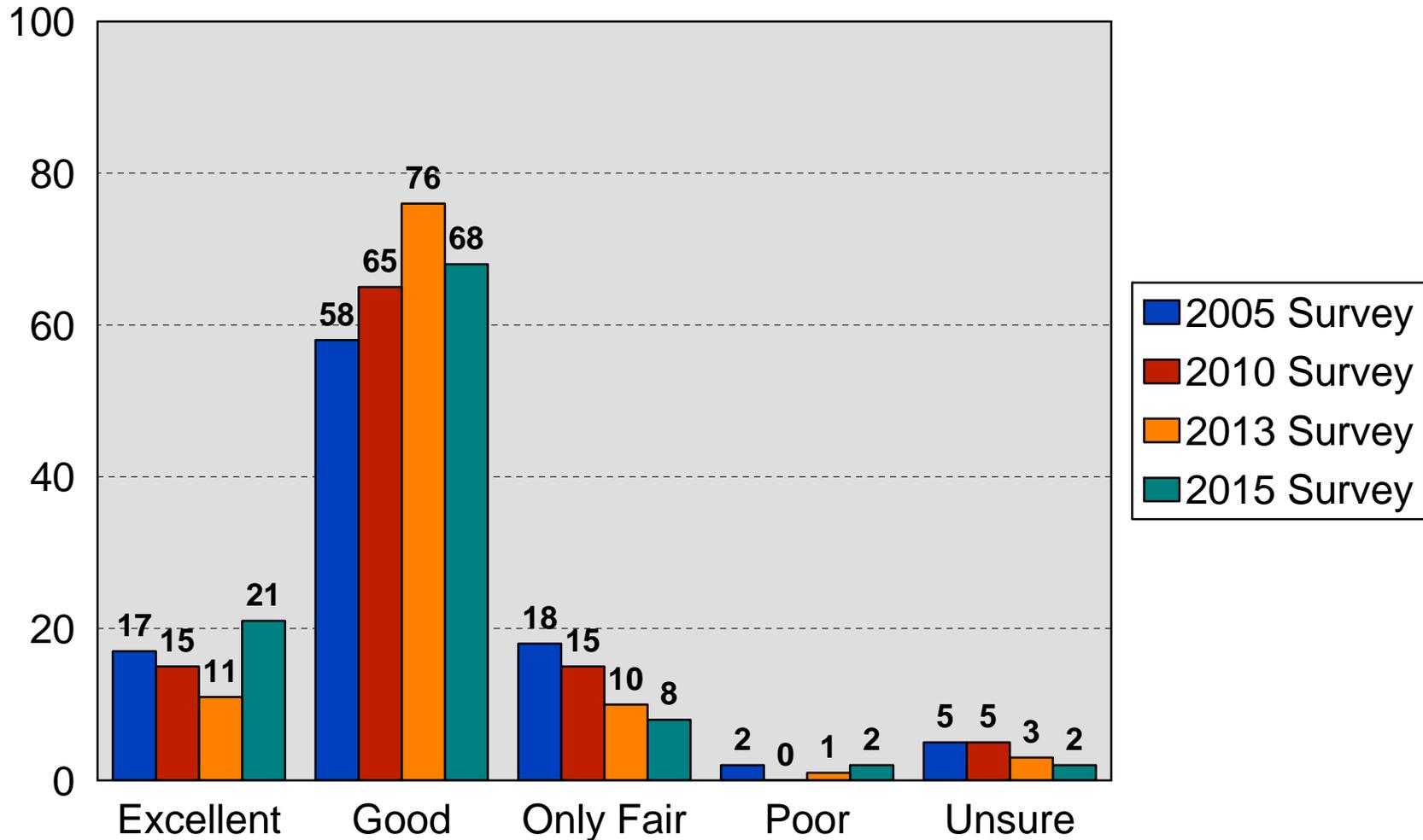
2015 City of Shoreview



The Morris Leatherman Company

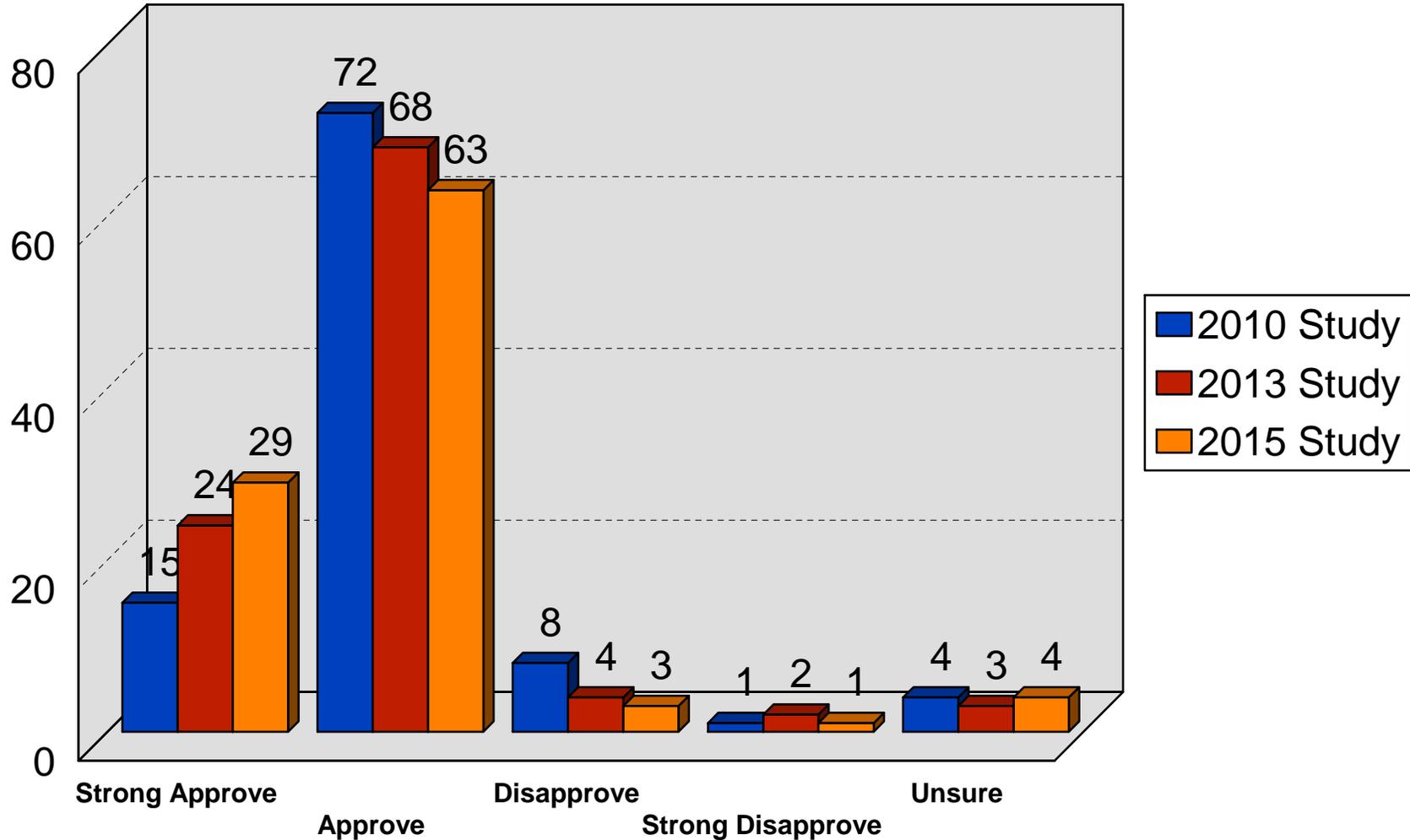
Value of City Services

2015 City of Shoreview



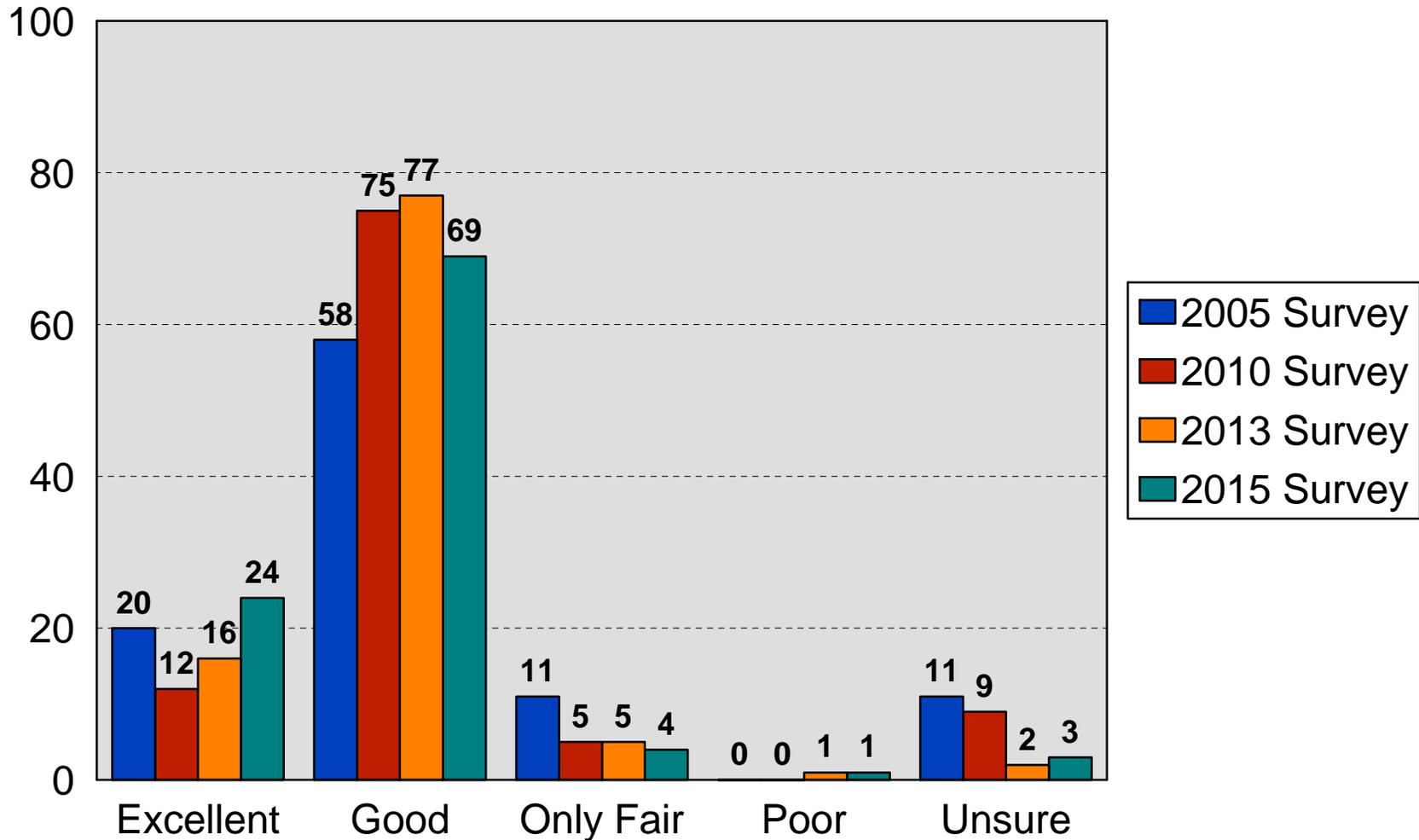
Mayor & City Council Rating

2015 City of Shoreview



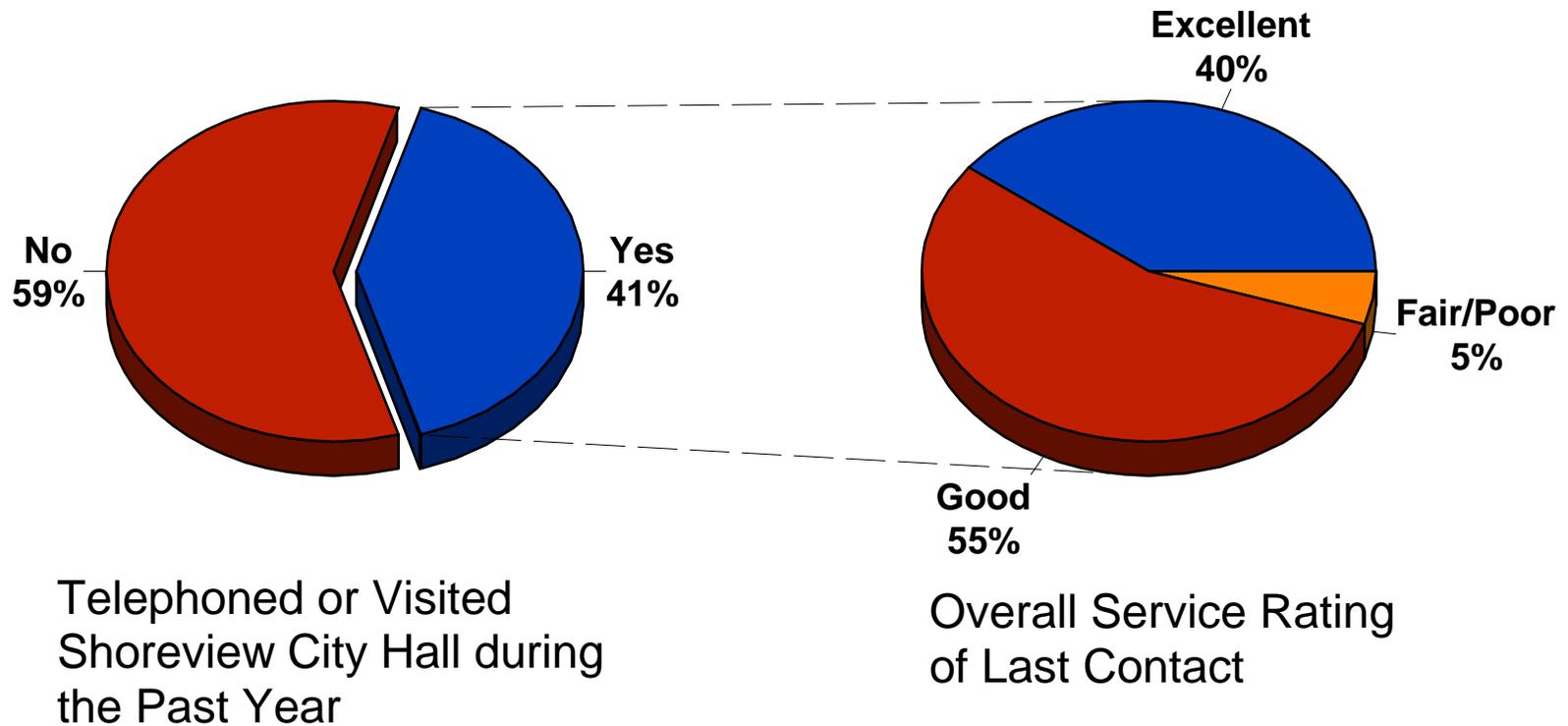
City Staff Rating

2015 City of Shoreview



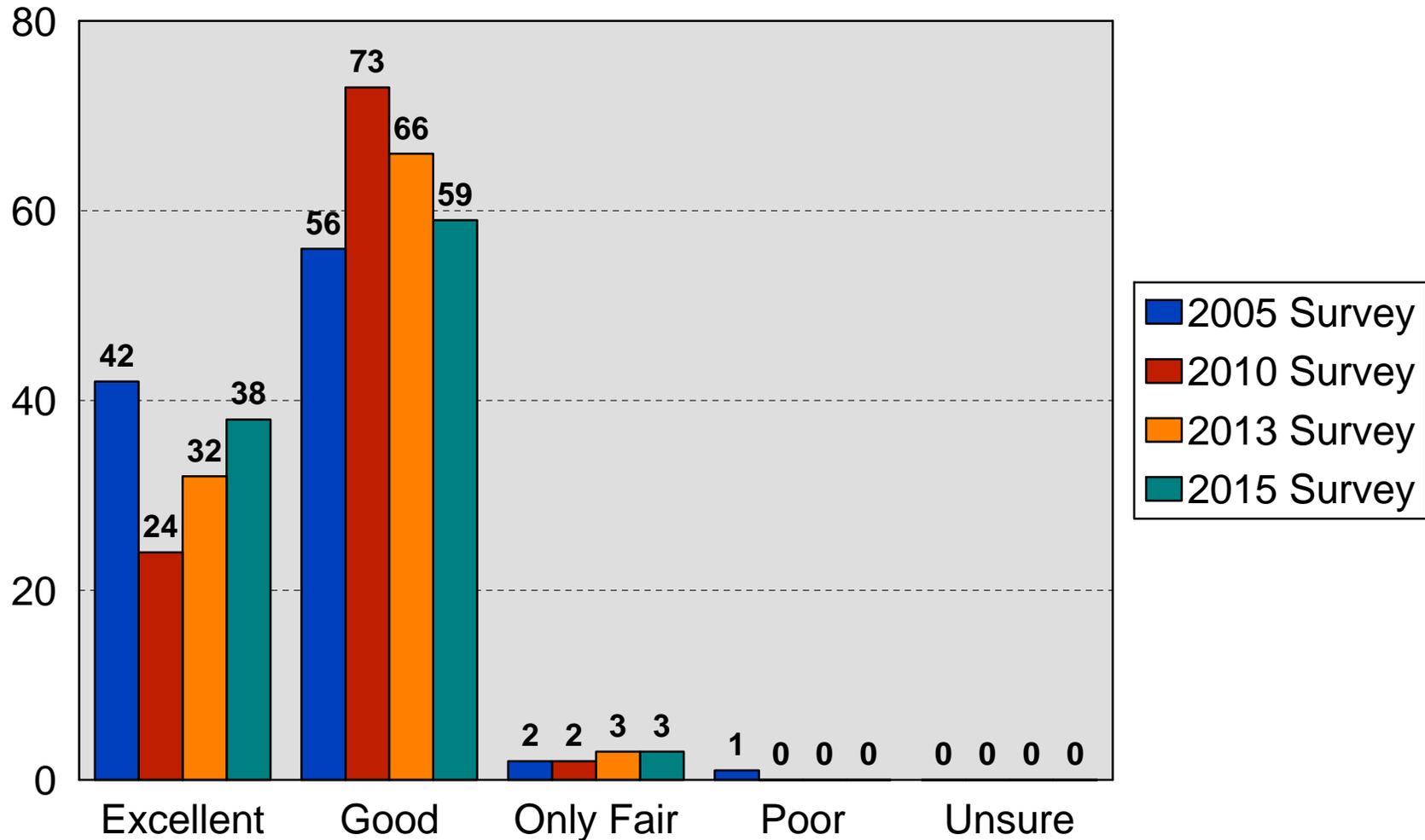
Contact with City Hall

2015 City of Shoreview



Condition/Appearance of Homes

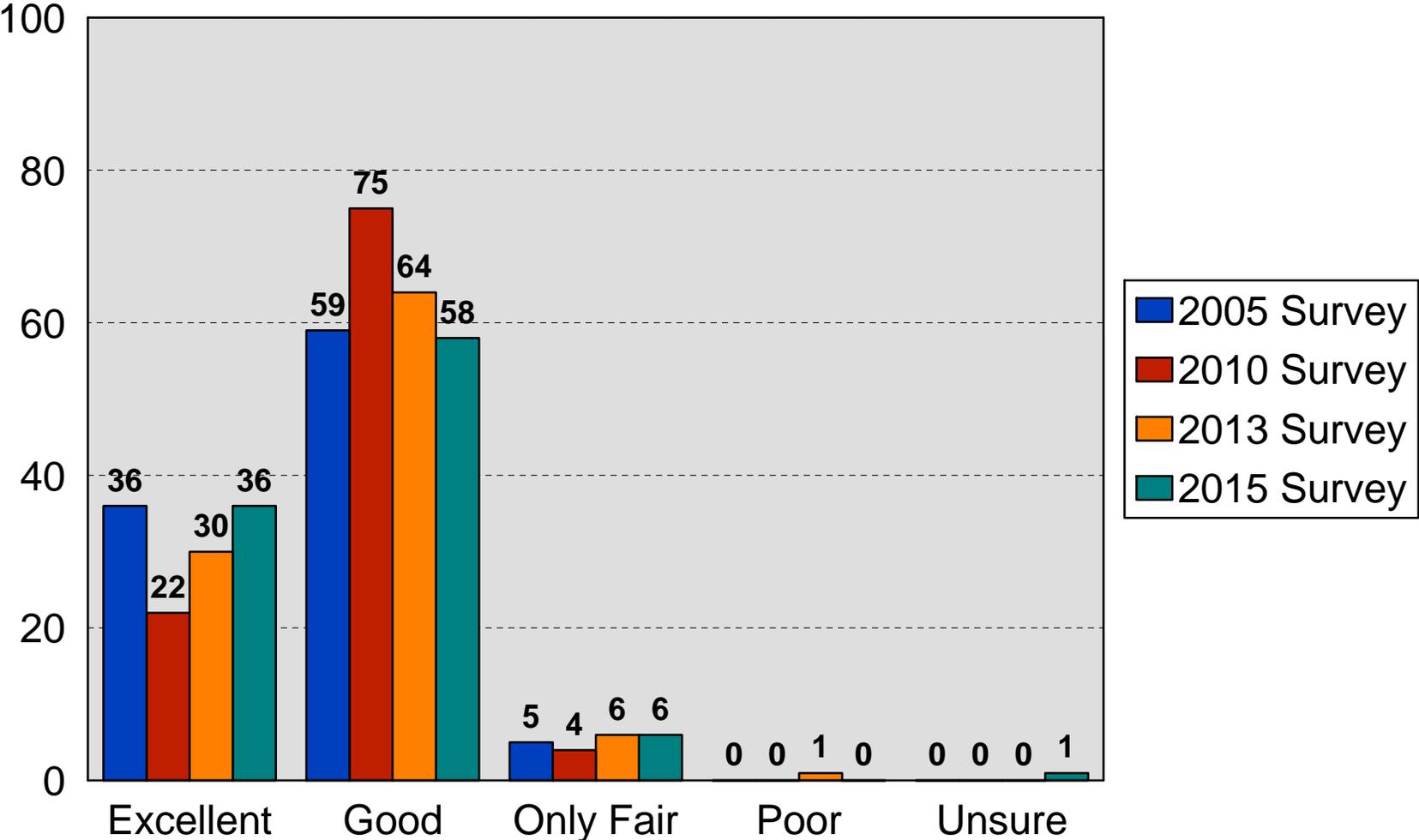
2015 City of Shoreview



The Morris Leatherman Company

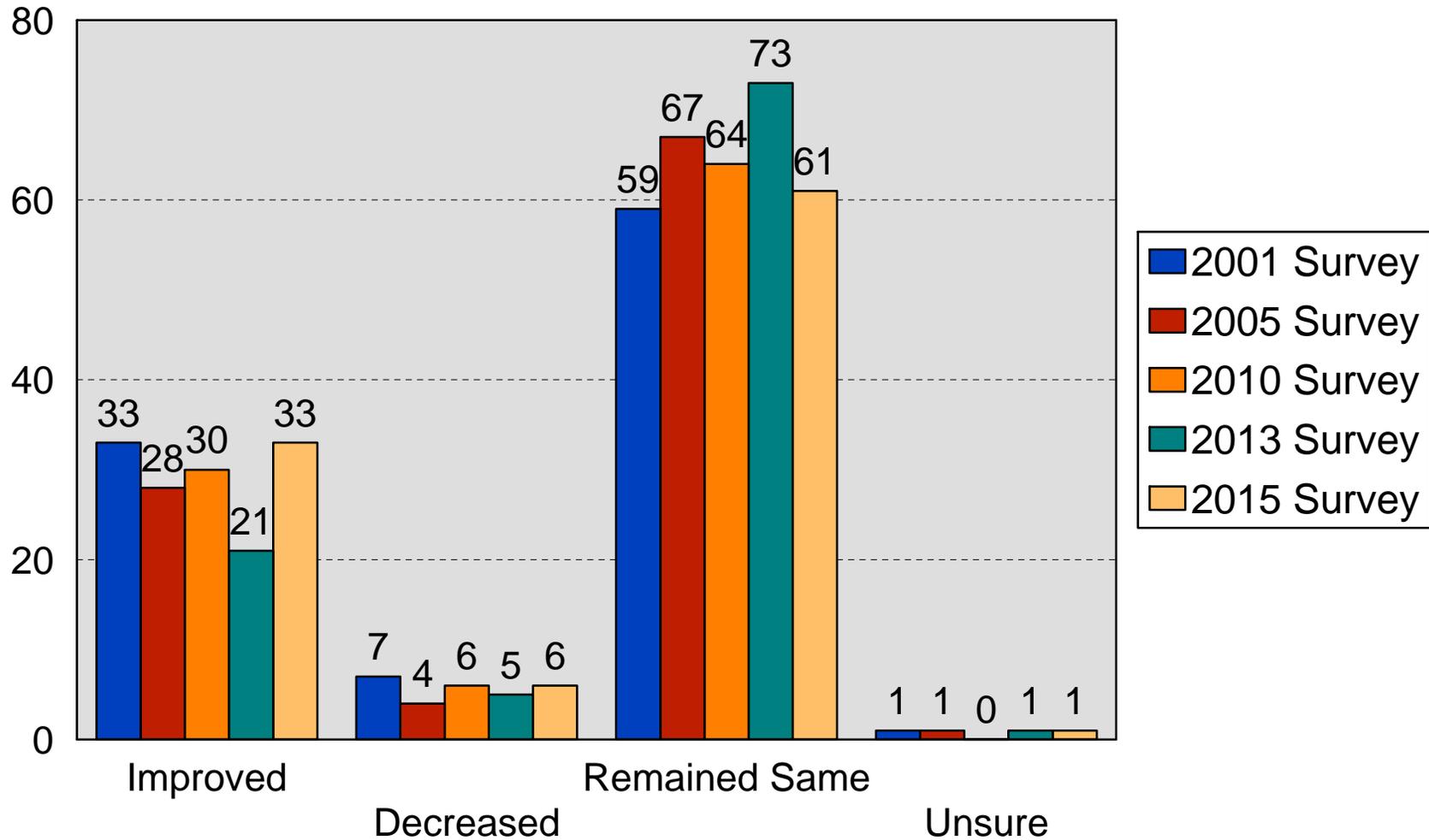
Condition/Appearance of Yards

2015 City of Shoreview



Neighborhood Appearance

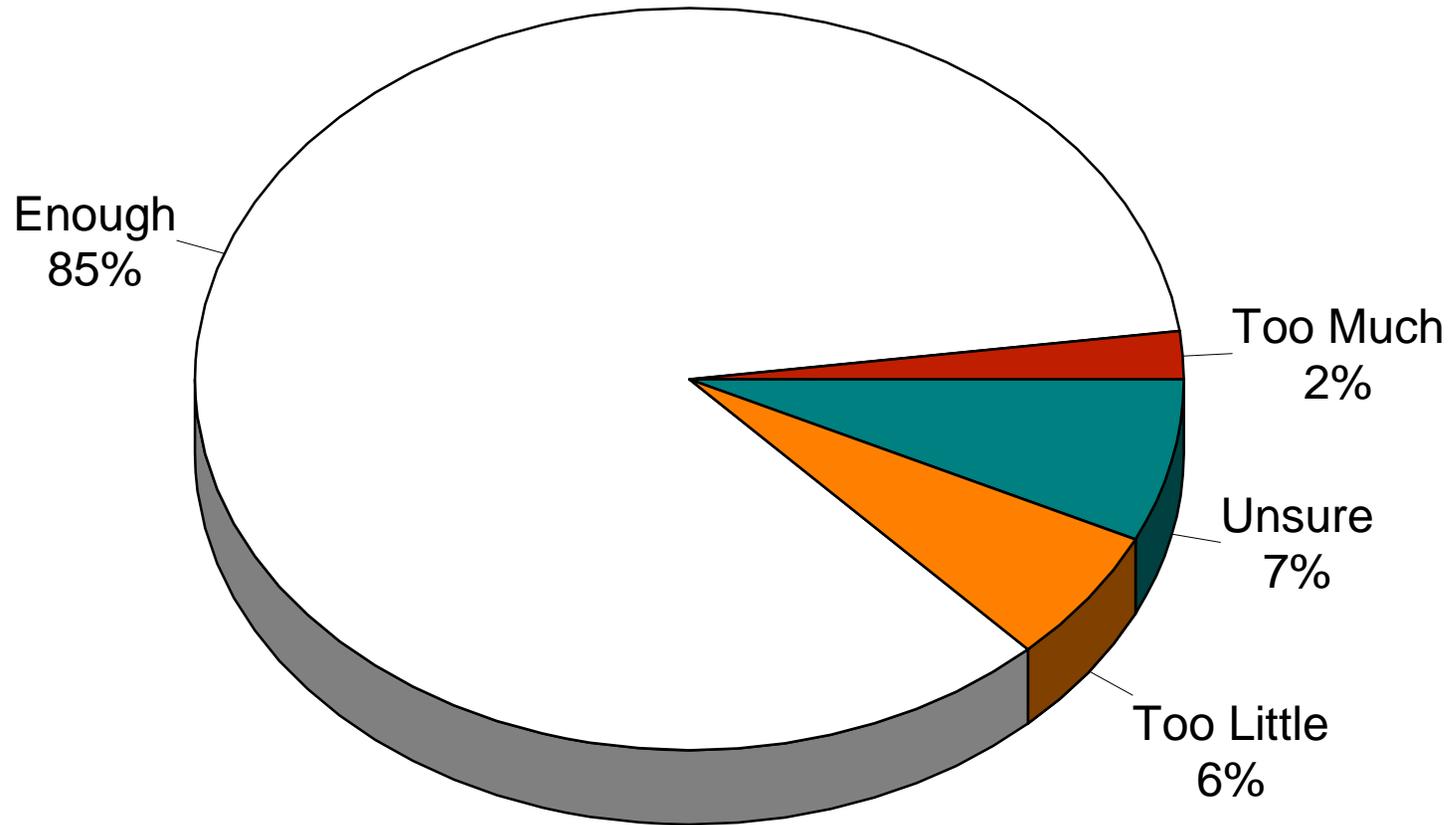
2015 City of Shoreview



The Morris Leatherman Company

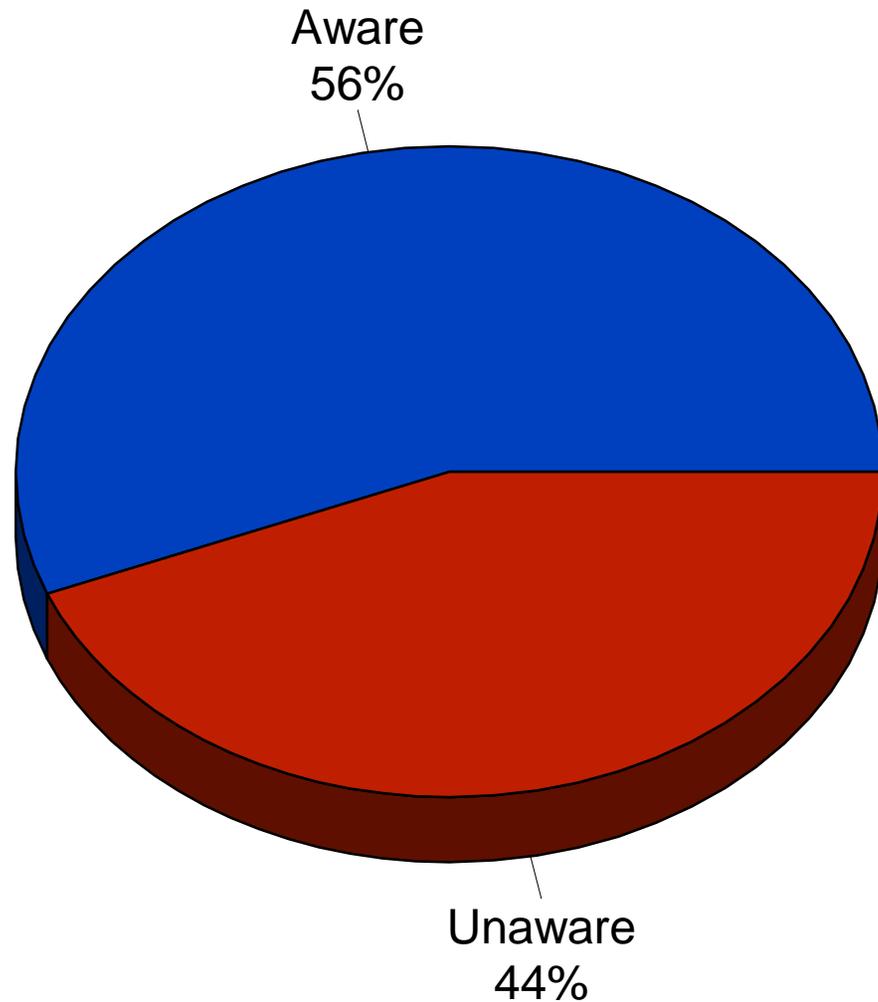
Opportunities Maintain/Improve Appearance

2015 City of Shoreview



Housing Resource Center

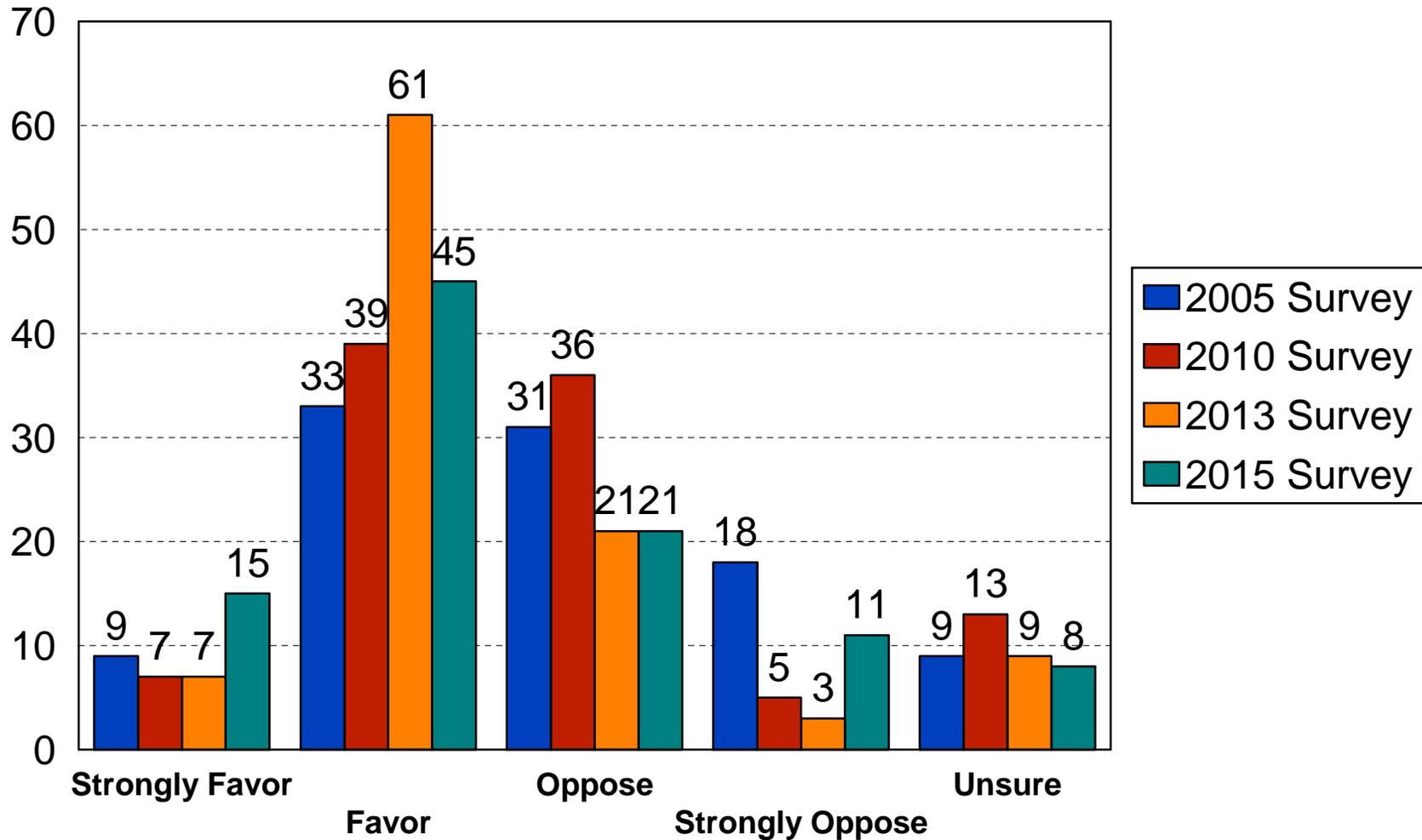
2015 City of Shoreview



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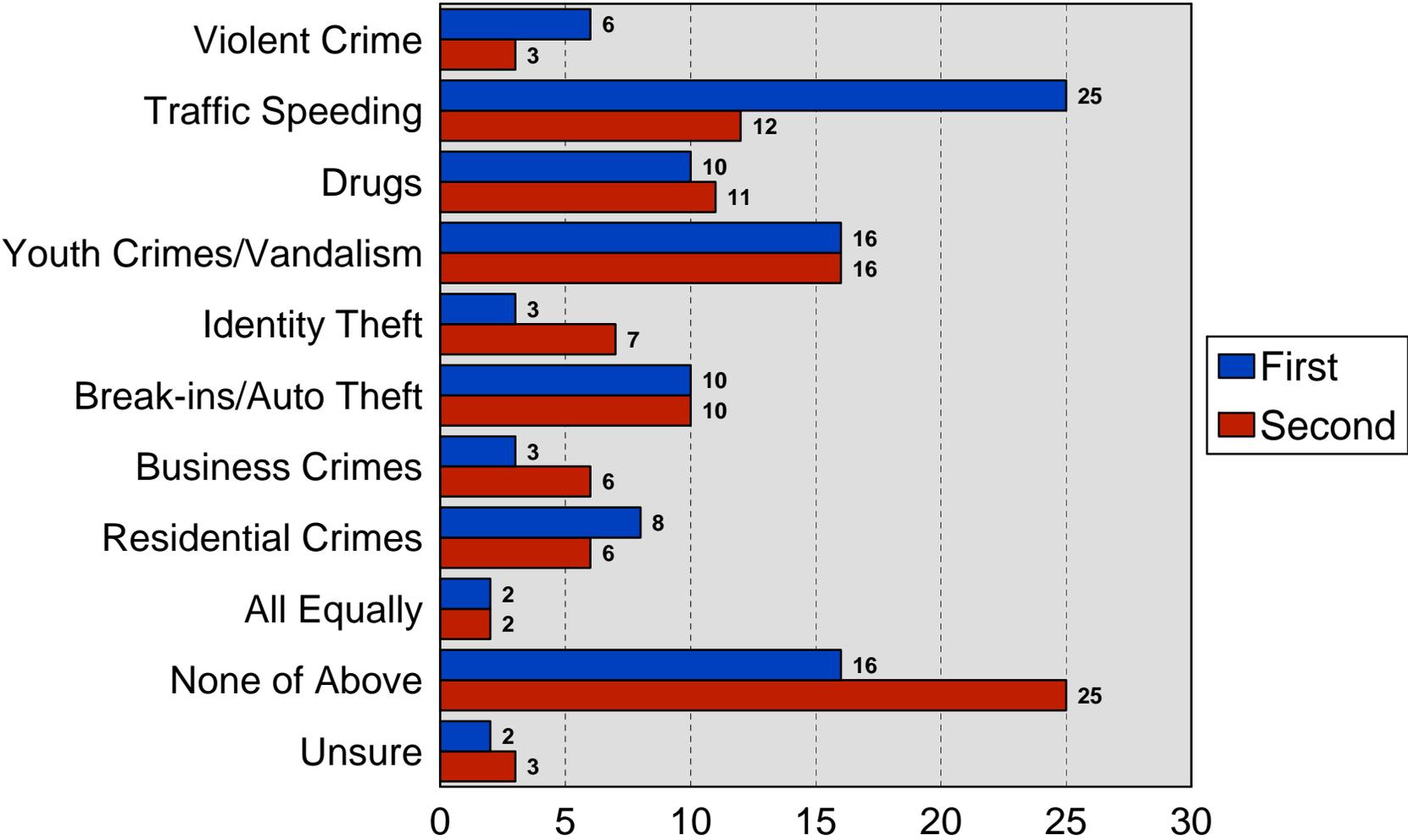
More Active Residential Property Code Enforcement

2015 City of Shoreview



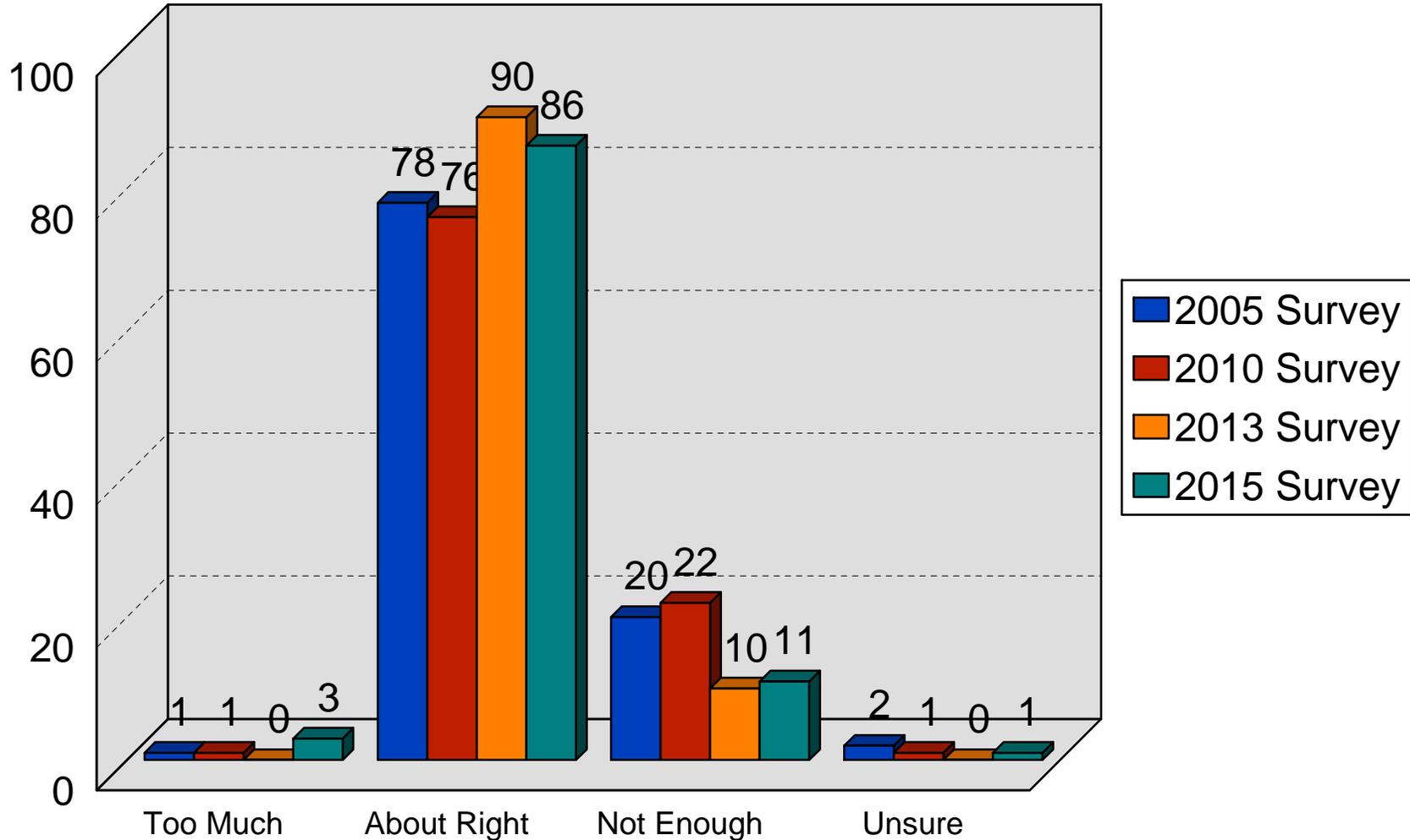
Major Public Safety Concern

2015 City of Shoreview



Neighborhood Patrolling

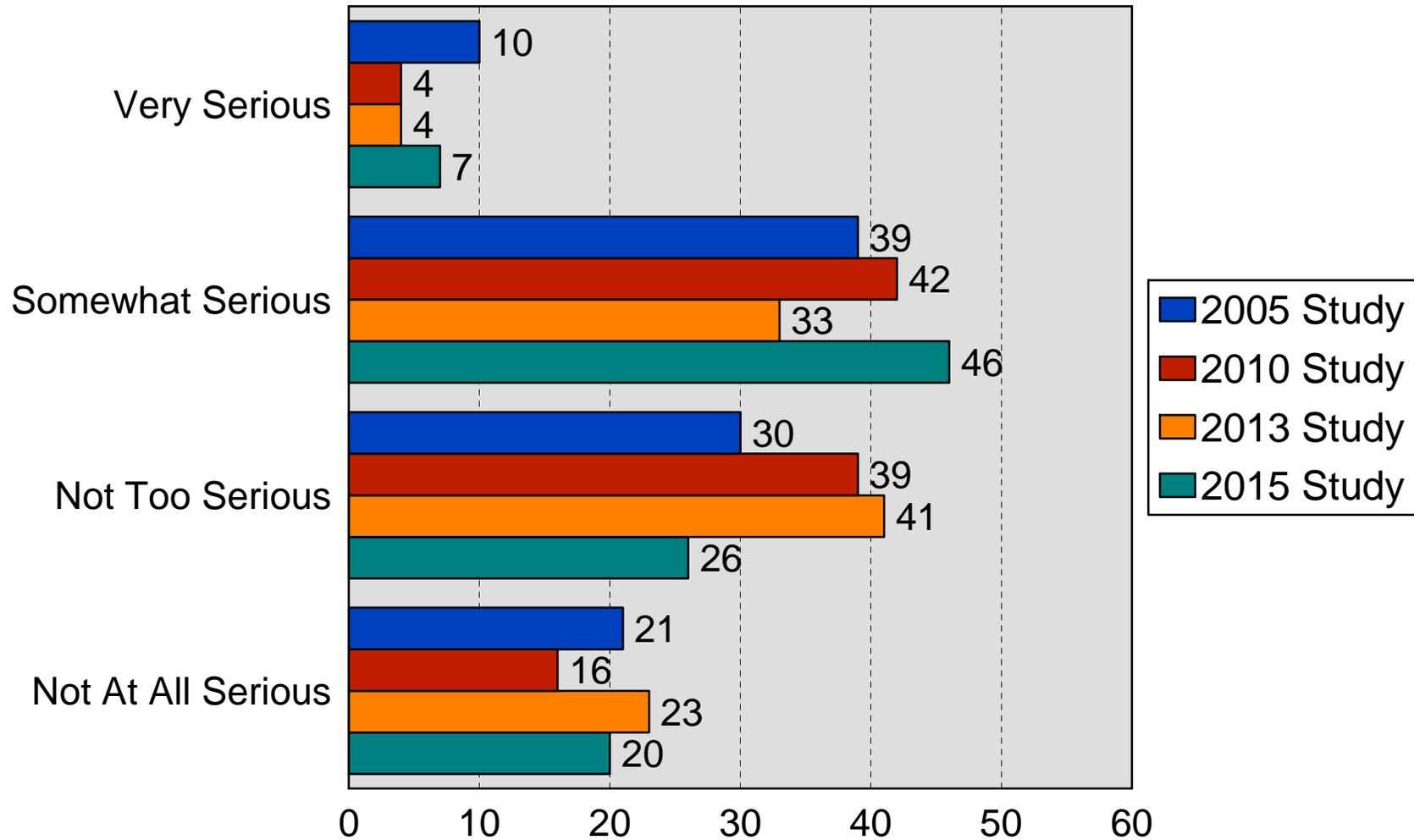
2015 City of Shoreview



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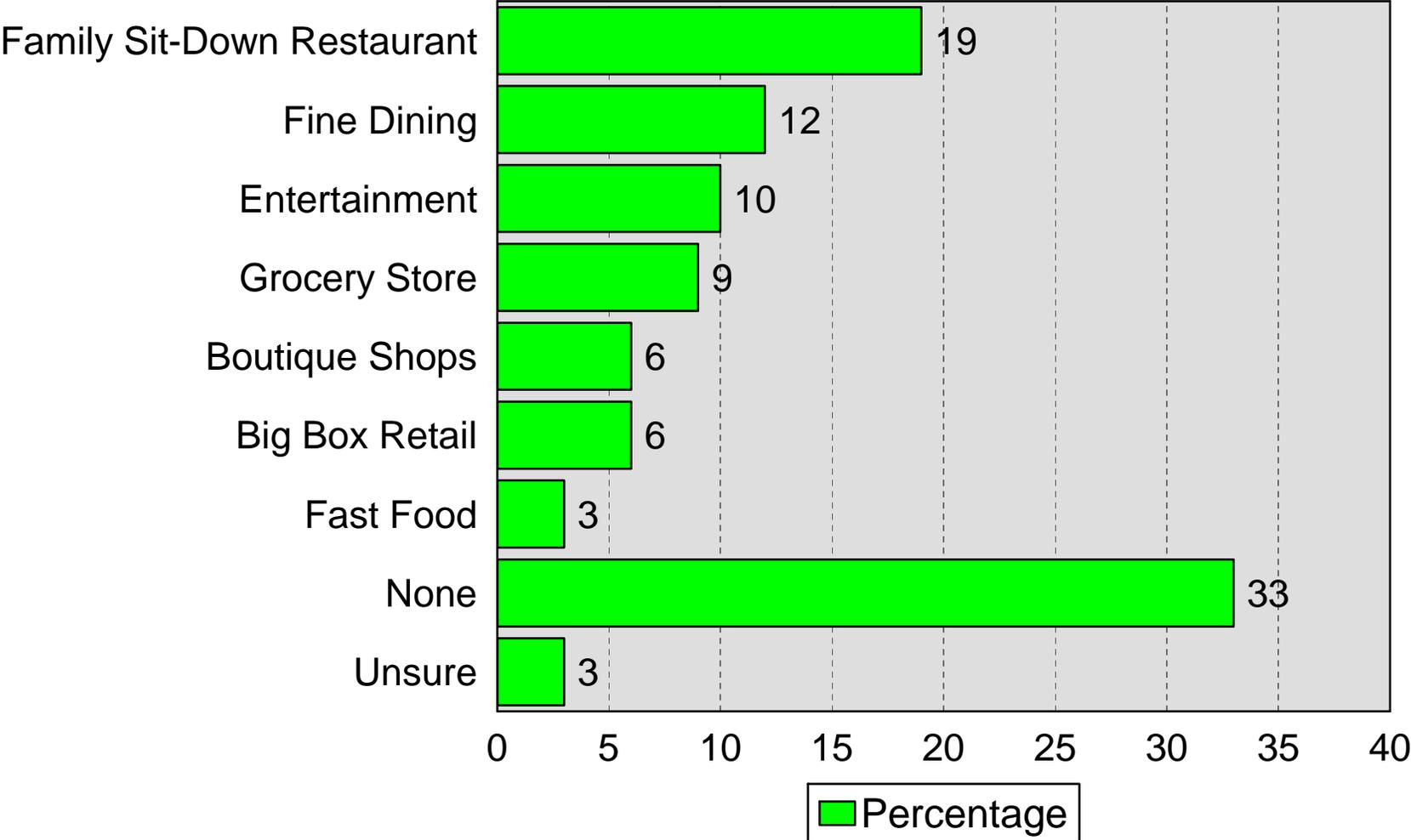
Speeding Neighborhood Problem

2015 City of Shoreview



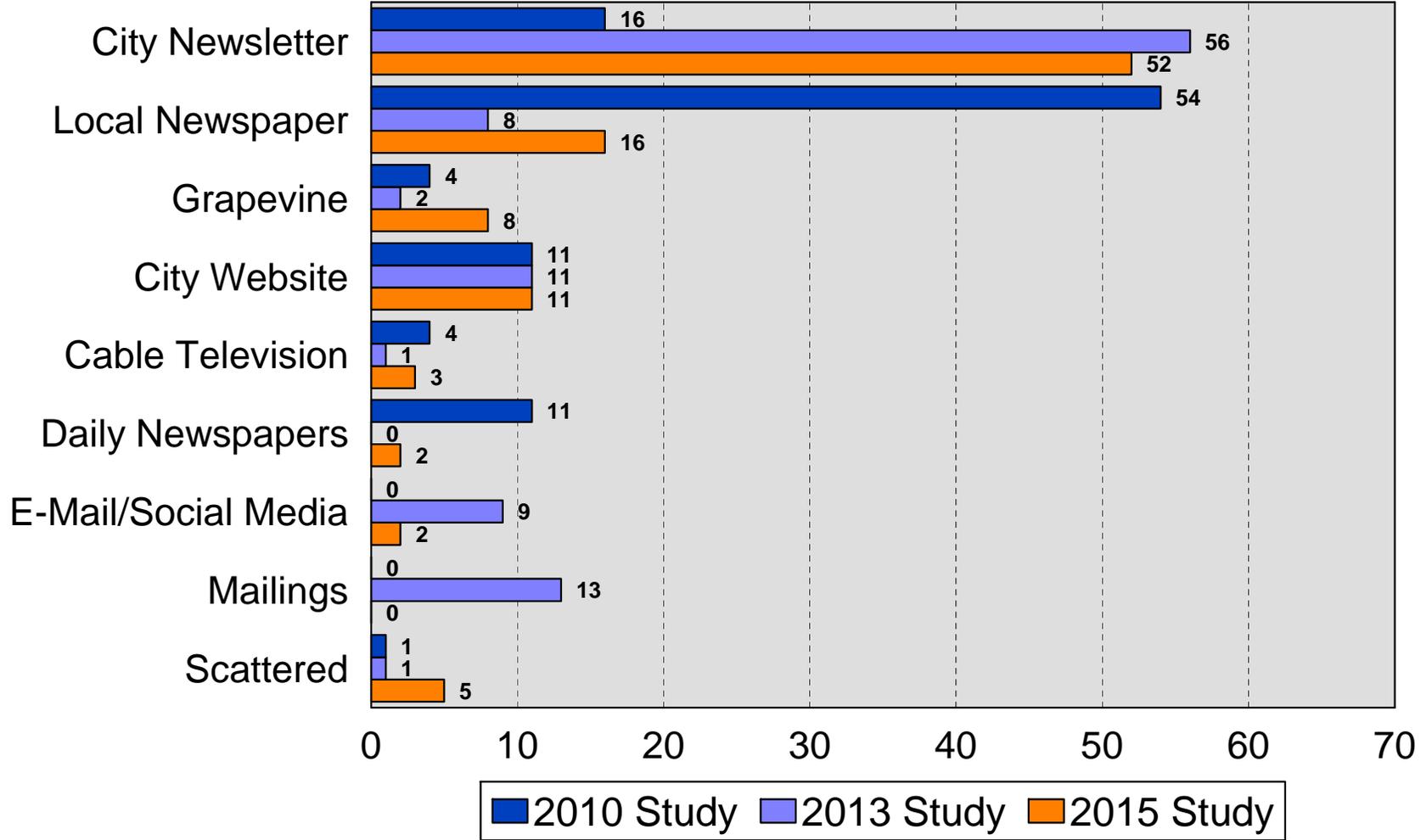
Missing Retail/Services Opportunities

2015 City of Shoreview



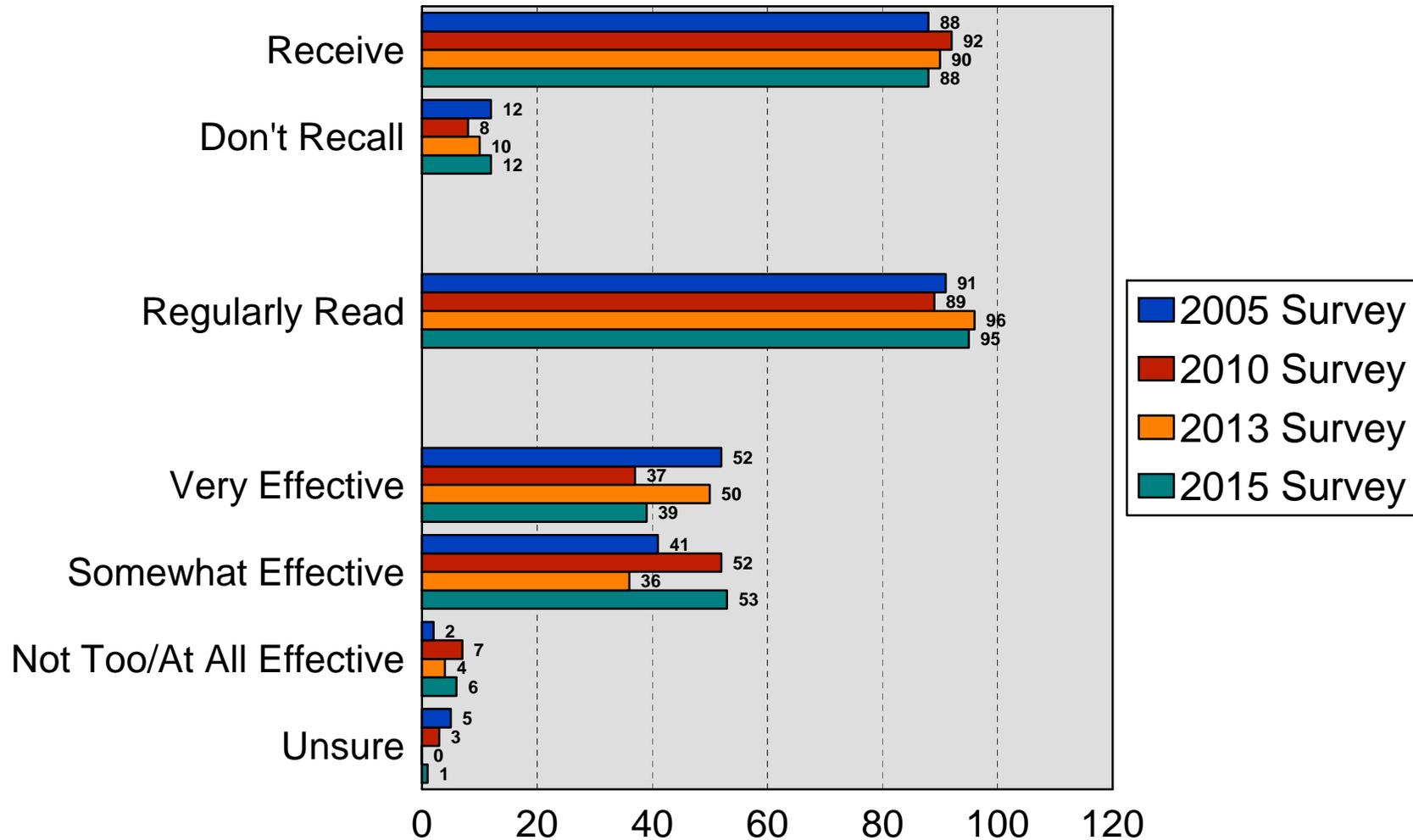
Primary Information Sources

2015 City of Shoreview



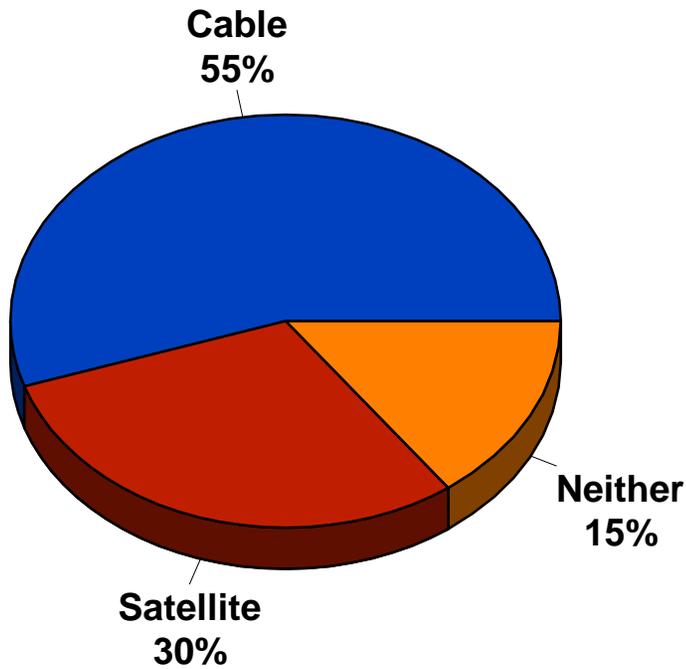
The "Shore Views"

2015 City of Shoreview

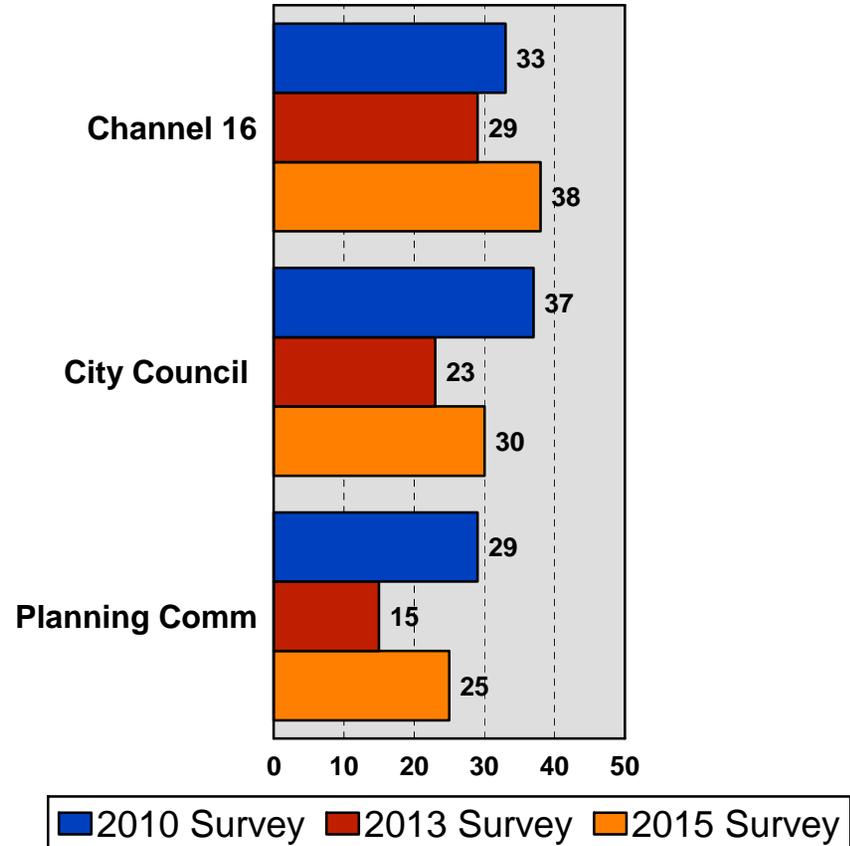


Cable Television

2015 City of Shoreview



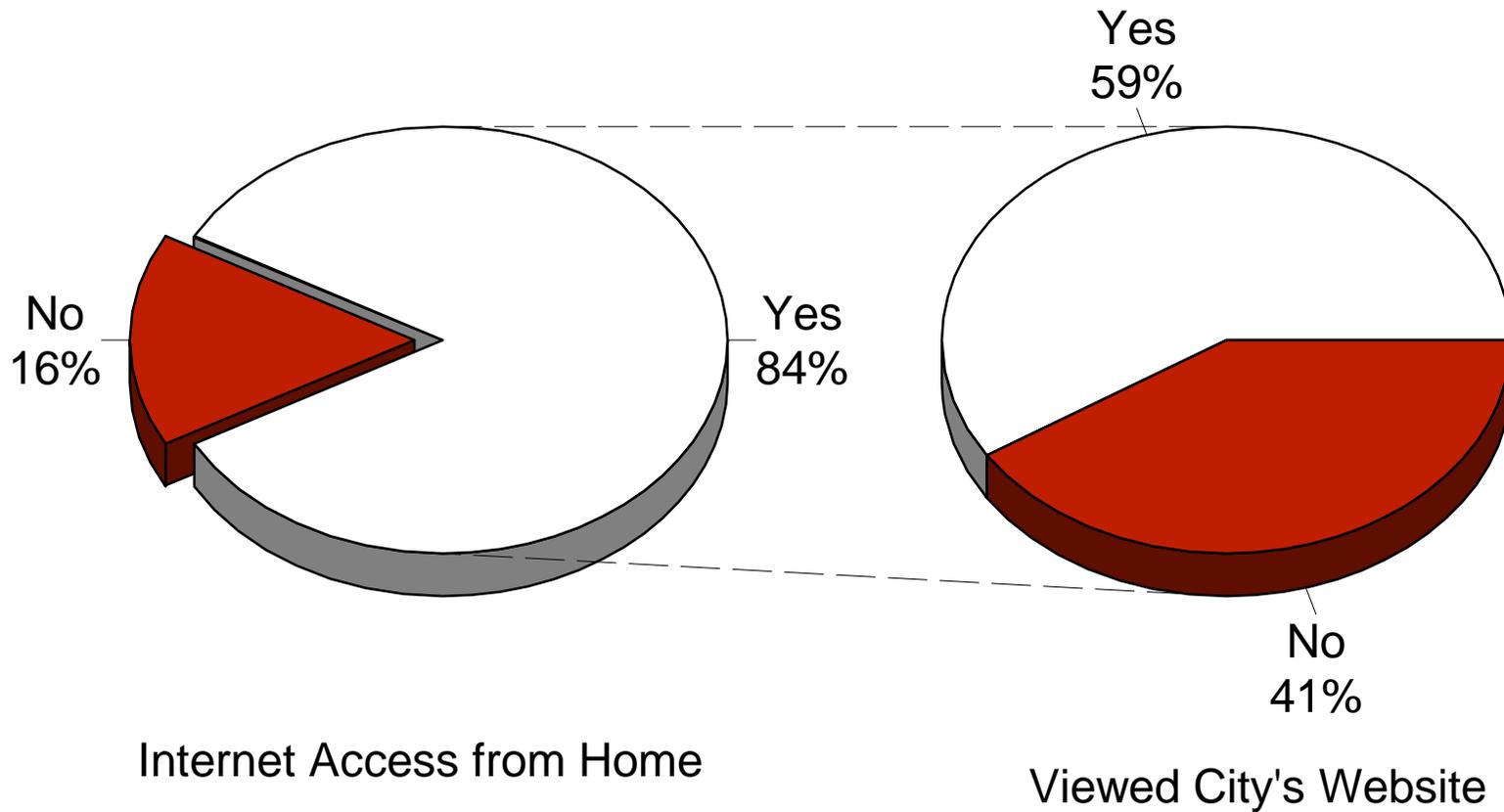
Television Service



Viewership during Past Six Months

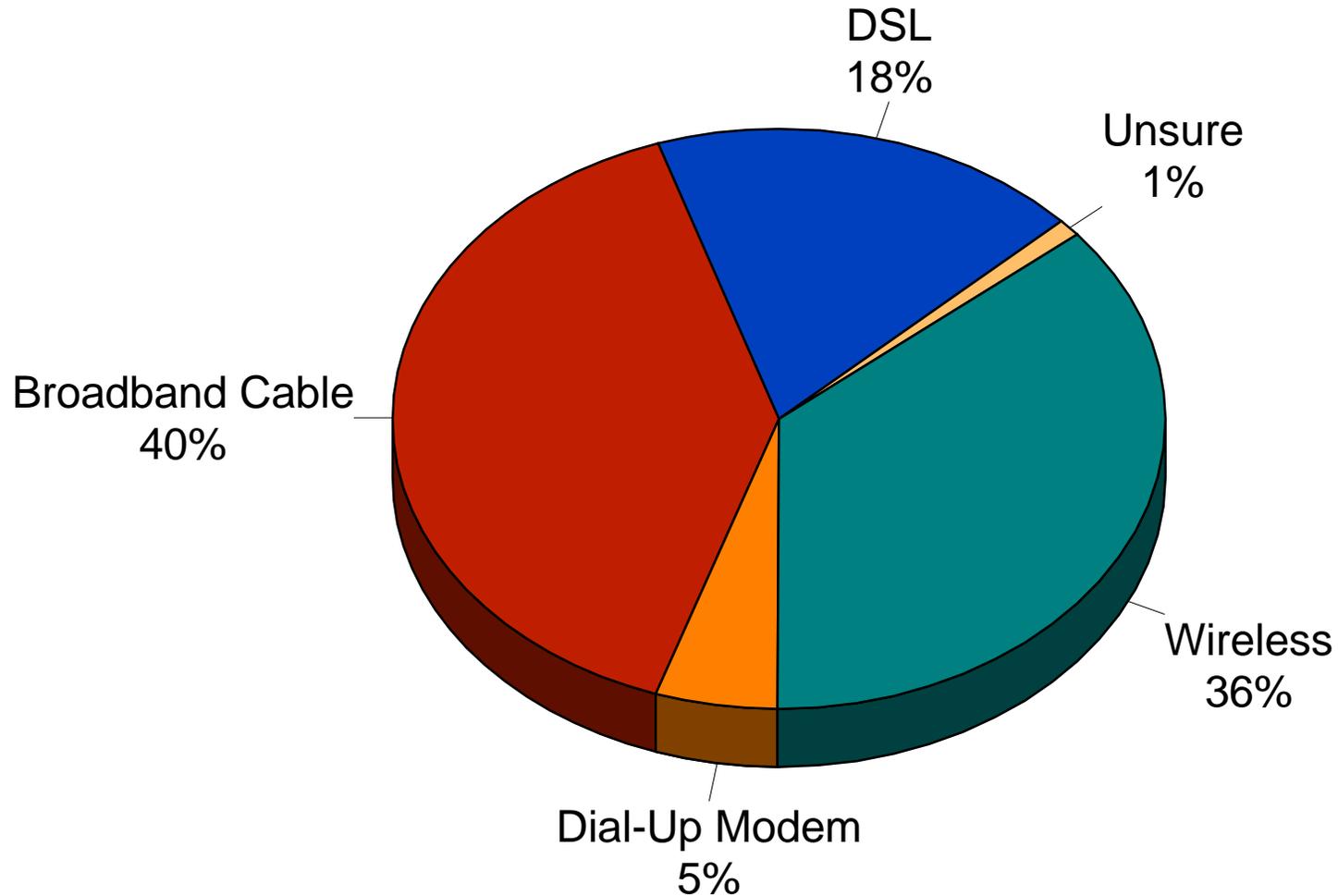
City Website

2015 City of Shoreview



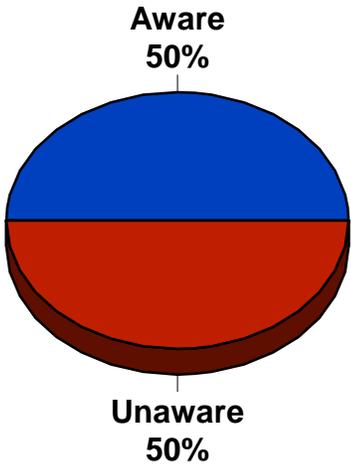
Internet Access

2015 City of Shoreview

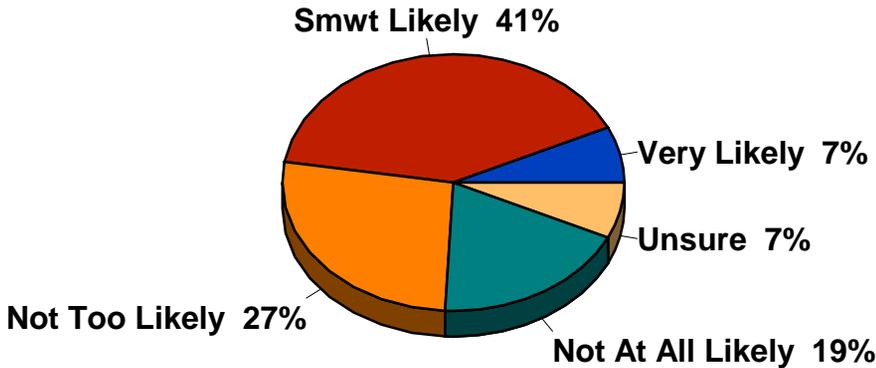


Shoreview Community Foundation

2015 City of Shoreview



Awareness of Foundation



Likelihood of Contribution