

This Preliminary Official Statement and the information contained herein is deemed by the issuer to be final as of the date hereof for purposes of SEC Rule 15c2-12(b)(1), however, the pricing and underwriting information is subject to revision, completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities, 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.

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, from taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations and is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "Tax Exemption" herein.

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

**New Issue**

**Rating Application Made: S&P Global Ratings**

## PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 2, 2017

### CITY OF RICHFIELD, MINNESOTA (Hennepin County)

## \$3,205,000\* GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN REFUNDING BONDS, SERIES 2017B

**PROPOSAL OPENING:** November 14, 2017, 11:00 A.M., C.T.

**CONSIDERATION:** November 14, 2017, 7:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$3,205,000\* General Obligation Capital Improvement Plan Refunding Bonds, Series 2017B (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, and Sections 475.521 and 475.67, by the City of Richfield, Minnesota (the "City"), for the purpose of effecting an advance partial net cash refunding of certain outstanding general obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

**DATE OF BONDS:** December 14, 2017

**MATURITY:** February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2018	\$60,000	2022	\$285,000	2026	\$315,000
2019	75,000	2023	295,000	2027	325,000
2020	275,000	2024	300,000	2028	335,000
2021	285,000	2025	310,000	2029	345,000

**MATURITY ADJUSTMENTS:** \* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**TERM BONDS:** See "Term Bond Option" herein.

**INTEREST:** February 1, 2018 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Bonds maturing February 1, 2027 and thereafter are subject to call for prior redemption on February 1, 2026 and any date thereafter, at par.

**MINIMUM PROPOSAL:** \$3,166,540

**GOOD FAITH DEPOSIT:** A cashier's check in the amount of \$64,100 may be submitted contemporaneously with the proposal or, alternatively, a good faith deposit shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation, Roseville, Minnesota

**ESCROW AGENT:** U.S. Bank National Association, St. Paul, Minnesota

**BOOK-ENTRY-ONLY:** See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).



## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. *This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.*

This Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers & Associates, Inc. prepared this Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers & Associates, Inc., payable entirely by the City, is contingent upon the sale of the issue.

## COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

**Official Statement:** This Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

**Review Period:** This Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers & Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Official Statement, interested bidders will be informed by an addendum prior to the sale.

**Final Official Statement:** Upon award of sale of the Bonds, the Official Statement together with any previous addendum of corrections or additions will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date, and Syndicate Manager and Syndicate Members, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as defined in the Rule. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

**Continuing Disclosure:** Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Official Statement describes the conditions under which the Bonds are required to comply with the Rule.

## CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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## **CITY COUNCIL**

		<u>Term Expires</u>
Pat Elliott	Mayor	January 2019
Michael Howard	Council Member	January 2019
Edwina Garcia	Council Member	January 2021
Maria Regan Gonzalez	Council Member	January 2021
Simon Trautmann	Council Member	January 2021

## **ADMINISTRATION**

Steven Devich, City Manager  
Chris Regis, Finance Manager  
Pam Dmytrenko, Assistant City Manager  
Elizabeth Van Hoose, City Clerk

## **PROFESSIONAL SERVICES**

Kennedy & Graven, Chartered, City Attorney and Bond Counsel, Minneapolis, Minnesota

Ehlers & Associates, Inc., Municipal Advisors, Roseville, Minnesota  
(Other offices located in Waukesha, Wisconsin, Chicago, Illinois and Denver, Colorado)

## INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Richfield, Minnesota (the "City") and the issuance of its \$3,205,000\* General Obligation Capital Improvement Plan Refunding Bonds, Series 2017B (the "Bonds" or the "Obligations"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution awarding the sale of the Bonds (the "Award Resolution") to be adopted by the City Council on November 14, 2017.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link and following the directions at the top of the site.

## THE BONDS

### GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of December 14, 2017. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

\*Preliminary, subject to change.

**OPTIONAL REDEMPTION**

At the option of the City, the Bonds maturing on or after February 1, 2027 shall be subject to optional redemption prior to maturity on February 1, 2026 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

**AUTHORITY; PURPOSE**

The Bonds are authorized pursuant to Minnesota Statutes, Chapter 475 and Sections 475.521 and 475.67, to finance the advance partial net cash refunding of the City’s \$4,550,000 General Obligation Capital Improvement Plan Bonds, Series 2009A (the “Series 2009A Bonds”) as follows:

Issue Being Refunded	Date of Refunded Issue		Maturity	Interest Rates	Principal to be Paid by the City	CUSIP Base 763325
Series 2009A Bonds	1/14/09	Paid at maturity	2018	4.00%	\$205,000	2Z9
			2019 <sup>1</sup>	4.15%	<u>220,000</u>	3B1
Total Maturities Being Paid by the City					<u>\$425,000</u>	
	<b>Call Date</b>	<b>Call Price</b>	<b>Maturities Being Refunded</b>	<b>Interest Rates</b>	<b>Principal to be Refunded</b>	<b>CUSIP Base 763325</b>
	2/1/19	Par	2020 (term)	4.15%	\$230,000	3B1
			2022 (term)	4.35%	500,000	3D7
			2023	4.40%	270,000	3E5
			2024	4.45%	285,000	3F2
			2025	4.55%	300,000	3G0
			2026	4.65%	315,000	3H8
			2027	4.70%	330,000	3J4
			2028	4.75%	350,000	3K1
			2029	4.80%	<u>370,000</u>	3L9
Total Maturities Being Refunded					<u>\$2,950,000</u>	

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<sup>1</sup> The 2019 Maturity is part of a term bond.

The Bonds are being sold in advance of the call date of the Series 2009A Bonds and proceeds of the Bonds will be invested in accordance with the Internal Revenue Code of 1986, as amended. Acceptance of a bid is dependent upon a satisfactory escrow account being established in an amount sufficient to pay interest on the callable portion of the Series 2009A Bonds from December 14, 2017 through February 1, 2019 and to pay the principal being refunded on the Series 2009A Bonds on February 1, 2019. The City will establish an escrow account with direct obligations of the U.S. Government. Actuarial services necessary to ensure adequacy of the escrow account to provide timely payment of the Series 2009A Bonds to be refunded on the call date will be performed by a certified public accountant.

The City will continue to pay the principal of and interest due on the non-callable Series 2009A Bonds through February 1, 2019.

### **ESTIMATED SOURCES AND USES**

<b>Sources</b>		
Par Amount of Bonds	<u>\$3,205,000</u>	
<b>Total Sources</b>		<b>\$3,205,000</b>
<b>Uses</b>		
Deposit to Net Cash Escrow Fund	\$3,108,841	
Contingency	4,199	
Estimated Discount	38,460	
Finance Related Expenses	<u>53,500</u>	
<b>Total Uses</b>		<b>\$3,205,000</b>

### **SECURITY**

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. In accordance with Minnesota Statutes, the City will levy each year an amount not less than 105% of the debt service requirements on the Bonds. In the event funds on hand for payment of principal and interest are at any time insufficient, the City is required to levy an additional ad valorem tax upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

## **RATING**

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA+" by S&P Global Ratings.

The City has requested a rating on this issue from S&P Global Ratings, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P Global Ratings. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

## **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (hereinafter the "Rule"), the City shall covenant to take certain actions pursuant to the Award Resolution by entering into a Continuing Disclosure Certificate (the "Disclosure Undertaking") for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for this issue are set forth in Appendix D to be executed and delivered by the City at the time of delivery of the Bonds. Such Disclosure Undertaking will be in substantially the form attached hereto.

The City did not timely file notice of certain bond insurer rating changes during the previous five years. Other than what is described in this paragraph, to the best of its knowledge, the City has complied in all material respects with its previous disclosure undertakings for the last five year. However, in the interest of full disclosure, the City notes the following: Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements and operating data would be filed "as soon as available." Although the City did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. The City has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on this issue or any issue outstanding. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org). Ehlers is currently engaged as disclosure dissemination agent for the City.



## **LEGAL OPINION**

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

## **TAX EXEMPTION**

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and decisions, interest on the Bonds is excluded from gross income of the owners thereof for purposes of federal income taxation and is excluded from taxable net income of individuals, estates or trusts for purposes of State of Minnesota income taxation, but is subject to State of Minnesota franchise taxes measured by income that are imposed upon corporations, including financial institutions.

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

The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. Interest on the Bonds will not be treated as a preference item in calculating alternative minimum taxable income. The Code provides, however, that a portion of the adjusted current earnings of a corporation not otherwise included in the minimum tax base is included in adjusted current earnings for purposes of calculating the alternative minimum tax that may be imposed with respect to corporations. Adjusted current earnings include income received that is otherwise exempt from taxation such as interest on the Bonds.

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) shall be reduced by an amount equal to 15% of the interest on the Bonds that is received or accrued during the taxable year.

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

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

## **Legislative proposals**

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status on municipal bonds. For example, legislation has been proposed that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt bonds cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any such change in law.

## **NON-QUALIFIED TAX-EXEMPT OBLIGATIONS**

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Code, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

## **MUNICIPAL ADVISOR**

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

## **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

## **INDEPENDENT AUDITORS**

The basic financial statements of the City for the fiscal year ended December 31, 2016 have been audited by BerganKDV Ltd., Minneapolis, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

## RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

**Taxes:** The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

**State Actions:** Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

**Future Changes in Law:** Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

**Ratings; Interest Rates:** In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

**Tax Exemption:** If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

**Continuing Disclosure:** A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such 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. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

**State Economy; State Aids:** State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

**Book-Entry-Only System:** The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

**Economy:** A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

**Secondary Market for the Bonds:** No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

**Bankruptcy:** The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

# VALUATIONS

## OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2014/15	2015/16	2016/17
Residential homestead <sup>1</sup>	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead <sup>1</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% <sup>2</sup> Over \$1,900,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,140,000 - 0.50% <sup>2</sup> Over \$2,140,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,050,000 - 0.50% <sup>2</sup> Over \$2,050,000 - 1.00% <sup>2</sup>
Agricultural non-homestead	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>
Seasonal recreational residential	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$106,000 - .75% Over \$106,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City <sup>4</sup> - 1.25% Affordable Rental: First \$115,000 - .75% Over \$115,000 - .25%
Industrial/Commercial/Utility <sup>5</sup>	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

<sup>1</sup> A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

<sup>2</sup> Applies to land and buildings. Exempt from referendum market value tax.

<sup>3</sup> Exempt from referendum market value tax.

<sup>4</sup> Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

<sup>5</sup> The estimated market value of utility property is determined by the Minnesota Department of Revenue.

## CURRENT PROPERTY VALUATIONS

2016/17 Economic Market Value \$3,411,674,530<sup>1</sup>

	<b>2016/17 Assessor's Estimated Market Value</b>	<b>2016/17 Net Tax Capacity</b>
Real Estate	\$3,072,682,200	\$35,676,594
Personal Property	18,698,200	363,544
Total Valuation	<u>\$3,091,380,400</u>	<u>\$36,040,138</u>
Less: Captured Tax Increment Tax Capacity <sup>2</sup>		(3,861,538)
Fiscal Disparities Contribution <sup>3</sup>		<u>(4,332,637)</u>
Taxable Net Tax Capacity		\$27,845,963
Plus: Fiscal Disparities Distribution <sup>3</sup>		5,909,949
Adjusted Taxable Net Tax Capacity		<u>\$33,755,912</u>

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<sup>1</sup> According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City of Richfield is about 90.65% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$3,411,674,530.

<sup>2</sup> The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City of Richfield.

<sup>3</sup> Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base since 1972 to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

## 2016/17 NET TAX CAPACITY BY CLASSIFICATION

	<b>2016/17 Net Tax Capacity</b>	<b>Percent of Total Net Tax Capacity</b>
Residential homestead	\$19,034,519	52.81%
Commercial/industrial	12,206,005	33.87%
Public utility	6,688	0.02%
Railroad operating property	11,714	0.03%
Non-homestead residential	4,319,523	11.99%
Commercial & residential seasonal/rec.	56,500	0.16%
Non Profit Community Association	41,645	0.12%
Personal property	363,544	1.01%
Total	<u><u>\$36,040,138</u></u>	<u><u>100.00%</u></u>

## TREND OF VALUATIONS

<b>Levy Year</b>	<b>Assessor's Estimated Market Value</b>	<b>Assessor's Taxable Market Value</b>	<b>Net Tax Capacity<sup>1</sup></b>	<b>Adjusted Taxable Net Tax Capacity<sup>2</sup></b>	<b>Percent +/- in Estimated Market Value</b>
2012/13	\$2,548,237,600	\$2,327,199,260	\$28,818,371	\$27,968,026	- 4.96%
2013/14	2,531,332,400	2,308,801,930	28,854,662	27,977,811	- 0.66%
2014/15	2,750,049,300	2,541,853,432	31,641,183	30,024,214	+ 8.64%
2015/16	2,874,179,000	2,670,879,248	33,382,275	30,933,261	+ 4.51%
2016/17	3,091,380,400	2,897,764,130	36,040,138	33,755,912	+ 7.56%

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<sup>1</sup> Net Tax Capacity is before fiscal disparities adjustments and includes tax increment values.

<sup>2</sup> Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment values.

**LARGER TAXPAYING PARCELS<sup>1</sup>**

<b>Taxpayer</b>	<b>Type of Property</b>	<b>2016/17 Net Tax Capacity</b>	<b>Percent of City's Total Net Tax Capacity</b>
Best Buy Company, Inc.	Commercial	\$ 3,203,690	8.89%
Meridian Crossings, LLC	Commercial	1,119,250	3.11%
JIW, Inc.	Commercial	722,410	2.00%
MSP Crossroads Apartments	Apartments	502,388	1.39%
Menard, Inc.	Commercial	486,470	1.35%
CSM Corporation	Commercial	400,690	1.11%
Brixmor SPE 5, LLC	Commercial	346,310	0.96%
Target Corporation	Commercial	281,670	0.78%
DRFC Southdale Square	Commercial	279,250	0.77%
CSM Shops, Inc.	Commercial	269,510	0.75%
Total		<u>\$ 7,611,638</u>	<u>21.12%</u>

City's Total 2016/17 Net Tax Capacity      \$36,040,138

**Source:** Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpaying Parcels have been furnished by Hennepin County.

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<sup>1</sup> Hennepin County has provided only the ten largest taxpaying *parcels* which appear on the tax rolls of the County, and therefore the information stated above may not be reflective of the entire valuation of all parcels and may not include all classifications of property.



## DEBT

### DIRECT DEBT<sup>1</sup>

#### General Obligation Debt (see schedules following)

Total g.o. debt being paid from revenues	\$11,410,000
Total g.o. debt being paid from tax increment revenues	5,645,000
Total g.o. debt being paid from taxes (includes the Bonds)*	30,070,000
Total g.o. debt being paid from special assessments and taxes	<u>7,235,000</u>
Total General Obligation Debt*	<u><u>\$54,360,000</u></u>

\*Preliminary, subject to change.

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<sup>1</sup> Outstanding debt is as of the dated date of the Bonds.

**CITY OF RICHFIELD, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Being Paid From Revenues**  
**(As of 12/14/17)**

Fiscal Year Ending	Water Series 2011A		Stormwater Series 2013B		Refunding 1) Series 2015B		Stormwater Series 2016A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity						
2018	\$1,480,000	5/18/11	\$2,770,000	3/21/13	\$5,360,000	11/10/15	\$2,970,000	5/19/16	735,000	290,669	1,025,669	10,675,000	6.44%	2018
2019		2/01		2/01		2/01		2/01	750,000	269,855	1,019,855	9,925,000	13.01%	2019
2020									770,000	248,370	1,018,370	9,155,000	19.76%	2020
2021									800,000	226,093	1,026,093	8,355,000	26.77%	2021
2022									815,000	203,098	1,018,098	7,540,000	33.92%	2022
2023									840,000	179,405	1,019,405	6,700,000	41.28%	2023
2024									870,000	154,779	1,024,779	5,830,000	48.90%	2024
2025									895,000	131,948	1,026,948	4,935,000	56.75%	2025
2026									915,000	111,725	1,026,725	4,020,000	64.77%	2026
2027									945,000	91,445	1,036,445	3,075,000	73.05%	2027
2028									385,000	76,201	461,201	2,690,000	76.42%	2028
2029									395,000	66,168	461,168	2,295,000	79.89%	2029
2030									405,000	55,583	460,583	1,890,000	83.44%	2030
2031									415,000	44,441	459,441	1,475,000	87.07%	2031
2032									430,000	32,633	462,633	1,045,000	90.84%	2032
2033									335,000	22,323	357,323	710,000	93.78%	2033
2034									170,000	16,090	186,090	540,000	95.27%	2034
2035									175,000	11,863	186,863	365,000	96.80%	2035
2036									180,000	7,335	187,335	185,000	98.38%	2036
2037									185,000	2,498	187,498	0	100.00%	2037
									11,410,000	2,242,518	13,652,518			

1) This issue refunded the 2017 through 2027 maturities of the City's \$6,080,000 General Obligation Water and Sewer Revenue Bonds, Series 2006A, dated May 18, 2006; and the 2018 (term bond) through 2027 maturities of the City's \$2,500,000 General Obligation Storm Sewer Bonds, Series 2006B, dated December 21, 2006.

**CITY OF RICHFIELD, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Being Paid From Tax Increment Revenues**  
**(As of 12/14/17)**

Fiscal Year Ending	Refunding 1) Series 2010B		Refunding 2) Series 2012B		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Dated Amount	Maturity						
2018					705,000	163,416	868,416	4,940,000	12.49%	2018
2019					720,000	147,146	867,146	4,220,000	25.24%	2019
2020					745,000	128,321	873,321	3,475,000	38.44%	2020
2021					760,000	107,430	867,430	2,715,000	51.90%	2021
2022					790,000	84,528	874,528	1,925,000	65.90%	2022
2023					815,000	56,772	871,772	1,110,000	80.34%	2023
2024					850,000	24,256	874,256	260,000	95.39%	2024
2025					260,000	3,738	263,738	0	100.00%	2025
					5,645,000	715,607	6,360,607			

1) This issue refunded the 2012 through 2024 maturities of the City's \$8,350,000 General Obligation Tax Increment Bonds, Series 2001A, dated April 1, 2001.

2) This issue refunded the 2013 through 2025 maturities of the City's \$3,470,000 Taxable General Obligation Tax Increment Bonds, Series 2003C, dated December 30, 2003.

**CITY OF RICHFIELD, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Being Paid from Taxes**  
**(As of 12/14/17)**

Fiscal Year Ending	Capital Improvement Series 2008A		Capital Improvement Series 2009A		Street Reconstruction Series 2012A		Street Reconstruction Series 2015A		Refunding 1) Series 2016C		Street Reconstruction Series 2017A	
	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity
	12/23/08 \$9,480,000	2/01	1/14/09 \$4,550,000	2/01	9/06/12 \$2,120,000	2/01	6/04/15 \$9,100,000	2/01	12/15/16 \$6,130,000	2/01	4/20/17 \$9,130,000	2/01
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	440,000	310,095	205,000	147,280	95,000	39,360	365,000	238,206	0	141,975	0	189,675
2019	460,000	150,538	220,000	138,615	95,000	37,460	365,000	229,994	0	141,975	350,000	243,000
2020					100,000	35,510	370,000	220,806	545,000	136,525	355,000	236,000
2021					100,000	33,510	390,000	210,331	555,000	125,525	365,000	228,900
2022					100,000	31,510	400,000	198,481	570,000	114,275	375,000	216,125
2023					105,000	29,460	410,000	185,306	585,000	102,725	390,000	203,000
2024					105,000	27,360	425,000	170,694	600,000	89,375	405,000	189,350
2025					110,000	25,210	440,000	157,756	620,000	74,125	415,000	177,200
2026					110,000	22,900	450,000	146,631	635,000	58,438	430,000	164,750
2027					115,000	20,425	460,000	135,256	655,000	42,313	440,000	154,000
2028					115,000	17,780	475,000	123,569	675,000	25,688	450,000	143,000
2029					120,000	14,960	485,000	110,963	690,000	8,625	460,000	131,750
2030					120,000	11,960	500,000	97,419			470,000	120,250
2031					125,000	8,775	515,000	83,141			485,000	108,500
2032					130,000	5,363	520,000	67,938			495,000	96,375
2033					130,000	1,788	540,000	52,038			510,000	84,000
2034							560,000	35,538			520,000	71,250
2035							575,000	17,794			535,000	58,250
2036							260,000	4,225			545,000	44,875
2037											560,000	31,250
2038											575,000	17,250
	900,000	460,633	425,000	285,895	1,775,000	363,330	8,505,000	2,486,084	6,130,000	1,061,563	9,130,000	2,908,750

1) This issue refunded the 2020 through 2029 maturities of the City's \$9,480,000 General Obligation Capital Improvement Plan Bonds, Series 2008A (the "Series 2008A Bonds"), dated December 23, 2008. The City is responsible for paying the debt service on the Series 2008A Bonds through February 1, 2019 (the "Call Date"). The escrow account is responsible for the payment of interest on the refunding bonds through the Call Date; thereafter, the City will be responsible for the payment of debt service. The refunded maturities have not been included in the calculation of debt ratios.

**CITY OF RICHFIELD, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Being Paid from Taxes**  
**(As of 12/14/17)**

**Refunding 2)**  
**Series 2017B**

Fiscal Year Ending	Dated Amount	Maturity	12/14/17		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Estimated Interest						
	\$3,205,000*	2/01								
2018	60,000		60,000	37,105	1,103,696	2,268,696	28,905,000	3.87%	2018	
2019	75,000		75,000	58,308	999,889	2,564,889	27,340,000	9.08%	2019	
2020	275,000		275,000	56,245	685,086	2,330,086	25,695,000	14.55%	2020	
2021	285,000		285,000	52,600	650,866	2,345,866	24,000,000	20.19%	2021	
2022	285,000		285,000	48,468	608,859	2,338,859	22,270,000	25.94%	2022	
2023	295,000		295,000	43,970	564,461	2,349,461	20,485,000	31.88%	2023	
2024	300,000		300,000	38,985	515,764	2,350,764	18,650,000	37.98%	2024	
2025	310,000		310,000	33,415	467,706	2,362,706	16,755,000	44.28%	2025	
2026	315,000		315,000	27,320	420,039	2,360,039	14,815,000	50.73%	2026	
2027	325,000		325,000	20,676	372,670	2,367,670	12,820,000	57.37%	2027	
2028	335,000		335,000	13,163	323,199	2,373,199	10,770,000	64.18%	2028	
2029	345,000		345,000	4,571	270,869	2,370,869	8,670,000	71.17%	2029	
2030			1,090,000		229,629	1,319,629	7,580,000	74.79%	2030	
2031			1,125,000		200,416	1,325,416	6,455,000	78.53%	2031	
2032			1,145,000		169,675	1,314,675	5,310,000	82.34%	2032	
2033			1,180,000		137,825	1,317,825	4,130,000	86.27%	2033	
2034			1,080,000		106,788	1,186,788	3,050,000	89.86%	2034	
2035			1,110,000		76,044	1,186,044	1,940,000	93.55%	2035	
2036			805,000		49,100	854,100	1,135,000	96.23%	2036	
2037			560,000		31,250	591,250	575,000	98.09%	2037	
2038			575,000		17,250	592,250	0	100.00%	2038	
			3,205,000	434,825	8,001,079	38,071,079				

\*Preliminary, subject to change.

2) This issue is refunding 2020 through 2029 maturities of the City's \$4,550,000 General Obligation Capital Improvement Plan Bonds, Series 2009A, dated January 14, 2009. The City is responsible for paying the principal and interest on the non-refunded maturities through February 1, 2019 (the "Call Date"). The Escrow Account is responsible for paying the interest on the callable portion of the Series 2009A Bonds from December 14, 2017 (closing date) through the Call Date and to pay the principal to be refunded on the Series 2009A Bonds on the Call Date. Therefore, the refunded issue has not been included above and has not been included in the calculation of debt ratios.

**CITY OF RICHFIELD, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Being Paid From Special Assessments and Taxes**  
**(As of 12/14/17)**

Fiscal Year Ending	GO Bonds Series 2010A		Improvement Series 2013A		Refunding 1) Series 2016B		Total Principal	Total Interest	Total P & I Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity					
2018	20,000	2/01	105,000	2/01	370,000	2/01	495,000	180,925	675,925	6.84%	2018
2019	20,000	2/01	105,000	2/01	415,000	2/01	540,000	167,501	707,501	14.31%	2019
2020	20,000	2/01	110,000	2/01	425,000	2/01	555,000	153,013	708,013	21.98%	2020
2021	20,000	2/01	110,000	2/01	435,000	2/01	565,000	137,950	702,950	29.79%	2021
2022			110,000	2/01	450,000	2/01	560,000	122,563	682,563	37.53%	2022
2023			115,000	2/01	465,000	2/01	580,000	106,783	686,783	45.54%	2023
2024			115,000	2/01	480,000	2/01	595,000	90,365	685,365	53.77%	2024
2025			115,000	2/01	495,000	2/01	610,000	73,383	683,383	62.20%	2025
2026			120,000	2/01	505,000	2/01	625,000	58,380	683,380	70.84%	2026
2027			120,000	2/01	515,000	2/01	635,000	45,480	680,480	79.61%	2027
2028			125,000	2/01	530,000	2/01	655,000	31,775	686,775	88.67%	2028
2029			130,000	2/01	530,000	2/01	660,000	22,650	682,650	90.46%	2029
2030			130,000	2/01	530,000	2/01	660,000	18,750	678,750	92.26%	2030
2031			135,000	2/01	530,000	2/01	665,000	14,775	679,775	94.13%	2031
2032			140,000	2/01	530,000	2/01	670,000	10,650	680,650	96.06%	2032
2033			140,000	2/01	530,000	2/01	670,000	6,450	676,450	98.00%	2033
2034			145,000	2/01	530,000	2/01	675,000	2,175	677,175	100.00%	2034
			80,000		5,175		7,235,000	1,243,566	8,478,566		

1) This issue refunded the 2018 through 2028 maturities of the City's \$4,705,000 General Obligation Capital Improvement Bonds, Series 2007A, dated July 10, 2007 and the City's \$4,250,000 General Obligation Improvement Bonds, Series 2007B, dated July 10, 2007.

A portion of this issue is payable entirely from taxes, and therefore subject to the debt limit (\$2,440,000 principal amount outstanding for the 2007A current refunding portion).

## DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt: (1) obligations payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations issued to finance any public revenue producing convenience; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) funds held as sinking funds for payment of principal and interest on debt other than those deductible under 1-4 above; and (6) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2016/17 Assessor's Estimated Market Value	\$3,091,380,400
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 92,741,412
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes <sup>1</sup> (includes the Bonds)*	<u>(32,510,000)</u>
Unused Debt Limit*	<u>\$ 60,231,412</u>

\*Preliminary, subject to change.

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<sup>1</sup> Also includes the 2007A current refunding portion of the City's \$5,085,000 General Obligation Refunding Bonds, Series 2016B (\$2,440,000 principal outstanding).

**OVERLAPPING DEBT<sup>1</sup>**

<b>Taxing District</b>	<b>2016/17 Taxable Net Tax Capacity</b>	<b>% In City</b>	<b>Total G.O. Debt<sup>2</sup></b>	<b>City's Proportionate Share</b>
Hennepin County	\$ 1,718,948,808	1.9638%	\$ 898,110,000 <sup>3</sup>	\$17,637,084
I.S.D. No. 280 (Richfield)	46,099,812	73.2235%	36,330,000	26,602,098
Metropolitan Council	3,295,889,335	1.0242%	186,185,000 <sup>4</sup>	1,906,907
Three Rivers Park District	1,225,469,292	2.7545%	62,125,000	1,711,233
City's Share of Total Overlapping Debt				<u><u>\$47,857,322</u></u>

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<sup>1</sup> Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

<sup>2</sup> Outstanding debt is based on information in official statements obtained on EMMA and the Municipal Advisor's records.

<sup>3</sup> Hennepin County also has General Obligation Solid Waste Revenue Bonds outstanding which are payable entirely from the County's solid waste enterprise fund; General Obligation Bonds (Century Plaza Debt) which are expected to be paid from building rental fees from County departments and non-County tenants; and General Obligation Ice Arena Revenue Bonds which are expected to be paid from building rental payments from Augsburg College. These issues have not been included in the overlapping debt or debt ratios.

<sup>4</sup> The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding all of which are supported entirely by revenues and have not been included in the Overlapping Debt or Debt Ratios sections.



## DEBT RATIOS

	<b>G.O. Debt</b>	<b>Debt/Economic Market Value (\$3,411,674,530)</b>	<b>Debt/ Current Population Estimate (36,059)</b>
Direct G.O. Debt Being Paid From:			
Revenues	\$ 11,410,000		
Tax Increment Revenues	5,645,000		
Taxes*	30,070,000		
Special Assessments & Taxes	<u>7,235,000</u>		
Total General Obligation Debt (includes the Obligations)*	\$ 54,360,000		
Less: G.O. Debt Paid Entirely from Revenues <sup>1</sup>	<u>(11,410,000)</u>		
Tax Supported General Obligation Debt*	\$ 42,950,000	1.26%	\$1,191.10
 City's Share of Total Overlapping Debt	 <u>\$47,857,322</u>	 <u>1.40%</u>	 <u>\$1,327.19</u>
 Total*	 <u><u>\$ 90,807,322</u></u>	 <u><u>2.66%</u></u>	 <u><u>\$2,518.30</u></u>

\*Preliminary, subject to change.

## DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

## FUTURE FINANCING

The City plans to issue approximately \$9 million in General Obligation Street Reconstruction Bonds in the next 12 months.

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<sup>1</sup> Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

## TAX RATES, LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy <sup>1</sup>	Total Collected Following Year	Collected to Date <sup>2</sup>	% Collected
2012/13	\$18,201,595	\$18,067,238	\$18,175,992	99.86%
2013/14	18,488,149	18,371,533	18,449,249	99.79%
2014/15	18,745,569	18,649,869	18,664,563	99.57%
2015/16	19,125,557	18,999,649	18,999,649	99.34%
2016/17	19,967,005	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.<sup>3</sup> Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

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<sup>1</sup> This reflects the Final Levy Certification of the City after all adjustments have been made.

<sup>2</sup> Collections are through January 1, 2017.

<sup>3</sup> Second half tax payments on agricultural property are due on November 15th of each year.

## TAX CAPACITY RATES<sup>1</sup>

	2012/13	2013/14	2014/15	2015/16	2016/17
Hennepin County	49.461%	49.959%	46.398%	45.356%	44.087%
City of Richfield	65.667%	66.170%	61.661%	60.992%	58.406%
I.S.D. No. 280 (Richfield)	31.011%	34.138%	26.659%	28.771%	27.054%
Metro Mosquito	0.556%	0.563%	0.507%	0.483%	0.475%
Metro Council	0.997%	1.069%	0.976%	0.925%	0.883%
Metro Transit	1.689%	1.703%	1.523%	1.491%	1.463%
Three Rivers Park District	4.054%	4.169%	3.789%	3.601%	3.365%
Park Museum	0.754%	0.766%	0.702%	0.712%	0.711%
HCRRA	1.561%	0.766%	1.817%	1.879%	1.925%
Hennepin HRA	0.478%	1.777%	0.471%	0.439%	0.497%

### *Referendum Market Value Rates:*

I.S.D. No. 280 (Richfield)	0.17546%	0.16422%	0.15314%	0.01555%	0.01268%
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**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Hennepin County.

## LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers & Associates.

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<sup>1</sup> After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

# THE ISSUER

## CITY GOVERNMENT

The City of Richfield was organized as a municipality in 1908. The City operates under a home rule charter form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Manager, City Clerk, Assistant City Manager and Finance Manager are responsible for administrative details and financial records.

## EMPLOYEES; PENSIONS; UNIONS

The City currently has 188 full-time, 33 part-time, and 135 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

### Recognized and Certified Bargaining Units

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
IUOE Local 49	December 31, 2018
IAFF Local 1215	December 31, 2017
LELS Local 1162	December 31, 2017
LELS Local 123	December 31, 2017

## POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits (some mandated by State Statute and others that cover a portion of the cost of health insurance during retirement) for the majority of its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 45 (GASB 45). The City has completed an actuarial study of its obligations. The study shows an actuarial accrued liability of \$1,750,641 as of January 1, 2016, with a discount rate of 4.5%. The City is currently funding these obligations on a pay-as-you-go basis.

## LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

## MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, Section 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

### FUNDS ON HAND (As of September 30, 2017)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$ 4,698,276
Special Revenue	3,263,116
Debt Service	1,780,566
Debt Service Funds Held in Escrow	6,176,067
Capital Projects	9,309,122
Enterprise Funds	4,025,781
Internal Service Funds	8,121,437
Agency Funds	637,127
Housing & Redevelopment Authority	8,969,680
<b>Total Funds on Hand</b>	<b><u><u>\$46,981,172</u></u></b>

## ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Municipal Liquor Store</b>			
Total Operating Revenues	\$ 2,898,487	\$ 2,648,928	\$ 2,628,351
Less: Operating Expenses	<u>(2,017,819)</u>	<u>(2,024,145)</u>	<u>(2,134,992)</u>
Operating Income	\$ 880,668	\$ 624,783	\$ 493,359
Plus: Depreciation	<u>123,996</u>	<u>127,856</u>	<u>138,997</u>
Revenues Available for Debt Service	<u><u>\$ 1,004,664</u></u>	<u><u>\$ 752,639</u></u>	<u><u>\$ 632,356</u></u>
<b>Water and Sewer</b>			
Total Operating Revenues	\$ 7,222,179	\$ 7,314,887	\$ 7,647,683
Less: Operating Expenses	<u>(6,993,635)</u>	<u>(7,208,849)</u>	<u>(7,819,880)</u>
Operating Income	\$ 228,544	\$ 106,038	\$ (172,197)
Plus: Depreciation	<u>1,133,160</u>	<u>1,098,341</u>	<u>1,157,818</u>
Revenues Available for Debt Service	<u><u>\$ 1,361,704</u></u>	<u><u>\$ 1,204,379</u></u>	<u><u>\$ 985,621</u></u>
<b>Storm Sewer</b>			
Total Operating Revenues	\$ 1,204,476	\$ 1,181,739	\$ 1,352,699
Less: Operating Expenses	<u>(1,072,652)</u>	<u>(1,110,483)</u>	<u>(1,228,750)</u>
Operating Income	\$ 131,824	\$ 71,256	\$ 123,949
Plus: Depreciation	<u>400,694</u>	<u>415,722</u>	<u>469,033</u>
Revenues Available for Debt Service	<u><u>\$ 532,518</u></u>	<u><u>\$ 486,978</u></u>	<u><u>\$ 592,982</u></u>

## SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2016 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2013 Audited	2014 Audited	2015 Audited	2016 Audited	2017 Adopted Budget <sup>1</sup>
<b>Revenues</b>					
Property taxes	\$15,084,282	\$15,230,039	\$15,285,807	\$14,981,083	\$ 15,866,030
Fees and fines	373,274	386,139	377,694	269,749	350,000
Licenses and permits	938,455	1,030,746	985,367	1,124,025	964,100
Intergovernmental	1,585,661	1,597,986	1,588,917	1,761,699	1,758,290
Charges for services	1,689,001	2,073,353	2,118,267	2,246,971	2,168,550
Investment earnings	5,820	13,666	10,140	32,763	30,000
Miscellaneous	176,318	90,502	88,492	73,968	62,120
<b>Total Revenues</b>	<b>\$9,852,811</b>	<b>\$20,422,431</b>	<b>\$20,454,684</b>	<b>\$20,490,258</b>	<b>\$ 21,199,090</b>
<b>Expenditures</b>					
Current:					
Legislative/executive	\$ 741,064	\$ 836,054	\$ 897,644	\$ 814,724	\$ 867,640
Administrative services	999,327	1,145,220	1,169,763	1,323,809	1,441,510
Public safety	8,014,111	7,570,660	7,753,459	8,175,701	8,562,100
Fire	3,495,925	3,561,443	3,845,082	4,056,978	4,150,030
Community development	1,215,361	1,297,986	1,337,103	1,330,766	3,968,540
Public works	4,257,277	3,679,158	3,679,043	3,833,814	1,393,060
Recreation services	1,632,130	1,710,352	1,757,765	1,827,779	1,882,790
Capital outlay	0	42,286	0	0	0
<b>Total Expenditures</b>	<b>\$20,355,195</b>	<b>\$19,843,159</b>	<b>\$20,439,859</b>	<b>\$21,363,571</b>	<b>\$ 22,265,670</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ (502,384)</b>	<b>\$ 579,272</b>	<b>\$ 14,825</b>	<b>\$ (873,313)</b>	<b>\$ (1,066,580)</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	\$ 946,050	\$ 266,460	\$ 274,470	\$ 1,037,710	\$ 1,241,580
Operating transfers out	0	(100,000)	(100,000)	(150,000)	(175,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 946,050</b>	<b>\$ 166,460</b>	<b>\$ 174,470</b>	<b>\$ 887,710</b>	<b>\$ 1,066,580</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 443,666</b>	<b>\$ 745,732</b>	<b>\$ 189,295</b>	<b>\$ 14,397</b>	<b>\$ 0</b>
General Fund Balance January 1	7,308,514	7,752,180	8,497,912	8,687,207	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$ 7,752,180	\$ 8,497,912	\$ 8,687,207	\$ 8,701,604	
<b>DETAILS OF DECEMBER 31 FUND BALANCE</b>					
Nonspendable	\$ 72,413	\$ 83,241	\$ 85,424	\$ 76,593	
Restricted	0	0	0	0	
Committed	0	0	0	0	
Assigned	0	0	0	0	
Unassigned	7,679,767	8,414,671	8,601,783	8,625,011	
<b>Total</b>	<b>\$ 7,752,180</b>	<b>\$ 8,497,912</b>	<b>\$ 8,687,207</b>	<b>\$ 8,701,604</b>	

<sup>1</sup> The 2017 budget was revised on September 12, 2017.

## GENERAL INFORMATION

### LOCATION

The City of Richfield, with a 2010 U.S. Census population of 35,228 and a current population estimate of 36,059, and comprising an area of 7.1 square miles, is a first-tier suburb located in Hennepin County in the Minneapolis-St. Paul metropolitan area.

### LARGER EMPLOYERS<sup>1</sup>

Larger employers in the City of Richfield include the following:

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Best Buy Company, Inc	Corporate headquarters and retail store	6,000
US Bank National Association	Financial services	2,144
ISD No. 280 (Richfield)	Elementary and secondary education	719
City of Richfield	Municipal government and services	417
Super Target	Retail	350
Metro Sales, Inc	Sales of copiers and fax machines	270
Fraser	Non-profit services for people with disabilities	244
Menards	Retail	200
Headway Emotional Health Services	Health services	100
Weis Builders	Construction	75

**Source:** *ReferenceUSA, written and telephone survey (October 2017), and the Minnesota Department of Employment and Economic Development.*

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<sup>1</sup> This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.



## BUILDING PERMITS

	2013	2014	2015	2016	2017 <sup>1</sup>
<u>New Single Family Homes</u>					
No. of building permits	11	6	6	6	1
Valuation	\$2,935,271	\$1,609,901	\$1,526,258	\$1,898,053	\$330,000
<u>New Multiple Family Buildings</u>					
No. of building permits	0	0	5	0	1
Valuation	\$0	\$0	\$1,256,670	\$0	\$10,658,043
<u>New Commercial/Industrial</u>					
No. of building permits	5	4	1	6	3
Valuation	\$8,813,527	\$20,875,954	\$1,130,818	\$16,679,000	\$2,545,000
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	1,389	1,486	1,214	1,174	999
Valuation	\$28,847,812	\$48,814,949	\$24,281,587	\$56,668,005	\$32,582,877

**Source:** The City.

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<sup>1</sup> As of September 30, 2017.

## U.S. CENSUS DATA

### Population Trend: City of Richfield, Minnesota

2000 U.S. Census population	34,439
2010 U.S. Census population	35,228
2015 State Demographer's Estimate	36,059
Percent of Change 2000 - 2010	+ 2.29%

### Income and Age Statistics

	<b>City of Richfield</b>	<b>Hennepin County</b>	<b>State of Minnesota</b>	<b>United States</b>
2015 per capita income	\$28,479	\$38,724	\$32,157	\$28,930
2015 median household income	\$52,954	\$65,834	\$61,492	\$53,889
2015 median family income	\$67,862	\$87,230	\$77,055	\$66,011
2015 median gross rent	\$854	\$951	\$848	\$928
2015 median value owner occupied units	\$182,400	\$229,200	\$186,200	\$178,600
2015 median age	36.8 yrs.	36.1 yrs.	37.7 yrs.	37.6 yrs.

	<b>State of Minnesota</b>	<b>United States</b>
City % of 2015 per capita income	88.56%	98.44%
City % of 2015 median family income	88.07%	102.80%

### Housing Statistics

	<b><u>City of Richfield</u></b>		<b>Percent of Change</b>
	<b>2000</b>	<b>2015</b>	
All Housing Units	15,357	15,878	3.39%

**Source:** 2000 and 2010 Census of Population and Housing, and 2015 American Community Survey (Based on a five-year estimate), U.S. Census Bureau ([www.factfinder2.census.gov](http://www.factfinder2.census.gov)).

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

<b>Year</b>	<b><u>Average Employment</u></b>		<b><u>Average Unemployment</u></b>	
	<b>Hennepin County</b>	<b>Hennepin County</b>	<b>Hennepin County</b>	<b>State of Minnesota</b>
2013	635,626	4.6%	4.9%	
2014	644,430	3.8%	4.2%	
2015	649,491	3.3%	3.7%	
2016	656,426	3.4%	3.8%	
2017, August	682,254	3.5%	3.6%	

**Source:** Minnesota Department of Employment and Economic Development.

**FINANCIAL STATEMENTS**

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF RICHFIELD, MINNESOTA**



**For The  
Year Ended  
DECEMBER 31, 2016**

**DEPARTMENT OF FINANCE**

**Christopher T. Regis, Finance Manager  
Member of Government Finance Officers Association  
of the United States and Canada**



## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Richfield  
Richfield, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richfield, Minnesota, as of and for the year ended December 31, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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



### **Opinions**

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Richfield, Minnesota, as of December 31, 2016, 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, which follows this report letter and the Required Supplementary Information 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 (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 of Richfield's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, supplementary financial information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.



**Other Matters (Continued)**

*Other Information (Continued)*

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

The introductory section 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.

*Report on Summarized Comparative Information*

We have previously audited the City's 2015 financial statements and our report, dated May 2, 2016, expressed unmodified opinions on the respective financial statements of the governmental activities, business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2017, on our consideration of the City of Richfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Richfield's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "BerganKDV Ltd." followed by a period.

Minneapolis, Minnesota  
May 2, 2017

## Management's Discussion and Analysis

As management of the City of Richfield, we offer readers of the City of Richfield's financial statements this narrative overview and analysis of the financial activities of the City of Richfield for the fiscal year ended December 31, 2016. 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 8 through 11 of this report.

### Financial Highlights

- The assets of the City of Richfield exceeded its liabilities at the close of the most recent fiscal year by \$73,330,860 (net position). Of this amount, \$2,001,572 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$8,990,130.
- As of the close of the current fiscal year, the City of Richfield's governmental funds reported combined ending fund balances of \$37,857,948. Of this total amount, \$83,923 is classified as nonspendable, \$14,300,168 as restricted, \$13,209,935 as committed by City Council action, \$6,644,543 as assigned and \$3,419,379 as unassigned.
- At the end of the current fiscal year, the general fund balance of \$8,701,604 included \$76,593 as nonspendable and \$8,625,011 as unassigned.
- The City of Richfield's total bonded debt increased by \$5,968,982 (11.79 percent) during the current fiscal year from \$54,476,207 to \$60,898,566.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Richfield's basic financial statements. The City of Richfield's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 of Richfield's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Richfield's assets and deferred outflows or resources and liabilities and deferred inflows of resources, with the difference between the two 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 of Richfield is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 of Richfield that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Richfield include general government, public safety, fire, community development, public works, and parks and recreation. The business-type activities of the City of Richfield include a municipal liquor operation, water and sewer utility, and a storm sewer utility.

The government-wide financial statements include not only the City of Richfield itself (known as the *primary government*), but also the Richfield Housing and Redevelopment Authority, a discretely presented component unit. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

**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 of Richfield, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Richfield 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 or spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term 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 of Richfield maintains nineteen individual 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, ice arena fund, improvement bonds fund, and capital improvements fund, all of which are considered to be major funds. Data from the other fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Richfield adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

**Proprietary funds.** The City of Richfield 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 of Richfield uses enterprise funds to account for its liquor operation, water and sewer utility and for its storm sewer utility, all of which are considered to be major funds of the City. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Richfield's various functions. The City of Richfield uses internal service funds to account for its central garage & equipment, for its information technology systems, its self-insurance program, its building services function, and its compensated absences liability. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The 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.

**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 of Richfield's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the 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.



**Governmental activities.** Governmental activities decreased the City of Richfield's net position by \$10,844,502 in 2016. The key elements of this decrease are as follows:

City of Richfield's Changes in Net position

	Governmental activities		Business-type activities		Total
	2016	2015	2016	2015	
<b>Revenues:</b>					
Program Revenues:					
Charges for services	\$4,833,409	\$4,813,662	19,457,700	19,356,268	\$24,391,109
Operating grants and contributions	1,434,327	1,305,392	-	-	1,305,392
Capital grants and contributions	4,733,815	6,134,825	-	-	4,733,815
General revenues:					
Property taxes	18,398,414	18,398,710	-	-	18,398,710
Franchise taxes	2,260,122	2,230,602	-	-	2,230,602
Grants and contributions not restricted to specific programs	2,064,057	2,054,379	-	-	2,064,057
Other	940,134	1,069,172	348,827	535,616	1,689,961
Total revenues	34,764,278	35,996,742	19,806,527	19,891,884	54,598,005
<b>Expenses:</b>					
General government	3,503,975	3,112,271	-	-	3,503,975
Public safety	11,080,522	8,367,770	-	-	11,080,522
Fire	5,766,379	4,114,362	-	-	5,766,379
Community Development	1,489,202	1,390,908	-	-	1,489,202
Public Works	16,161,254	15,932,128	-	-	16,161,254
Parks and recreation	4,244,085	3,973,233	-	-	4,244,085
Interest on long-term debt	1,786,750	1,118,400	-	-	1,786,750
Liquor Operations	-	-	10,018,719	10,246,033	10,018,719
Water & Sewer Utility	-	-	8,067,965	7,503,496	8,067,965
Storm Sewer Utility	-	-	1,462,684	1,263,619	1,462,684
Total expenses	44,032,167	38,009,072	19,548,768	19,013,348	63,580,936
Change in net position before transfers	(9,267,889)	(2,012,330)	257,759	878,536	(1,133,794)
Transfers	(1,596,613)	1,009,749	1,596,613	(1,009,749)	-
Change in net position	(10,844,502)	(1,002,581)	1,854,372	(1,312,133)	(1,133,794)
Net position - January 1	64,987,593	74,762,960	17,333,197	23,124,098	83,320,790
Change in accounting principle	(8,772,786)	-	-	(5,659,688)	(14,432,474)
Net position - January 1 - Restated	64,987,593	65,990,174	17,333,197	17,464,410	83,320,790
Net position - December 31	\$54,143,091	\$64,987,593	\$19,187,569	\$17,333,197	\$73,330,660

- Total expenses increased by \$6,023,095, of which \$4,212,664 of the increase was related to increased pension costs. The remaining portion of the increase can be attributed to costs reflective of road projects within Public Works.
- At the same time, total revenues decreased by \$1,212,464. The decrease is traceable to a decrease in Capital Grants and Contributions in 2016.

**Other information.** Required supplementary information can be found following the Notes to the Financial Statements.

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.

**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 of Richfield, assets exceeded liabilities by \$73,330,660 at the close of the most recent fiscal year.

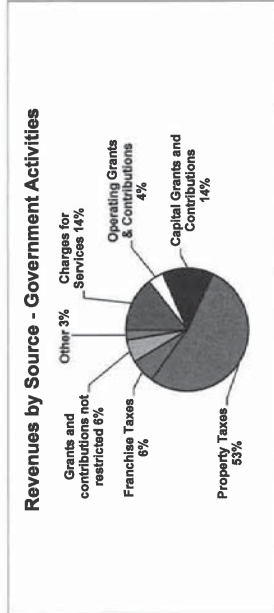
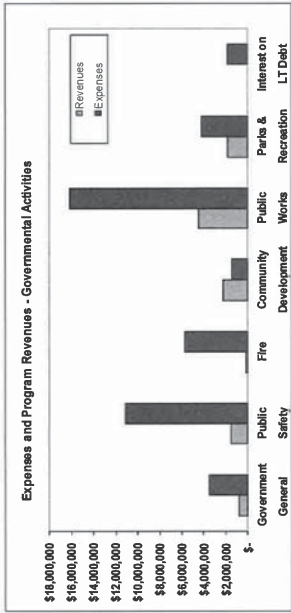
By far the largest portion of the City of Richfield's net position (93 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Richfield uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Richfield's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF RICHFIELD'S NET POSITION

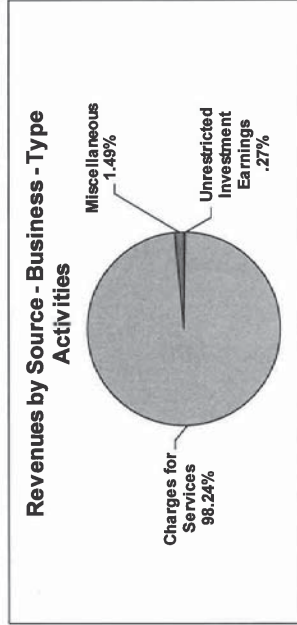
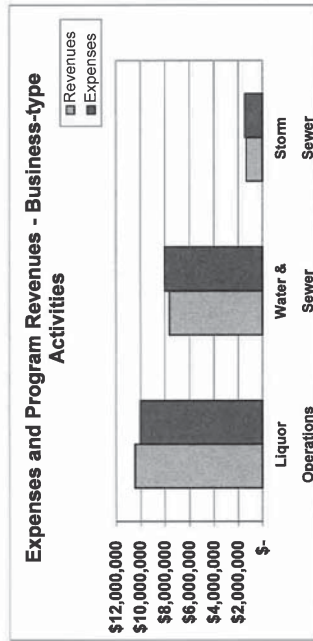
	Governmental Activities		Business-type Activities		Total
	2016	2015	2016	2015	
Current and other assets	\$52,422,448	\$47,806,365	\$6,257,228	\$1,157,068	\$58,679,676
Capital assets	75,145,901	77,579,119	28,979,653	24,716,731	104,125,554
Total assets	127,568,349	125,385,484	35,236,881	36,291,799	162,805,230
Deferred outflows of resources	23,685,147	2,539,413	1,195,030	264,946	24,860,177
Total assets and deferred outflows of resources	151,233,496	127,924,897	36,431,911	36,556,745	187,665,407
Long-term liabilities outstanding	89,649,457	86,306,515	15,606,720	17,786,406	105,256,177
Other liabilities	2,975,785	4,404,926	1,310,702	4,296,487	5,612,593
Total liabilities	92,625,242	90,711,541	16,917,422	18,994,073	109,542,664
Deferred inflows of resources	4,465,163	2,225,863	326,920	229,475	4,792,083
Net position:					
Net investment in capital assets	51,478,014	53,489,119	16,757,963	14,610,034	68,235,977
Restricted	3,093,111	6,159,160	-	-	3,093,111
Unrestricted	(428,034)	5,339,294	2,429,606	2,723,163	2,001,572
Total net position	54,143,091	64,987,593	19,187,569	17,333,197	73,330,660
Total liabilities, deferred inflows of resources and net position	\$151,233,496	\$127,924,897	\$36,431,911	\$36,556,745	\$187,665,407

An additional portion of the City of Richfield's net position represents resources that are subject to external restrictions on how they may be used. At December 31, 2016, the City had restricted net position of \$3,093,111. The remaining balance of *unrestricted net position* (\$2,001,572) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net position decreased by \$8,990,130 compared to a decrease of \$1,133,794 in 2015. The further decrease in net position can be attributed to increased expenses in the public works activity related to continued road projects and increased pension costs over the prior year.



**Business-type activities.** Business-type activities increased the City's net position by \$1,854,372 in 2016. The increase can be attributed to the assets transferred to business-type activities due to the contribution of approximately \$2.1 million of utility infrastructure to the Water and Sewer and Storm Sewer Utility funds from the Portland Avenue Reconstruction project.



#### Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the City of Richfield'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 of Richfield's financing requirements. Fund balances are identified based on a hierarchy of the constraints placed on the use of financial resources within governmental funds. Accordingly, fund balances are classified as: nonspendable, restricted, committed, assigned, and unassigned.

As of the end of the current fiscal year, the City of Richfield's governmental funds reported combined ending fund balances of \$37,857,948, an increase of \$6,052,962 from 2015. The increase is the result of the issuance of the Series 2016B and 2016C General Obligation Refunding Bonds in late 2016. The City received the proceeds of the two issues in 2016; however, the use of the proceeds received for the refunding will not take place until February 2017. Consequently, the year-end balance consists of the following: less than 1% (\$63,923) are amounts that are not in spendable form such as prepaid items; 37% (\$14,300,168) constitutes restricted fund balances which limits the spending of these balances to externally imposed constraints, i.e. debt service covenants; 35% (\$13,209,935) represents committed fund balances which are determined by resolution of the City Council; 18% (\$6,844,543) is classified as assigned. These amounts represent intended uses established by the City Council or by an official designated by the City Council. Finally, 9% (\$3,419,379) consists of balances classified as unassigned, which includes the fund balance of the General Fund and deficit fund balances of other governmental funds.

The general fund is the chief operating fund of the City of Richfield. At the end of the current year, the unassigned fund balance of the general fund was \$8,625,011 while total fund balance was \$8,701,604. As a measure of the general fund liquidity, it may be useful to compare unassigned fund balance to total general fund revenues. Unassigned fund balance represents approximately 42% of total general fund revenues and 40% of total general fund expenditures. Moreover, the State Auditor has set a standard that unrestricted, unassigned fund balance should be between 35 and 50 percent of yearly general fund revenues. The City has adopted a policy that strives to maintain a minimum fund balance equal to 40% of total general fund revenues. At December 31, 2016 the City of Richfield has achieved this minimum fund balance goal.

The City's fund balance for its general fund increased by \$14,397 in 2016. The increase is due to an increase in license and permit, intergovernmental and charges for service revenues.

The Ice Arena fund reflects an increase in fund balance of \$125,723 in 2016. The increase is due to a slight increase in revenue, and a decrease in capital outlay expenditures.

The G.O. Improvement Bonds fund has a fund balance of \$15,468,323, of which \$13,570,167 is restricted for the payment of debt service. The fund balance increased in 2016 by \$11,312,970 as a result of the issuance of the Series 2016B and 2016C General Obligation Refunding Bonds.

The Capital Improvement fund accounts for public improvements, and road right-of-way projects undertaken by the City. This fund balance decreased by \$5,339,004. The decrease can be attributed to the spending down of the 2015A bond proceeds and federal and state funds recognized in 2015.

The nonmajor governmental funds consist of the City's Special Revenue funds, Redevelopment Bond fund, and the Parks Capital Project fund. The combined total of these funds decreased by \$61,124 in 2016. The decrease is due to the spending down of accumulated utility franchise fees for the City's citywide Mill and Overlay program.

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

Unrestricted net position of the liquor operation at the end of the year amounted to \$(316,655), for the water and sewer utility, \$2,621,928, and for the storm sewer utility \$1,718,153. The total increase in net position for all of these funds was \$131,228, \$1,711,276, and \$201,830 respectively.

#### Budgetary Highlights

**General Fund**  
As part of the annual budget process, the current general fund revenue and expenditure budgets are revised to reflect a more accurate picture throughout the current fiscal year. The intent of this annual budget process is for the City to continue to provide and maintain quality services to its residents while trying to maintain the tax levy at a reasonable level. However, due to the past history of State of Minnesota budget issues, and those issues being passed down to local governments, the Richfield City Council made the decision to begin the process to end the City's past dependence on state aids, specifically Local Government Aid (LGA). Consequently, in 2016, the City only recognized budgeted LGA revenues of \$550,000, despite the State certifying to the City approximately \$2 million. Due to a decrease in debt service tax levies as a result of the budget remains at \$550,000. Due to a decrease in debt service tax levies as a result of the refunding of three bond issues in 2016, the City was able to maintain the budgeted LGA at the 2016 level and maintain the tax levy at a reasonable level. The City will have to evaluate the amount of LGA to budget each year depending on the level of debt service tax levies and General Fund service needs. However, it will always remain the goal of the City to continue to reduce the City's dependence on LGA and at the same time to minimize the tax levy on property owners.

At the end of 2016 the City's General Fund realized a surplus of \$14,397 to its fund balance. This was accomplished through the combination of better than expected results in license and permit, intergovernmental, and charges for services revenues, while at the same time, expenditures for the fund were under budget by \$337,339.

#### Capital Asset and Debt Administration

**Capital assets.** The City of Richfield's investment in capital assets for its governmental and business type activities as of December 31, 2016 amounts to \$104,125,554 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, other improvements, machinery and equipment, infrastructure, and construction in progress.

Major capital asset events during 2016 included the following:

- Completion of Water, Sewer, and Storm Sewer infrastructure as part of the Portland Avenue Reconstruction project. Total utility cost recognized as part of the project was \$2,098,823.
- Completion of the Taft Lake Storm Water project. The total cost of the project was \$4,030,176.
- Completion of the renovation of the liquor store located at Cedar Avenue. Total cost of the renovation was \$941,990.
- Replacement of the HVAC system at the City Community Center. Total cost of the project was \$424,295.

### City of Richfield's Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total
	2016	2015	2016	2015	
Land	\$9,353,605	\$9,353,605	\$638,673	\$638,673	\$9,992,278
Buildings and structures	37,001,140	38,139,972	3,088,408	2,379,974	40,099,548
Machinery and equipment	5,306,106	4,666,525	3,581,820	3,955,374	8,821,989
Other improvements	2,350,294	2,391,740	19,394,056	14,284,380	21,744,350
Streets (infrastructure)	21,030,043	22,732,439	-	-	22,732,439
Construction in progress	104,713	294,838	2,266,686	3,458,400	3,753,338
Total capital assets	\$75,145,901	\$77,579,119	\$28,979,653	\$24,716,731	\$104,125,554

Additional information on the City's capital assets can be found in Note 1M and Note 3 Capital Assets in the accompanying notes to the basic financial statements.

#### Long-term debt.

At the end of the current fiscal year, the City of Richfield had total bonded debt outstanding of \$60,898,566. The debt service for the general obligation redevelopment bonds is provided through the collection of tax increments from Hennepin County. On an annual basis tax increment proceeds are transferred to meet annual debt service requirements. The general obligation improvement bonds are serviced by special assessment collections and tax levies.

During 2016, the City issued three new bond issues. The first issue, the \$2,970,000 General Obligation Storm Water Revenue Bonds, Series 2016A, was issued to fund the Monroe Park/66<sup>th</sup> Street storm water project.

The second issue, the \$5,085,000 General Obligation Refunding Bonds, Series 2016B. This issue was a current refunding of the \$4,705,000 General Obligation Capital Improvement Bonds, Series 2007A and the \$4,250,000 General Obligation Improvement Bonds, Series 2007B. The 2016B proceeds are scheduled to refund the 2007A and 2007B issues on February 1, 2017. The City will realize a savings in interest costs with the refunding in the amount of \$1,018,104 over the remaining life of the bonds. The net present value cash flow savings from this transaction was \$888,955.

The third issue, the \$6,130,000 General Obligation Refunding Bonds, Series 2016C, is an advance crossover refunding of the \$9,480,000 General Obligation Capital Improvement Bonds, Series 2008A. The 2016C proceeds will be held in escrow and will refund the 2008A issue on February 1, 2019. The City will realize a savings in interest costs with the refunding in the amount of \$776,547 over the remaining life of the bonds. The net present value cash flow savings from this transaction was \$677,813.

### City of Richfield's Outstanding Debt General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total
	2016	2015	2016	2015	
General obligation redevelopment bonds	\$6,340,000	\$7,020,000	\$ -	\$ -	\$6,340,000
General obligation improvement bonds	42,212,887	31,989,510	-	42,212,887	31,989,510
Revenue bonds	\$48,552,887	\$39,009,510	\$12,345,679	\$15,466,697	\$15,466,697
Total	\$97,105,774	\$77,019,020	\$12,345,679	\$60,898,566	\$104,125,554

The City of Richfield maintains an AA+ rating from Standard & Poor's and an "Aa2" rating from Moody's Investor Service, for general obligation debt.

State Statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The current debt limitation for the City of Richfield is \$60,126,000, which is in excess of the City of Richfield's outstanding general obligation debt.

Additional details of the City's long-term debt activity can be found in Note 5, Long-Term Liabilities, in the accompanying notes to the basic financial statements.

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

The following items are an integral part of the City's planning for and dealing with near-term financial issues:

- The economic and financial issues faced by the State of Minnesota over the last several years appear to be a thing of the past. As of February 2017, the State is forecasting a budget surplus in excess of \$1 billion dollars by the end of the fiscal year 2017-2018 biennium. This is a very strong positive for all cities in Minnesota. As for the City of Richfield, despite the positive financial forecast from the State, it intends to continue its policy of eliminating or at a minimum, reducing its dependence on Local Government Aid and to remain fiscally responsible.
- In addition, the state of the economy, both local and national, has and will have an impact on the City. However, as the economy has stabilized and started to improve, the City has seen some positive signs. Market values within the City have increased for 2017 and those increases are expected to continue into 2018. Moreover, the market for redevelopment within the City is showing signs of improvement as developers are starting to seek out the City for redevelopment opportunities within the City.
- Rates for the Utility operations increased for 2016. For 2017 water rates were projected to increase 5% or 17 cents per thousand gallons to help fund continued operating costs and infrastructure improvements, while wastewater rates will increase 7% or 30 cents to keep pace with increased costs of Met Council Environmental Services. Rates for the Storm Sewer Utility will increase by 12.5% or \$1.81 to offset increased operating costs and planned capital projects.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City of Richfield's finances for all those with an interest in the government'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 Manager, City of Richfield, 6700 Portland Avenue South, Richfield, MN 55423.

**CITY OF RICHFIELD, MINNESOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2016

Statement 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing & Redev. Authority
<b>ASSETS:</b>				
Cash & investments	\$ 40,421,373	\$ 4,161,457	\$ 44,582,830	\$ 9,949,230
Accrued interest	143,385	-	143,385	2,293
Due from other governments	507,449	9,296	516,745	7,028
Accounts receivable - net	1,013,322	2,827,378	3,840,700	314,026
Inventories	-	1,261,037	1,261,037	-
Internal balances	2,017,940	(2,017,940)	-	-
Due from component unit	1,264,618	-	1,264,618	-
Prepaid items	85,173	16,000	101,173	-
Property taxes receivable:				
Delinquent	265,452	-	265,452	10,179
Special assessments receivable	527,669	-	527,669	-
Assets held for resale	-	-	-	4,408,040
Restricted assets:				
Cash & investments	6,176,067	-	6,176,067	135,562
Long term second mortgage receivable	-	-	-	2,474,149
Allowance for uncollectible accounts	-	-	-	(2,474,149)
Capital assets (not depreciable)	9,458,318	2,905,369	12,363,687	-
Capital assets (net of accumulated depr.)	65,687,583	26,074,284	91,761,867	-
Total assets	<u>127,568,349</u>	<u>35,236,881</u>	<u>162,805,230</u>	<u>14,826,358</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflows or resources related to pensions	23,665,147	1,195,030	24,860,177	-
Total assets and deferred outflows or resources	<u>151,233,496</u>	<u>36,431,911</u>	<u>187,665,407</u>	<u>14,826,358</u>
<b>LIABILITIES:</b>				
Accounts and contracts payable	1,672,075	968,202	2,640,277	533,664
Due to other governmental units	441,139	148,202	589,341	1,358
Due to primary government	-	-	-	1,264,618
Salaries payable	304,684	48,055	352,739	-
Accrued interest payable	557,887	146,243	704,130	-
Noncurrent liabilities:				
Due within one year	8,767,067	655,986	9,423,053	-
Due in more than one year	80,882,390	14,950,734	95,833,124	-
Total Liabilities	<u>92,625,242</u>	<u>16,917,422</u>	<u>109,542,664</u>	<u>1,799,640</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred inflows of resources related to pensions	4,465,163	326,920	4,792,083	-
Total Deferred Inflows of Resources	<u>4,465,163</u>	<u>326,920</u>	<u>4,792,083</u>	<u>-</u>
<b>NET POSITION:</b>				
Net investment in capital assets	51,478,014	16,757,963	68,235,977	-
Restricted for:				
Debt service	2,192,838	-	2,192,838	-
Capital projects	559,811	-	559,811	8,123,280
Other purposes	340,462	-	340,462	49,448
Unrestricted	(428,034)	2,429,606	2,001,572	4,853,990
Total net position	<u>54,143,091</u>	<u>19,187,569</u>	<u>73,330,660</u>	<u>13,026,718</u>
Total liabilities, deferred inflows of resources and net position	<u>151,233,496</u>	<u>36,431,911</u>	<u>187,665,407</u>	<u>14,826,358</u>

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

**CITY OF RICHFIELD, MINNESOTA  
STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
<b>Governmental Activities:</b>				
General Government	\$ 3,503,975	\$ 830,145	\$ -	\$ -
Public Safety	11,080,522	640,411	906,083	-
Fire	5,766,379	18,180	161,310	-
Community Development	1,489,202	1,383,804	-	869,352
Public Works	16,161,254	309,235	338,323	3,864,463
Parks and Recreation	4,244,085	1,751,634	28,611	-
Interest on long-term debt	1,786,750	-	-	-
<b>Total governmental activities</b>	<b>44,032,167</b>	<b>4,933,409</b>	<b>1,434,327</b>	<b>4,733,815</b>
<b>Business-type activities:</b>				
Liquor Operations	10,018,719	10,457,318	-	-
Water & Sewer Utility	8,067,365	7,647,683	-	-
Storm Sewer Utility	1,462,684	1,352,699	-	-
<b>Total business-type activities</b>	<b>19,548,768</b>	<b>19,457,700</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 63,580,935</b>	<b>\$ 24,391,109</b>	<b>\$ 1,434,327</b>	<b>\$ 4,733,815</b>
<b>Component units:</b>				
Housing & Redevelopment Authority	\$ 7,019,050	\$ 50,891	\$ 2,459,783	\$ 1,359,451
<b>Total Component Unit</b>	<b>\$ 7,019,050</b>	<b>\$ 50,891</b>	<b>\$ 2,459,783</b>	<b>\$ 1,359,451</b>

**General Revenues:**

**Taxes:**

  Property taxes, levied for general purposes

  Franchise taxes

  Tax Increments

**Grants & contributions not restricted to specific programs**

  Unrestricted investment earnings

  Miscellaneous

**Transfers**

**Total general revenues and transfers**

  Change in net position

**Net position - beginning**

**Net position - ending**

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

Statement 2

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (2,673,830)	\$ -	\$ (2,673,830)	\$ -
(9,534,028)	-	(9,534,028)	-
(5,586,889)	-	(5,586,889)	-
763,954	-	763,954	-
(11,649,233)	-	(11,649,233)	-
(2,463,840)	-	(2,463,840)	-
(1,786,750)	-	(1,786,750)	-
<u>(32,930,616)</u>	<u>-</u>	<u>(32,930,616)</u>	<u>-</u>
-	438,599	438,599	-
-	(419,682)	(419,682)	-
-	(109,985)	(109,985)	-
-	(91,068)	(91,068)	-
<u>\$ (32,930,616)</u>	<u>\$ (91,068)</u>	<u>\$ (33,021,684)</u>	<u>\$ -</u>
-	-	-	\$ (3,148,925)
-	-	-	<u>\$ (3,148,925)</u>
\$ 18,398,414	\$ -	\$ 18,398,414	\$ 495,620
2,260,122	-	2,260,122	-
-	-	-	4,937,469
2,084,057	-	2,084,057	-
220,704	53,791	274,495	71,969
719,430	295,036	1,014,466	330,542
(1,596,613)	1,596,613	-	-
<u>22,086,114</u>	<u>1,945,440</u>	<u>24,031,554</u>	<u>5,835,600</u>
(10,844,502)	1,854,372	(8,990,130)	2,686,675
64,987,593	17,333,197	82,320,790	10,340,043
<u>\$ 54,143,091</u>	<u>\$ 19,187,569</u>	<u>\$ 73,330,660</u>	<u>\$ 13,026,718</u>

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

**CITY OF RICHFIELD, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016**

Statement 3

	General	Ice Arena	Improvement Bonds	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and Investments	\$ 5,946,581	\$ -	\$ 9,169,581	\$ 7,762,110	\$ 8,930,392	\$ 31,808,664
Cash and Investments held by trustee	-	-	6,176,067	-	-	6,176,067
Accrued Interest	-	-	143,386	-	-	143,386
Due from other governments	127,322	-	1,413	336,175	42,539	507,449
Receivables, net	118,051	189,825	1,752	20,815	683,079	1,013,322
Due from other funds	3,263,024	-	-	102,873	146,151	3,512,048
Due from component unit	-	-	-	39,750	-	39,750
Prepaid Items	76,593	-	-	-	7,330	83,923
Delinquent property taxes receivable	227,291	-	33,939	4,222	-	265,452
Special assessments receivable	-	-	361,619	166,050	-	527,669
Advances to other funds	-	-	-	321,247	1,020,431	1,341,678
Advances to component unit	-	-	-	740,250	-	740,250
<b>Total assets</b>	<b>\$ 9,758,862</b>	<b>\$ 189,825</b>	<b>\$ 15,887,756</b>	<b>\$ 9,493,292</b>	<b>\$ 10,829,922</b>	<b>\$ 46,159,657</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 229,582	\$ 35,487	\$ -	\$ 1,085,419	\$ 167,341	\$ 1,517,829
Accrued salaries and benefits	259,826	8,246	-	-	2,275	270,347
Due to other funds	-	2,450,996	-	-	1,019,194	3,470,190
Payable to other governments	340,559	11,334	23,875	4,069	14,229	394,066
Advances from other funds	-	1,634,716	-	-	221,440	1,856,156
<b>Total liabilities</b>	<b>829,967</b>	<b>4,140,779</b>	<b>23,875</b>	<b>1,089,488</b>	<b>1,424,479</b>	<b>7,508,588</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenue - delinquent property taxes	\$ 227,291	\$ -	\$ 33,939	\$ 4,222	\$ -	\$ 265,452
Unavailable revenue - special assessments	-	-	361,619	166,050	-	527,669
<b>Total Deferred Inflows of Resources</b>	<b>227,291</b>	<b>-</b>	<b>395,558</b>	<b>170,272</b>	<b>-</b>	<b>793,121</b>
<b>Fund balances:</b>						
Nonspendable	76,593	-	-	-	7,330	83,923
Restricted	-	-	13,570,167	389,539	340,462	14,300,168
Committed	-	-	1,394,986	1,502,640	10,312,329	13,208,935
Assigned	-	-	503,190	6,341,353	-	6,844,543
Unassigned	8,625,011	(3,950,954)	-	-	(1,254,678)	3,419,379
<b>Total fund balances</b>	<b>8,701,604</b>	<b>(3,950,954)</b>	<b>15,468,323</b>	<b>8,233,532</b>	<b>9,405,443</b>	<b>37,857,948</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 9,758,862</b>	<b>\$ 189,825</b>	<b>\$ 15,887,756</b>	<b>\$ 9,493,292</b>	<b>\$ 10,829,922</b>	<b>\$ 46,159,657</b>
<b>Fund balance reported above</b>						<b>\$ 37,857,948</b>
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>						
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds						71,267,273
Other long-term assets are not available to pay for current- period expenditures and therefore, are deferred in the funds.						
Delinquent property taxes						265,452
Special assessments not yet due						527,669
The assets and liabilities of certain Internal Service Funds are included in governmental activities in the statement of net position						
Net position of internal service funds						9,201,095
Allocation to reflect consolidation of internal service fund activities related to enterprise funds						1,593,820
Allocation to reflect consolidation of internal service fund activities related to component unit						484,618
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:						
Unfunded OPEB liability						(1,602,841)
Net pension liability						(35,233,307)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.						
Deferred outflows of resources related to pensions						23,213,838
Deferred inflows of resources related to pensions						(4,341,700)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:						
Bonds payable						(47,770,000)
Premiums general obligation debt						(762,867)
Accrued Interest payable						(557,887)
<b>Net position of governmental activities</b>						<b>\$ 54,143,081</b>

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



**CITY OF RICHFIELD, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For The Year Ended December 31, 2016**

Statement 4

	General	Ice Arena	Improvement Bonds	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Property taxes	\$ 14,981,083	\$ -	2,336,900	\$ 1,040,226	\$ -	\$ 18,367,209
Franchise taxes	-	-	-	-	2,260,122	2,260,122
Special assessments	-	-	62,169	132,438	-	194,607
Fees and fines	269,749	-	-	-	9,688	279,437
License and permits	1,124,025	-	-	-	-	1,124,025
Intergovernmental	1,761,699	-	-	5,211,386	998,269	7,971,363
Charges for Services	2,246,971	904,682	-	-	378,394	3,529,947
Investment earnings	32,763	-	8,000	58,136	58,546	167,444
Miscellaneous	73,968	75,596	-	74,772	495,094	719,430
<b>Total revenues</b>	<b>20,490,268</b>	<b>980,178</b>	<b>2,406,069</b>	<b>6,616,956</b>	<b>4,200,113</b>	<b>34,693,674</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
Legislative/Executive	814,724	-	-	-	-	814,724
Administrative Services	1,323,809	-	-	-	463,789	1,787,598
Public Safety	8,175,701	-	-	-	134,686	8,310,386
Fire	4,066,978	-	-	-	-	4,066,978
Community Development	1,330,766	-	-	-	-	1,330,766
Public Works	3,833,814	-	-	9,623,469	-	13,457,283
Recreation Services	1,827,779	894,896	-	-	669,448	3,382,122
<b>Debt service:</b>						
Principal	-	-	1,445,000	-	680,000	2,126,000
Interest and other charges	-	22,878	1,361,121	-	189,352	1,563,361
Capital outlay	-	6,682	-	-	736,803	743,486
Construction/acquisition costs	-	-	-	2,207,711	-	2,207,711
<b>Total expenditures</b>	<b>21,363,671</b>	<b>924,456</b>	<b>2,796,121</b>	<b>11,831,180</b>	<b>2,864,077</b>	<b>39,779,404</b>
<b>Revenues over (under) expenditures</b>	<b>(873,313)</b>	<b>56,723</b>	<b>(390,052)</b>	<b>(5,314,224)</b>	<b>1,336,036</b>	<b>(5,186,830)</b>
<b>Other financing sources (uses):</b>						
Transfers in	1,037,710	70,000	406,440	1,908,614	945,441	4,368,205
Transfers out	(150,000)	-	(435,000)	(1,933,394)	(2,342,601)	(4,860,996)
Bonds issued	-	-	11,216,000	-	-	11,216,000
Premiums (Discounts) on bonds issued	-	-	516,582	-	-	516,582
<b>Total other financing sources and (uses)</b>	<b>887,710</b>	<b>70,000</b>	<b>11,703,022</b>	<b>(24,780)</b>	<b>(1,397,160)</b>	<b>11,238,792</b>
<b>Net increase (decrease) in fund balance</b>	<b>14,397</b>	<b>126,723</b>	<b>11,312,970</b>	<b>(5,339,004)</b>	<b>(61,124)</b>	<b>6,062,962</b>
<b>Fund Balances - January 1</b>	<b>8,687,207</b>	<b>(4,076,677)</b>	<b>4,166,363</b>	<b>13,672,636</b>	<b>9,466,667</b>	<b>31,804,986</b>
<b>Fund balances - December 31</b>	<b>\$ 8,701,604</b>	<b>\$ (3,950,954)</b>	<b>\$ 15,468,323</b>	<b>\$ 8,233,632</b>	<b>\$ 9,405,443</b>	<b>\$ 37,867,948</b>

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

**CITY OF RICHFIELD, 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, 2016**

Statement 5

**Net Change in fund balances - total governmental funds** **\$ 6,052,962**

**Amounts reported for governmental activities in the statement of activities are different because:**

**Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$3,460,604) and assets contributed to Enterprise Funds (2,098,823) exceeded capital outlay (\$2,951,196) in the current period.** **(2,608,231)**

**The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals and donations) is to increase net position.** **(33,310)**

**Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The amounts of these differences are as follows:**

**Delinquent property taxes** **41,205**  
**Deferred special assessments** **(7,472)**

**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. The amounts of these differences are:**

**Principal payments on long-term debt** **2,125,000**  
**Issuance of long-term debt** **(11,215,000)**  
**Premiums on long-term debt** **(782,887)**

**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. Expenses reported in the statement of activities include the effects of the changes in these expense accruals as follows:**

**Change in accrued interest payable** **42,906**

**Net other post-employment benefit obligations payable reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds until actually due.** **(145,378)**

**Government funds recognized pension contributions as expenditures at the time of payment whereas the statement of activities factors in items related to pensions on a full accrual perspective.**

**Pension expense** **(4,212,664)**  
**State Contribution** **93,711**

**Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunication, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.**

**Investment earnings** **63,260**  
**Consolidation of internal service fund activities related to government activities** **(1,253,604)**  
**Transfers in** **995,000**

**Change in net position of governmental activities** **\$ (10,844,502)**

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

CITY OF RICHFIELD, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2016

Statement 6

	Business Type Activities - Enterprise Funds				Governmental
	Municipal	Water and Sewer	Storm Sewer	Total	Internal Service
	Liquor Fund	Utility Fund	Fund		Fund
<b>ASSETS:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 436,527	\$ 2,081,840	\$ 1,643,290	\$ 4,161,457	\$ 8,612,709
Receivables, net	-	2,450,833	376,545	2,827,378	-
Due from other funds	-	-	-	-	61,015
Due from other governments	-	9,296	-	9,296	-
Inventories	1,261,037	-	-	1,261,037	-
Prepaid Items	16,000	-	-	16,000	1,250
<b>Total current assets</b>	<b>1,713,564</b>	<b>4,541,769</b>	<b>2,019,835</b>	<b>8,275,168</b>	<b>8,674,974</b>
<b>Noncurrent assets:</b>					
Advances to other funds	-	-	-	-	835,725
<b>Capital assets:</b>					
Land	499,188	53,550	85,935	638,673	-
Construction in progress	32,396	11,885	2,222,415	2,266,696	-
Distribution and collection systems	-	20,519,786	17,050,234	37,570,020	-
Buildings and equipment	4,786,148	15,486,560	647,738	20,920,446	9,797,391
Less accumulated depreciation	(2,195,046)	(20,417,989)	(9,803,247)	(32,416,282)	(5,938,763)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>3,122,686</b>	<b>15,553,892</b>	<b>10,203,075</b>	<b>28,979,653</b>	<b>3,858,628</b>
<b>Total noncurrent assets</b>	<b>3,122,686</b>	<b>15,553,892</b>	<b>10,203,075</b>	<b>28,979,653</b>	<b>4,694,353</b>
<b>Total assets</b>	<b>4,836,250</b>	<b>20,195,661</b>	<b>12,222,910</b>	<b>37,254,821</b>	<b>13,369,327</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Deferred outflows or resources related to pensions	584,246	578,558	32,226	1,195,030	451,309
<b>Total assets and deferred outflows of resources</b>	<b>5,420,496</b>	<b>20,774,219</b>	<b>12,255,136</b>	<b>38,449,851</b>	<b>13,820,636</b>
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts payable	690,828	210,413	26,501	927,742	154,246
Contracts payable	39,110	-	1,350	40,460	-
Accrued salaries and benefits	24,439	22,327	1,289	48,055	34,337
Due to other governments	113,253	34,949	-	148,202	47,073
Compensated absences	41,585	41,888	2,513	85,986	533,113
Accrued interest payable	-	60,451	85,792	146,243	-
Due to other funds	-	102,873	-	102,873	-
Bonds, notes, and loans payable	-	330,000	240,000	570,000	-
<b>Total current liabilities</b>	<b>909,215</b>	<b>802,901</b>	<b>357,445</b>	<b>2,069,561</b>	<b>768,769</b>
<b>Noncurrent liabilities:</b>					
Advances from other funds	-	321,247	-	321,247	-
Compensated absences	95,604	96,299	5,776	197,679	1,465,409
Net OPEB obligation	37,849	51,457	-	89,306	57,609
Net pension liability	1,411,967	1,398,221	77,882	2,888,070	1,090,697
Claims and judgments	-	-	-	-	1,113,594
Bonds, notes, and loans payable (net of unamortized premiums and discounts)	-	4,864,818	6,910,861	11,775,679	-
<b>Total noncurrent liabilities</b>	<b>1,545,420</b>	<b>6,732,042</b>	<b>6,994,519</b>	<b>16,271,981</b>	<b>3,727,309</b>
<b>Total liabilities</b>	<b>2,454,635</b>	<b>7,534,943</b>	<b>7,351,964</b>	<b>17,341,542</b>	<b>4,496,078</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred inflows or resources related to pensions	159,830	158,274	8,816	326,920	123,463
<b>NET POSITION:</b>					
Net investment in capital assets	3,122,686	10,459,074	3,176,203	16,757,963	3,858,628
Unrestricted	(316,655)	2,621,928	1,718,163	4,023,426	5,342,467
<b>Total net position</b>	<b>2,806,031</b>	<b>13,081,002</b>	<b>4,894,366</b>	<b>20,781,389</b>	<b>9,201,095</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 5,420,496</b>	<b>\$ 20,774,219</b>	<b>\$ 12,255,136</b>		<b>\$ 13,820,636</b>
<b>Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds</b>				<b>(1,593,820)</b>	
<b>Net position of business - type activities</b>				<b>\$ 19,187,569</b>	

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

CITY OF RICHFIELD, MINNESOTA  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 For The Year Ended December 31, 2016

Statement 7

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Municipal Liquor Fund	Water and Sewer Utility Fund	Storm Sewer Fund	Total Current Year	
<b>OPERATING REVENUES</b>					
Charges for Service	\$ 10,457,318	\$ 7,647,683	\$ 1,352,699	\$ 19,457,700	\$ 3,633,963
Less: cost of sales	(7,828,967)	-	-	(7,828,967)	-
<b>Total operating revenues</b>	<b>2,628,351</b>	<b>7,647,683</b>	<b>1,352,699</b>	<b>11,628,733</b>	<b>3,633,963</b>
<b>OPERATING EXPENSES</b>					
Personnel services	1,497,906	2,016,212	345,138	3,859,256	1,557,271
Other service and charges	498,089	4,646,850	414,579	5,559,518	3,046,286
Depreciation	138,997	1,157,818	469,033	1,765,848	794,260
<b>Total operating expenses</b>	<b>2,134,992</b>	<b>7,819,880</b>	<b>1,228,750</b>	<b>11,183,622</b>	<b>5,397,817</b>
<b>Operating income (loss)</b>	<b>493,359</b>	<b>(172,197)</b>	<b>123,949</b>	<b>445,111</b>	<b>(1,763,854)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and investment revenue	3,519	44,920	5,352	53,791	63,260
Intergovernmental revenue	5,496	5,442	6,974	17,912	4,245
Miscellaneous revenue	11,064	91,205	174,855	277,124	212,424
Gain(loss) on disposal of capital assets	-	-	-	-	67,898
Interest expense	-	(152,430)	(193,787)	(346,217)	-
<b>Total nonoperating revenue (expenses)</b>	<b>20,079</b>	<b>(10,863)</b>	<b>(6,606)</b>	<b>2,610</b>	<b>347,827</b>
<b>Income before transfers &amp; capital contributions</b>	<b>513,438</b>	<b>(183,060)</b>	<b>117,343</b>	<b>447,721</b>	<b>(1,416,027)</b>
Capital Contributions	-	1,974,336	124,487	2,098,823	-
Transfers In	-	-	-	-	995,000
Transfers out	(382,210)	(80,000)	(40,000)	(502,210)	-
<b>Changes in net position</b>	<b>131,228</b>	<b>1,711,276</b>	<b>201,830</b>	<b>2,044,334</b>	<b>(421,027)</b>
<b>Total net position - beginning</b>	<b>2,674,803</b>	<b>11,369,726</b>	<b>4,692,526</b>		<b>9,622,122</b>
<b>Total net position - ending</b>	<b>\$ 2,806,031</b>	<b>\$ 13,081,002</b>	<b>\$ 4,894,356</b>		<b>\$ 9,201,095</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(189,962)	
Transfers in of capital assets from governmental activities				2,098,823	
Governmental activities contribution revenue reported above				(2,098,823)	
<b>Change in net position of business - type activities</b>				<b>\$ 1,854,372</b>	

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

**CITY OF RICHFIELD, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For The Year Ended December 31, 2016**

Statement 8

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Municipal Liquor Fund	Water and Sewer Utility Fund	Storm Sewer Fund	Totals	
<b>Cash flows from operating activities:</b>					
Receipts from customers and users	\$ 2,629,361	\$ 7,583,156	\$ 1,309,773	\$ 11,502,280	\$ -
Receipts from interfund services provided	-	-	-	-	3,633,963
Payment to employees	(1,484,518)	(2,044,870)	(345,544)	(3,874,932)	(1,539,273)
Payment to suppliers	(130,540)	(4,344,687)	(318,138)	(4,793,365)	(2,878,427)
Payments for interfund services used	(153,515)	(258,363)	(302,150)	(714,028)	-
Miscellaneous revenue	18,560	98,647	175,158	288,365	218,669
<b>Net cash flows from operating activities</b>	<b>877,338</b>	<b>1,011,883</b>	<b>519,099</b>	<b>2,408,320</b>	<b>(367,068)</b>
<b>Cash flows from noncapital financing activities:</b>					
Transfer from Capital Project Fund	-	-	-	-	995,000
Transfer to General Fund	(282,710)	-	-	(282,710)	-
Transfer to Special Revenue Fund	(99,500)	-	-	(99,500)	-
Transfer to Capital Project Funds	-	(80,000)	(40,000)	(120,000)	-
Interfund borrowing	-	(100,838)	-	(100,838)	59,808
Intergovernmental grants	-	-	6,671	6,671	-
<b>Net cash flows from noncapital financing activities:</b>	<b>(382,210)</b>	<b>(180,838)</b>	<b>(33,329)</b>	<b>(596,377)</b>	<b>1,054,808</b>
<b>Cash flows from capital and related financing activities:</b>					
Proceeds from the sale of bonds	-	-	2,970,000	2,970,000	-
Proceeds from disposal of capital assets	4,141	-	-	4,141	19,698
Acquisition of capital assets	(1,005,262)	(108,341)	(2,820,484)	(3,934,087)	(954,384)
Principal paid on capital debt	-	(4,270,000)	(1,880,000)	(6,150,000)	-
Interest payments	-	(216,013)	(89,591)	(305,604)	-
<b>Net cash flows from capital and related financing activities</b>	<b>(1,001,121)</b>	<b>(4,594,354)</b>	<b>(1,820,075)</b>	<b>(7,415,550)</b>	<b>(934,888)</b>
<b>Cash flows from investing activities:</b>					
Investment income	3,519	44,920	5,352	53,791	63,260
Net increase (decrease) in cash and cash equivalents	(502,474)	(3,718,389)	(1,328,953)	(5,549,816)	(183,686)
Cash and cash equivalents - January 1	939,001	5,800,029	2,972,243	9,711,273	8,796,395
<b>Cash and cash equivalents - December 31</b>	<b>\$ 436,527</b>	<b>\$ 2,081,640</b>	<b>\$ 1,643,290</b>	<b>\$ 4,161,457</b>	<b>\$ 8,612,709</b>
<b>Reconciliation of operating income to net cash flows from operating activities:</b>					
Operating income (loss)	\$ 493,359	\$ (172,197)	\$ 123,949	\$ 445,111	\$ (1,763,854)
<b>Adjustments to reconcile operating income (loss) to net cash flows from operating activities:</b>					
Miscellaneous revenue (expense)	16,560	98,647	175,158	288,365	218,669
Depreciation	138,997	1,157,818	489,033	1,765,848	794,260
<b>Changes in assets and liabilities:</b>					
Decrease (increase) in receivables	1,000	(84,963)	(42,924)	(126,887)	-
Decrease (increase) in prepaid items	91	-	-	91	-
Decrease (increase) in inventory	(194,305)	-	-	(194,305)	-
Decrease (increase) in deferred outflows related to pensions	(458,360)	(448,560)	(25,174)	(930,084)	(361,934)
Increase (decrease) in payables	328,498	6,089	(209,799)	122,788	46,399
Increase (decrease) in salaries and benefits payable	6,108	3,035	187	9,330	20,212
Increase (decrease) in compensated absences	7,280	(32,693)	(593)	(26,006)	(2,214)
Increase (decrease) in due to other governments	4,772	(15,486)	-	(10,714)	(1,043)
Increase (decrease) in net OPEB obligations	3,148	4,581	-	7,729	3,271
Increase (decrease) in deferred inflows related to pensions	49,065	45,672	2,708	97,445	46,053
Increase (decrease) in net pension liability	481,125	451,930	26,554	959,609	440,166
Increase (decrease) in claims and judgments	-	-	-	-	194,947
<b>Total adjustments</b>	<b>383,979</b>	<b>1,184,080</b>	<b>395,150</b>	<b>1,963,209</b>	<b>1,396,786</b>
<b>Net cash flows from operating activities</b>	<b>\$ 877,338</b>	<b>\$ 1,011,883</b>	<b>\$ 519,099</b>	<b>\$ 2,408,320</b>	<b>\$ (367,068)</b>
<b>Non cash capital and related financing activities:</b>					
Capital assets contributed by other funds	\$ -	\$ 1,974,336	\$ 124,487	\$ 2,098,823	\$ -
<b>Net non cash flows from non cash capital and related financing activities</b>	<b>\$ -</b>	<b>\$ 1,974,336</b>	<b>\$ 124,487</b>	<b>\$ 2,098,823</b>	<b>\$ -</b>

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

**CITY OF RICHFIELD, MINNESOTA  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
December 31, 2016**

**Statement 9**

	<b>Agency Fund</b>
<b>Assets</b>	
<b>Cash and investments</b>	<b>\$ 473,385</b>
<b>Total Assets</b>	<b>\$ 473,385</b>
<b>Liabilities</b>	
<b>Due to other governments</b>	<b>\$ 3,944</b>
<b>Deposits</b>	<b>469,441</b>
<b>Total Liabilities</b>	<b>\$ 473,385</b>

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

**CITY OF RICHFIELD, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**1. Summary of Significant Accounting Policies**

The City of Richfield (the City) was incorporated February 26, 1908. Since 1964, the City has operated under a Council-Manager form of government, as authorized by its City Charter.

The accounting policies of the City conform to generally accepted accounting principles, as applied to governmental units by the U.S. Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

**A. Reporting Entity**

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the general purpose financial statements of the City because of the significance of their operational or financial relationships with the City.

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

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

- *Blended Component Units* - Reported as if they were part of the City.
- *Discretely Presented Component Units* - Entails reporting the component unit financial data in a column separate from the financial data of the City.
- *Related Organizations* - The relationship of the City with the entity is disclosed.

For each of the categories above, the specific entities are identified as follows:

- *Blended Components Units:*
  - The City has no blended component units.
  - *Discretely Presented Component Units:*
    - Housing and Redevelopment Authority (HRA) in and for the City of Richfield.

The HRA was established on November 12, 1974, per Minnesota State Statute 462.426 (Minnesota Housing and Redevelopment Act of 1947), and is governed by a five-member commission appointed by the Mayor. The HRA was formed by the City to provide housing and redevelopment assistance to Richfield citizens and businesses. The HRA provides this assistance through the general taxes, the use of Community Development Block Grants, and the establishment of tax increment and tax abatement financing districts. The HRA also operates the Section 8 rental subsidy program as a direct recipient from the Department of Housing and Urban Development. As the City appoints the HRA commission and has the ability to hire or dismiss those persons responsible for its day-to-day operations, the HRA is considered a component unit of the City.

Financial statements of the HRA can be obtained from the administrative offices at City Hall:

Richfield Housing and Redevelopment Authority  
6700 Portland Avenue South  
Richfield, Minnesota 55423

• *Related Organizations*

The City has no related organizations.

**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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity is 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 and Fiduciary 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. Agency funds, however, are unlike all other funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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, OPEB obligations, 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 Ice Arena Fund accounts for the revenues earned and other resources generated by the operation of the City's two sheet ice arena facility.

The Improvement Bond Debt Service Fund is used for the accumulation of resources for payment of principal and interest for outstanding general obligation issues.

The Capital Improvement Capital Projects Fund is used to account for projects related to public improvement within the City.

The government reports the following major proprietary funds:

The Municipal Liquor Fund accounts for the operations of the four municipal liquor stores operated by the City.

The Water and Sewer Utility Fund accounts for the water and sewer service charges which are used to finance the water system and sanitary sewer system operating expenses.

The Storm Sewer Fund accounts for storm sewer user fees, which are used to finance storm sewer system operating expenses.

Additionally, the government reports the following fund types:

Internal Service Funds account for fleet management, data processing, risk management, building maintenance services, and compensated absences, provided to other funds or departments on a cost reimbursement basis.

Agency Funds are used to account for the City's collection of fees to be remitted to the State of Minnesota such as building permit-surcharges, snowmobile-boat license fees, and motor vehicle license fees. In addition, escrow deposits collected, are accounted within agency funds. These funds are custodial in nature and do not involve measurement of results of operation.

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, are similarly treated when they involve other funds of the City of Richfield. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds, the liquor, water & sewer, and storm sewer funds; and the City's internal service funds are from the sale of product and charges to customers for 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.

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

#### D. Budgets

Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and for the Debt Service Funds by bond indentures.

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects Funds. Encumbrances outstanding at year-end are reported within restrictions, commitments, or assignments of fund balance, as appropriate, since they do not constitute expenditures or liabilities. At December 31, 2016 there are no significant encumbrances outstanding in any major or nonmajor fund.

#### E. Legal Compliance - Budgets

The City follows these procedures in establishing the budgetary data reflected in the financial statement and set forth in Section 7.06 of the City Charter.

1. The City Manager shall, at a special budget meeting of the Council on or before September 15, submit to the Council a proposed budget and an explanatory budget message in a form and manner as prescribed by the City Charter.
2. At the special budget meeting, the Council shall determine the plan and time of the public hearing or hearings on the budget. Public hearings are conducted to obtain taxpayer comments.
3. The Council shall adopt the budget no later than the last date established by law for the County Auditor to levy taxes. The budget shall set forth the total for each budgeted fund and each department with such segregation as to objects and purposes of expenditures as the Council deems necessary for purposes of budget control for the General and Special Revenue Funds.
4. Reported budget amounts are as originally adopted or as amended by Council-approved budget transfers. During 2016 the General Fund budget was amended to decrease budgeted expenditures and transfers out by \$48,510. The City Manager is authorized to transfer budgeted amounts between divisions within any department; however, any revisions that alter the total expenditures of any department must be approved by the City

Council with formal adoption by resolution. All budgeted appropriations lapse at the end of the year.

5. Expenditures may not legally exceed budgeted appropriations at the total department level. Monitoring of budgets is maintained at the expenditure category (i.e. salaries, wages, and benefits, material, supplies, and services; and capital outlay) within each activity. Budgetary monitoring, by departments or divisions and by category, is required by the City Charter.

#### F. Cash, Cash Equivalents, and Investments

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

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

Investment income is accrued at the balance sheet date. For purposes of the statement of cash flows, the Proprietary Funds consider investments held in the City's cash management pool to be cash equivalents because this pool is used essentially as a demand deposit account.

At December 31, 2016 the City currently has restricted cash balances on the financial statements of \$6,176,067. This balance represents cash that is restricted for the future refunding of the G.O. Capital Improvement Plan Bonds, Series 2008A. The future refunding will occur on February 1, 2019.

#### G. Short-Term Interfund and Primary Government/Component Unit Receivable/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "advances to other funds" or "advances from other funds" on the balance sheet. Payables/receivables between the primary government and its component unit are classified as "due to/from component unit" on the primary government's balance sheet and "due to/from primary government" on the component unit's balance sheet.

Property taxes and special assessments have been reported net of estimated uncollectible accounts (See Note 1H 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 2 and December 2 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 Financial Statements

The City recognizes property tax revenue in the period for which the 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 and State credits 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 and credits not received at the year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not



collected by the City in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures.

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. Proceeds of sales from tax forfeit properties are allocated first to the County's costs of administering all tax forfeit properties. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, 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) and are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funding are completely offset by deferred inflows of resources of revenues.

Inventories

Inventories are valued at cost, on a first-in, first-out basis. The cost of inventory in the Proprietary Funds is recognized as cost of sales or expense of operation at the time the inventory is sold or used.

K. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Accordingly, prepaid items are accounted for using the consumption method, where expense is recognized in the periods that the service or benefit is provided.

L. Land Held for Resale

Land held for resale represents property purchased by the City with the intent to resell in the future for redevelopment. These assets are stated at the lower of cost or net realizable value.

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. Infrastructure assets that are reported within the government-wide financial statements include assets that were acquired on or after 1960. Capital assets are defined by the government 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 estimated fair market value at the date of donation.

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, 2016, no interest was capitalized in connection with construction in progress.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method, while infrastructure assets are depreciated using the composite method. Capital assets are depreciated over the following estimated useful lives:

Assets	
Buildings and structures	20-50 years
Machinery and equipment	3-15 years
Furniture and fixtures	10 years
Other improvements	10-50 years
Storm sewers	25-30 years
Streets	25 years
Street lights	25 years
Distribution and collection systems	30-50 years

N. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and personal leave pay benefits. In addition, the fire employees are paid one-third of their unused sick pay upon termination. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for governmental fund employees is accrued in the Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is vested as severance pay. Compensated absences for governmental funds are accounted for in the Compensated Absences Internal Service Fund.

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.

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. Pensions

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

Q. Fund Equity

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

**Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

**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 that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

**Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent

intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council resolution, the City's Finance Manager is authorized to establish assignments of fund balance.

Unassigned—The residual classification for the General Fund which also reflects negative residual amounts in other funds.

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

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

#### R. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows or resources related to pensions for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance sheet as unavailable revenue. The governmental funds report unavailable revenues from two sources: delinquent 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 City presents deferred inflows or resources on the Statement of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

#### S. Net position

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

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 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 positions that do not meet the definition of "restricted" or "invested in capital assets."

#### T. Targeted Fund Balance

The City has established a targeted fund balance policy for its General Fund where it will strive to maintain an unassigned fund balance of an amount not less than 40% of the current year end actual General Fund revenues. The dollar amount of the target may fluctuate with each year's actual results.

#### U. 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.

#### V. Reclassified

Certain 2015 amounts have been reclassified to conform to the 2016 presentation.

#### W. 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.

#### 2. Deposits and Investments

##### A. Deposits

Minnesota Statutes require that all deposits with financial institutions must be collateralized in an amount equal to 110% of deposits in excess of FDIC insurance. Deposits include checking, savings and certificates of deposits.

##### B. Investments

The City and HRA is authorized by Minnesota Statutes Chapter 118A to invest in the following:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in a) above.
- General obligations of the State of Minnesota or any of its municipalities.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper, issued by United States corporations of their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities in the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- Guaranteed investment contracts (GIC) issued or guaranteed by a United States commercial bank or domestic branch of a foreign bank or a United States insurance company or its Canadian or United States subsidiary.
- Mortgage-backed securities that are direct obligations or guaranteed or insured issues of the United States, its agencies, and its instrumentality's, or organizations created by an act of Congress.

The City's investments are categorized by level of risk as provided in GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, in the following manner:

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's investment policies do not formally address this risk, but the City typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities. To protect against potential fraud and embezzlement, the investments of the City and HRA are secured through a third party custody and safekeeping arrangement.

Interest Rate Risk – To control the risk of market price changes, the City's formal investment policy recommends investment maturities shall match the City's projected cash flows. Investments in securities with maturities in excess of two years shall be placed with the intention to hold the security until maturity.

Credit Risk – To control credit risk, investments purchased shall include those authorized by Minnesota Statutes, such as U.S. Government Securities and the highest quality commercial paper. The ratings assigned to these securities are noted in the table below. The City's investment policy does not further address credit risk.

The City participates in the 4M Fund, an external investment pool. The City's investment in the 4M Fund at December 31, 2016 is \$9,245,207. The 4M Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities.

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawal prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

Money market mutual funds invested as part of the City's trust arrangement at Wells Fargo are consist entirely of money market 2a7 funds and is unrated.  
**Concentration of Credit Risk** – The City's investment policy places no limit on the amount the City may invest in any one issuer. Approximately 73% of the City's investments are with U.S. Government Securities.

The following is a summary of the City's and HRA's investments, stated at fair value. The majority of the HRA investments are in the investment pool of the City. Therefore, the HRA investments are not segregated for disclosure.  
 As of December 31, 2016, the City and HRA had the following investments and maturities:

Investment Type	S&P Ratings	% of Total	Investment Maturities (in Years)			
			Fair Value	Less Than 1 Year	Years 1-5	Years 6-10
<b>Pooled Investments:</b>						
Federal Home Loan Bank	AA+	21.66%	\$11,935,294	\$10,434,989	\$1,500,305	\$-
Federal Home Loan Mortgage Corporation	AA+	17.14%	9,441,221	8,444,911	996,310	-
Federal National Mortgage Association	AA+	10.62%	5,852,749	4,853,429	999,320	-
Federal Farm Credit	AA+	7.80%	4,346,880	1,350,740	2,996,140	-
Federal Agricultural Mortgage Corporation	N/A	1.45%	796,328	796,328	-	-
Financing Corporation Strips	N/A	1.08%	595,428	595,428	-	-
U.S. Treasury Bonds	N/A	12.70%	6,998,730	4,000,410	2,998,320	-
<b>Municipal Bonds</b>						
Phila. PA Auth. For Indl. Dev. Pension Bids	AA	1.77%	877,570	-	877,570	-
FL Hurricane Fd Fin Corp Rev Bonds	AA	1.83%	1,010,030	-	1,010,030	-
<b>Money Markets:</b>						
Money Market Mutual Fund Investments	N/A	7.05%	3,885,620	3,885,620	-	-
External Investment Pool	N/A	16.78%	9,245,207	9,245,207	-	-
<b>Total Pooled Investments</b>		<b>100.00%</b>	<b>\$55,091,057</b>	<b>\$43,610,062</b>	<b>\$11,480,995</b>	<b>\$-</b>
<b>Non-Pooled Investments:</b>						
U.S. Treasury, State and Local Government Series Time Deposit	N/A	4.83%	\$298,515	\$87,561	\$210,954	-
U.S. Treasury Note	N/A	95.16%	5,876,738	-	5,876,738	-
Money Market	N/A	0.01%	814	814	-	-
<b>Total Non-Pooled Investments</b>		<b>100.00%</b>	<b>\$6,176,057</b>	<b>\$88,375</b>	<b>\$6,087,682</b>	<b>\$-</b>
<b>Total</b>			<b>\$61,267,124</b>	<b>\$43,698,437</b>	<b>\$17,568,677</b>	<b>\$-</b>

The City has the following recurring fair value measurements as of December 31, 2016:  
 • \$13,173,983 of investments are valued using a quoted market prices (Level 1 inputs)  
 • \$34,961,500 of investments are valued using a matrix pricing model (Level 2 inputs)

**3. Capital Assets**  
 Capital asset activity for the year ended December 31, 2016:

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:	\$ 9,353,605	\$ -	\$ -	\$ 9,353,605
Land	294,838	440,937	(631,062)	104,713
Construction in progress	9,058,767	440,937	(631,062)	9,458,318
Total capital assets, not being depreciated	9,648,443	440,937	(631,062)	9,458,318
Capital assets, being depreciated:				
Buildings and structures	49,176,036	54,877	-	49,230,913
Machinery and equipment	12,305,138	1,637,355	(657,452)	13,285,041
Other improvements	5,631,782	210,489	(5,842,271)	5,842,271
Streets (infrastructure)	73,929,105	147,024	-	74,076,129
Total capital assets, being depreciated	141,042,061	2,049,745	(657,452)	142,434,354
Less accumulated depreciation for:				
Buildings and structures	11,036,064	1,193,709	-	12,229,773
Machinery and equipment	7,638,613	959,800	(619,478)	7,978,935
Other improvements	3,240,042	251,935	-	3,491,977
Streets (infrastructure)	51,196,666	1,849,420	-	53,046,086
Total accumulated depreciation	73,111,385	4,254,864	(619,478)	76,746,771
Total capital assets being depreciated-net	67,930,676	(2,205,119)	(37,974)	65,687,583
Governmental activities capital assets-net	\$77,579,119	(1,764,182)	(669,036)	\$75,145,901
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 638,673	-	-	\$ 638,673
Construction in process	3,458,400	3,780,463	(4,972,167)	2,266,696
Total capital assets, not being depreciated	4,097,073	3,780,463	(4,972,167)	2,905,369
Capital assets, being depreciated:				
Buildings and structures	6,365,727	941,990	-	7,307,717
Machinery and equipment	11,410,320	71,319	(62,694)	11,389,946
Other improvements	31,582,598	6,211,306	-	37,793,904
Total capital assets, being depreciated	51,358,645	7,224,615	(62,694)	58,499,566
Less accumulated depreciation for:				
Buildings and structures	5,985,823	223,466	-	6,209,309
Machinery and equipment	7,454,946	440,733	(86,553)	7,807,126
Other improvements	17,298,218	1,101,629	-	18,399,847
Total accumulated depreciation	30,738,987	1,765,848	(86,553)	32,416,282
Total capital assets being depreciated - net	20,619,658	5,458,767	(4,141)	26,074,284
Business-type activities capital assets - net	\$24,716,731	9,239,230	(4,976,308)	\$28,979,653

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

Governmental activities:	
General government	\$ 500,726
Public safety	65,787
Fire	54,252
Public works, including depreciation of general infrastructure assets	2,173,721
Parks and recreation	666,118
Internal service funds	794,260
Total depreciation expense - governmental activities	\$4,254,864
Business-type activities:	
Liquor operations	\$ 138,997
Water & Sewer utility	1,157,818
Storm Sewer utility	469,033
Total depreciation expense - business-type activities	\$1,765,848

4. **Risk Management**

The City is exposed to various risks such as loss related to: torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the City's policy to be self-insured for workers' compensation, dental insurance and short-term disability insurance. Additionally, the City maintains a risk retention program for property, general liability, and auto liability insurance coverage by maintaining high deductibles. Accordingly, a Self-Insurance Fund (an Internal Service Fund) was established to account for and finance the City's uninsured risk of loss. Under this program, the Self Insurance Fund provides coverage for up to a maximum of \$500,000 for each Workers' Compensation claim, and \$50,000 (\$300,000 aggregate) for each general liability and property damage claim. The City purchases insurance from the League of Minnesota Cities Insurance Trust (LMCIT) for property and municipal liability and the Workers' Compensation Reinsurance Association for claims in excess of coverage provided by the Fund and for all other risks of loss. The City has realized no significant reductions in insurance coverage during 2016. Finally, settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Insurance reimbursements to the Self-Insurance Fund are charged back to the affected Governmental and Proprietary funds in the form of an insurance charge to fund future premiums and estimated prior and current year claims. The claims and judgments liability of \$1,113,594 reported in the fund at December 31, 2016, is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires a liability for claims reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

A summary of the claims and judgments liability amount at December 31, 2016 and 2015 are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims & Changes in Estimates	Claim Payments-Net	Balance at Fiscal Year End
2015	\$925,687	138,940	(145,980)	\$918,647
2016	\$918,647	721,458	(526,511)	\$1,113,594

5. **Long-Term Liabilities**

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

Redevelopment bonds are paid primarily from tax increments derived from increases in the taxable valuation of property within a redevelopment area in the City. The full faith and credit of the City is pledged on the bonds. Improvement bonds are paid primarily from debt service tax levies and proceeds of special assessments levied against property owners benefiting from improvements made. The full faith and credit of the City is pledged on the bonds. The Water and Sewer Revenue Bonds debt requirements are paid from the revenues of the operation of Water and Sewer Utility Fund. The Storm Sewer Revenue Bonds debt requirements are paid from net revenue of the operation of the Storm Sewer Utility Fund.

The General Obligation Refunding Bonds, Series 2015B, issued in 2015, was a current refunding of the \$6,080,000 Water & Sewer Revenue Bonds, Series 2006A and the \$2,500,000 Storm Sewer Revenue Bonds, 2006B. The 2015B proceeds refunded the 2006A and 2006B issues on February 1, 2016. The City will realize a savings in interest costs with the refunding in the amount of \$843,355 over the remaining life of the bonds. The net present value cash flow savings from this transaction was \$764,697.

During 2016, the City issued three new bond issues. The first issue, the \$2,970,000 General Obligation Storm Water Revenue Bonds, Series 2016A, was issued to fund the Monroe Park/66<sup>th</sup> Street storm water project.

The second issue, the \$5,085,000 General Obligation Refunding Bonds, Series 2016B. This issue was a current refunding of the \$4,705,000 General Obligation Capital Improvement Bonds, Series 2007A and the \$4,250,000 General Obligation Improvement Bonds, Series 2007B. The 2016B proceeds are scheduled to refund the 2007A and 2007B issues on February 1, 2017. The City will realize a savings in interest costs with the refunding in the amount of \$1,018,104 over the remaining life of the bonds. The net present value cash flow savings from this transaction was \$888,955.

The third issue, the \$6,130,000 General Obligation Refunding Bonds, Series 2016C, is an advance crossover refunding of the \$9,480,000 General Obligation Capital Improvement Bonds, Series 2008A. The 2016C proceeds will be held in escrow and will refund the 2008A issue on February 1, 2019. The City will realize a savings in interest costs with the refunding in the amount of \$776,547 over the remaining life of the bonds. The net present value cash flow savings from this transaction was \$677,813.

**Governmental Activities**

As of December 31, 2016, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

	Net Interest Rate	Issue Date	Final Maturity Date	Original Issued	Payable 12/31/16
<b>REDEVELOPMENT BONDS</b>					
G.O. Tax Increment Refunding Bonds, 2010B	3.05%	12/30/2010	2/1/2024	\$6,355,000	\$4,150,000
G.O. Tax Increment Refunding Bonds, 2012B	2.25%	9/6/2012	2/1/2025	2,970,000	2,190,000
Total Redevelopment Bonds				9,325,000	6,340,000
<b>IMPROVEMENT BONDS</b>					
G.O. Capital Improvement Bonds Series, 2007A	4.27%	7/10/2007	2/1/2028	4,705,000	3,275,000
G.O. Improvement Bonds, Series 2007B	4.27%	7/10/2007	2/1/2028	4,250,000	2,965,000
G.O. Capital Improvement Bonds Series, 2008A	4.60%	12/23/2008	2/1/2029	9,480,000	7,395,000
G.O. Capital Improvement Bonds Series, 2008A	4.49%	1/14/2009	2/1/2029	4,550,000	3,575,000
G.O. Bonds, 2010A	1.89%	5/19/2010	2/1/2021	1,500,000	100,000
G.O. Street Reconstruction Bonds, Series 2012A	2.35%	9/6/2012	2/1/2033	2,120,000	1,870,000
G.O. Improvement Bonds, Series 2013A	2.18%	3/21/2013	2/1/2034	3,120,000	2,236,092
G.O. Street Reconstruction Bonds, Series 2015A	2.71%	6/4/2015	2/1/2036	9,100,000	9,110,674
G.O. Refunding Bonds, Series 2016B	1.58%	11/17/2016	2/1/2028	5,085,000	5,374,478
G.O. Refunding Bonds, Series 2016C	2.04%	12/15/2016	2/1/2029	6,130,000	6,311,643
Total Improvement Bonds				50,040,000	42,212,887
<b>TOTAL GOVERNMENTAL INDEBTEDNESS</b>					
<b>ENTERPRISE BONDS</b>					
Water Revenue Bonds, Series 2011A	3.67%	5/18/2011	2/1/2032	\$1,480,000	\$1,247,926
G.O. Storm Sewer Bonds, Series 2013B	2.26%	3/21/2013	2/1/2033	2,770,000	2,169,531
G.O. Refunding Bonds, Series 2015B	1.74%	1/10/2015	2/1/2027	5,360,000	5,596,940
G.O. Storm Water Bonds, Series 2016A	2.18%	5/19/2016	2/1/2037	2,970,000	3,061,262
<b>TOTAL BUSINESS-TYPE ACTIVITY INDEBTEDNESS</b>					
<b>TOTAL CITY INDEBTEDNESS</b>					
				\$59,365,000	\$60,898,566
				\$89,525,000	\$12,345,679

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

Year	Redevelopment Bonds		Improvement Bonds		Water & Sewer		Storm Sewer	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$955,000	\$177,156	\$7,445,000	\$1,039,661	\$330,000	\$140,865	\$240,000	\$182,588
2018	705,000	163,416	1,600,000	1,057,841	370,000	130,799	365,000	159,870
2019	720,000	147,146	7,745,000	866,083	375,000	119,635	375,000	150,200
2020	745,000	128,321	1,800,000	675,131	390,000	108,425	380,000	139,945
2021	760,000	107,430	1,855,000	626,493	405,000	96,498	395,000	129,595
2022-2028	2,715,000	169,294	10,060,000	2,303,956	2,205,000	296,383	2,130,000	485,570
2027-2031	-	-	7,785,000	911,234	850,000	71,615	1,695,000	262,222
2032-2036	-	-	3,140,000	203,956	100,000	2,075	1,190,000	86,169
2037	-	-	-	-	100,000	-	185,000	2,487
TOTALS	\$6,340,000	\$992,763	\$41,430,000	\$7,784,355	\$5,025,000	\$965,495	\$6,955,000	\$1,600,476

6. Interfund balances and transactions  
Interfund transfers as of December 31, 2016 are as follows:

	Transfers in						Total
	General Fund	Ice Arena	Improvement Bonds	Capital Improvements	Nonmajor Governmental	Internal Service	
General Fund	435,000	70,000	-	-	80,000	-	\$150,000
Improvement Bonds	170,000	-	4,730	-	665,500	-	\$435,000
Capital Improvement	150,000	-	401,710	1,960,460	100,441	30,000	\$1,933,324
Nonmajor Governmental	-	-	-	-	99,500	-	\$2,342,801
Liquor Enterprise	-	-	-	-	-	-	\$382,210
Water & Sewer Utility	-	-	-	80,000	-	-	\$80,000
Storm Sewer Utility	-	-	-	40,000	-	-	\$40,000
	\$1,037,710	\$70,000	\$406,440	\$1,908,614	\$945,441	\$995,000	\$5,363,205

Interfund transfers allow the City to allocate financial resources to funds to provide funding for services to be provided or to provide financing for specific capital projects.

The City's Self Insurance Fund made an advance to the Ice Arena Fund to finance energy improvements for the City's Ice Arena. The term of the advance will be twenty (20) years with a beginning interest rate of 2%. The City Manager is authorized to adjust the interest rate as market conditions may dictate. At December 31, 2016 the balance of the respective advances (due in more than a year) was \$835,725. The portion of the advances that is due in one year is \$61,015.

In 2011, the City's Capital Improvements Fund made an advance to the Water & Sewer Utility Fund to help provide funding for certain capital projects to be undertaken within the water operation. The advance will be repaid over the next ten years with a 2% interest rate, using funds generated from the water utility operation. The City Manager is authorized to adjust the interest rate as market conditions may dictate. At December 31, 2016, the balance of the advance was \$424,120. The portion of this advance that is due in one year, \$102,873 is included in interfund receivables and payables.

In 2013, the City's Recreation Improvement Fund made an advance to the Park Capital Project Fund to finance the Honoring All Veterans Memorial monument located in Veterans Park. The advance will be repaid over the next five years using proceeds received from monument engravings at 0% interest. At December 31, 2016 the portion of the advance that is due in one year is \$10,000, and the portion due in more than one year is \$221,440.

In 2014, the City's Communications Fund made an advance to the Ice Arena Fund to finance the construction of a new locker room at Rink 1. The advance will be repaid over fifteen (15) years with interest received from the tenant of the locker room. In addition, the City's Recreation Improvement Fund also made an advance to the Ice Arena Fund to finance the call and retirement of the 1999 Gross Revenue Ice Arena Bonds, Series 1999. The advance will be repaid over six years at a 1% rate of interest using revenues generated by the Ice Arena operation. Finally, the City's Capital Improvements Fund made an advance to the Richfield Housing and Redevelopment Authority (HRA) to prepay special assessments to be levied against the HRA property as part of the North Richfield Parkway Project. The term of the loan will be twenty (20) years with no principal and interest payments due the first two years and then 1% interest beginning in year three. The repayment of the loan will have three sources in the following priority: land sale proceeds, tax increment revenues and funds of the HRA that are legally available to pay on the loan. At December 31, 2016, the portion of the advances that is due within one year is \$42,764 for the locker room, \$93,387 for the bond retirement and \$39,750 for the loan to prepay the special assessments. The portions of the loans due in more than one year are \$513,163, \$285,828, and \$740,250 for the locker room, bond retirement and prepay of special assessments.

At the end of 2016, the Ice Arena, and Swimming Pool Funds have overdrawn their cash positions. As a result, the General Fund has advanced to the Ice Arena and Swimming Pool, funds to cover the overdrawn cash position as of December 31, 2016. These advances are reflected in the financial statements as due to and due from other funds.

Change in Long-Term Liabilities  
Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and notes payable:					
Redevelopment Bonds	\$7,020,000	\$-	\$(680,000)	\$6,340,000	\$ 695,000
Improvement Bonds	31,660,000	11,215,000	(1,445,000)	41,430,000	7,445,000
Premium (Discount) on bonds payable	329,510	516,582	(63,205)	782,887	-
Total bonds and notes payable	39,009,510	11,731,582	(2,188,205)	48,552,887	8,140,000
Other Liabilities:					
Claims and judgments	916,647	721,458	(526,511)	1,113,594	93,954
Net OPEB obligation	1,511,801	193,172	(44,523)	1,660,450	-
Net Pension liability	13,194,331	23,120,673	-	36,324,004	-
Compensated absences	2,000,736	99,474	(101,688)	1,998,522	533,113
Governmental activities long-term liabilities	\$56,635,025	\$35,875,359	\$(2,860,927)	\$89,649,457	\$8,767,087
<b>Business - Type Activities</b>					
Bonds and notes payable:					
Water & Sewer Revenue Bonds	\$4,210,000	\$-	\$(4,210,000)	\$-	\$-
Storm Sewer Revenue Bonds	4,285,000	2,970,000	(1,860,000)	5,375,000	125,000
Water Revenue Bonds	1,305,000	-	(60,000)	1,245,000	60,000
G.O. Refunding Bonds	5,360,000	-	-	5,360,000	385,000
Premium (Discount) on bonds payable	306,697	96,082	(37,100)	365,679	-
Total bonds and notes payable	15,466,697	3,066,082	(6,187,100)	12,345,679	570,000
Other Liabilities:					
Net OPEB obligation	81,577	10,044	(2,315)	89,306	-
Net Pension liability	1,928,461	959,609	-	2,888,070	-
Compensated absences	309,671	23,681	(49,687)	283,665	85,986
Business-type activities long-term liabilities	\$17,786,406	\$4,059,416	\$(6,239,102)	\$15,606,720	\$855,986

For the governmental activities, compensated absences are generally liquidated by the compensated absences fund. Net OPEB obligations and pensions are generally liquidated by the General Fund and Enterprise Funds. Claims and judgments are generally liquidated by the Self Insurance Fund. All long-term bonded indebtedness outstanding at December 31, 2016 is backed by the full faith and credit of the City, including special assessment and revenue bond issues. Special assessment receivable at December 31, 2016 totaled \$627,669.

Revenue Pledged

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue	Use of Proceeds	Type	Term of Pledge	Revenue Pledged		Current Year	
				Percent of Debt Service	Remaining Principal and Interest	Principal Paid	Pledged Revenue Received
Water Revenue Bonds, Series 2011A	Utility Infrastructure	Utility Charges	2012-2032	100%	\$1,658,844	\$104,460	\$3,577,172
G.O. Storm Sewer Bonds, Series 2013B	Utility Infrastructure	Utility Charges	2013-2033	100%	2,915,835	176,055	1,352,699
G.O. Refunding Bonds, Series 2015B	Utility Infrastructure	Utility Charges	2016-2027	100%	6,142,125	104,581	4,929,871
G.O. Storm Water Bonds, Series 2016A	Utility Infrastructure	Utility Charges	2017-2037	100%	3,829,166	89,358	1,352,689

Individual fund interfund receivables and payables balances at year-end were as follows:

Due From Other Funds		Amount
Self-Insurance Fund	Ice Arena	61,015
Capital Improvement Funds	Water & Sewer Utility	102,873
Recreation Improvement Fund	Park Capital Projects Fund	10,000
Communications Fund	Ice Arena	42,764
Capital Improvement Fund	Ice Arena	93,387
Capital Improvement Funds	Component Unit	39,750
General Fund	Ice Arena	2,253,830
General Fund	Swimming Pool	1,009,194

Due to Other Funds		Amount
Ice Arena	Advances from Other Funds	835,725
Water & Sewer Utility	Ice Arena	321,247
Park Capital Projects Fund	Water & Sewer Utility	221,440
Ice Arena	Park Capital Projects Fund	213,163
Component Unit	Ice Arena	285,828
Component Unit	Component Unit	740,250

Individual fund advances to and advances from at year-end were as follows:

Advances to Other Funds		Amount
Self-Insurance Fund	Ice Arena	835,725
Capital Improvements Funds	Water & Sewer Utility	321,247
Recreation Improvement Fund	Park Capital Projects Fund	221,440
Communications Fund	Ice Arena	213,163
Recreation Improvement Fund	Ice Arena	285,828
Capital Improvement Funds	Component Unit	740,250

7. Individual Fund Disclosures

Expenditures exceeded appropriations (budget) in the following individual funds for the year ended December 31, 2016:

	Final Budget	Actual	Over Budget
Primary Government:			
Nonmajor Special Revenue Funds:			
Communications	\$399,760	\$404,053	\$4,293
Drug Forfeitures	25,600	60,729	35,129
Public Safety Compliance	46,500	56,681	10,181
Nature Center Contributions	65,260	82,755	17,495
Public Health Grants	31,220	34,312	3,092

8. Fund Balances

The following is a breakdown of equity components of governmental funds which are defined earlier in the report. Any such restrictions which have an accumulated deficit rather than positive balance at December 31 are included in unassigned fund balance in the City's financial statements in accordance with generally accepted accounting principles.

At December 31, 2016, a summary of the City's governmental fund balance classifications are as follows:

	General Fund	Ice Arena	Improvement Bonds	Capital Improvements	Other Governmental Funds	Total
Nonspendable	\$76,583	\$-	\$-	\$-	\$7,330	\$ 83,923
Prepaid items	76,583	-	-	-	7,330	83,923
Total nonspendable						
Restricted						
Future debt service	-	-	13,570,167	-	-	13,570,167
Fulus MSA projects	-	-	-	337,321	-	337,321
Cedar Point abatement	-	-	-	52,218	-	52,218
Law enforcement drug forfeitures	-	-	-	-	133,391	133,391
Public Safety State grants	-	-	-	-	19,745	19,745
Recreation services donations	-	-	-	-	12,491	12,491
Wood Lake Nature Center donations	-	-	-	-	90,708	90,708
Public health assessment	-	-	-	-	84,127	84,127
Total restricted						
Committed						
Street improvements	-	-	1,394,966	-	-	1,394,966
Local improvement funding	-	-	-	1,254,306	-	1,254,306
Recycling Grant	-	-	-	248,334	-	248,334
Park improvement projects	-	-	-	-	133,871	133,871
Tourism administration	-	-	-	-	47,631	47,631
Public Cable TV & information activities	-	-	-	-	2,035,679	2,035,679
National, State, and Local elections	-	-	-	-	903,211	903,211
Alcohol and Tobacco Compliance	-	-	-	-	87,943	87,943
Wood Lake Half Marathon	-	-	-	-	138	138
Street Maintenance & forestry programs	-	-	-	-	2,741,528	2,741,528
Special Facilities	-	-	-	-	8,797	8,797
Park & Recreation Capital Projects	-	-	-	-	4,353,531	4,353,531
Total committed						
Assigned						
Debt related expenditures	-	-	503,190	-	-	503,190
Future capital projects	-	-	-	6,341,353	-	6,341,353
Total assigned						
Unassigned						
General Fund	8,625,011	-	-	-	-	8,625,011
Ice Arena	-	(3,950,954)	-	-	-	(3,950,954)
Swimming Pool	-	-	-	-	(1,023,421)	(1,023,421)
Park & Recreation Capital Projects	-	-	-	-	(231,257)	(231,257)
Total unassigned						
	8,625,011	(3,950,954)	-	-	(1,254,678)	3,419,379
Total						
	\$8,701,604	\$3,950,954	\$15,468,323	\$8,233,532	\$9,405,443	\$37,887,948

9. Contingencies and Litigation

The City is currently involved in various pending litigation cases. After evaluation by the City's attorney it is believed that the resolution of these cases will not have a material impact on the financial statements.

The City has been named as a defendant in the cleanup of the Burnsville Landfill. The case is pending further information and the outcome of the liability to the City is unknown at the present time.

The City has entered into an agreement with the Metropolitan Airports Commission (MAC), where the City will purchase certain right-of-way-properties as part of the 66<sup>th</sup> Street/17<sup>th</sup> Avenue intersection constructed in 2007. As part of the agreement, MAC will provide to the City the funds necessary to finance the right-of-way acquisitions. In addition, the City agrees to repay to MAC payments made by MAC to the City for the right-of-way acquisitions. However, within the agreements there are specific provisions that must be met in order for repayment to MAC to occur.

The cumulative amount of funds provided to the City for right-of-way acquisitions as of December 31, 2016 by MAC is \$1,080,779. In 2016 the City received no funds from MAC for right of way

acquisitions as part of the intersection project. This potential liability is not recorded on the financial statements. The likelihood of the specific provisions being met is considered remote.

10. Defined Benefit Pension Plans

The City participates in various pension plans. Total pension expense for the year ended December 31, 2016 was \$6,205,964. The components of pension expense are noted in the following plan summaries.

Public Employees Retirement Association

A. Plan Description

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

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City of Richfield are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

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

B. Benefits Provided

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 80% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

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

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated 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% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unretroced Social Security benefits capped at 66.

2. PEPFF Benefits

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

C. Contributions

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

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2016. The City of Richfield was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The City of Richfield's contributions to the GERF for the year ended December 31, 2016, were \$726,143. The City of Richfield's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2016. The City of Richfield was required to contribute 16.20% of pay for PEPFF members in calendar year 2016. The City of Richfield's contributions to the PEPFF for the year ended December 31, 2016, were \$1,000,004. The City of Richfield's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2016, the City of Richfield reported a liability of \$12,865,653 for its proportionate share of the GERF's net pension liability. The City of Richfield's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of Richfield totaled \$168,215. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Richfield's proportion of the net pension liability was based on the City of Richfield contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City of Richfield's proportion share was .1587% which was a decrease of .0009% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City of Richfield recognized pension expense of \$1,669,561 for its proportionate share of the GERF's pension expense. In addition, the City of Richfield recognized an additional \$50,157 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2016, the City of Richfield reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$1,046,768
Changes in actuarial assumptions	2,523,022	-
Difference between projected and actual investment earnings	2,445,752	-
Changes in proportion	-	411,848
Contributions paid to PERA subsequent to the measurement date	363,072	-
Total	<u>\$5,331,846</u>	<u>\$1,458,616</u>

\$363,072 reported as deferred outflows of resources related to pensions resulting from City of Richfield contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2017	\$ 806,163
2018	806,159
2019	1,232,390
2020	485,446
2021	-
Thereafter	-
Total	\$ 3,510,158

## 2. PEPFF Pension Costs

At December 31, 2016, the City of Richfield reported a liability of \$26,326,421 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Richfield proportion of the net pension liability was based on the City of Richfield contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City of Richfield proportion was .656% which was an increase of .053 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City of Richfield recognized pension expense of \$4,535,993 for its proportionate share of the PEPFF's pension expense. The City of Richfield also recognized \$59,040 for the year ended December 31, 2016, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2016, the City of Richfield reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$3,020,141
Changes in actuarial assumptions	14,488,580	-
Difference between projected and actual investment earnings	4,017,599	-
Changes in proportion	522,151	313,326
Contributions paid to PERA subsequent to the measurement date	500,002	-
Total	\$19,528,332	\$3,333,467

\$500,002 reported as deferred outflows of resources related to pensions resulting from City of Richfield contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2017	\$ 3,356,996
2018	3,356,996
2019	3,357,008
2020	3,032,333
2021	2,591,530
Thereafter	-
Total	\$ 15,694,863

## E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disability rates were based on RP-2014 tables for GERF and RP-2000 tables for PEPFF for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be .1% per year for all future years for GERF and PEPFF.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in GERF was completed in 2015. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009.

The following changes in actuarial assumptions occurred in 2016:

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

## PEPFF

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- The assumed salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Total	100%	

## F. Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In PEPFF, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal years ended June 30, 2057, when projected benefit payments exceed the fund's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-



year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

**G. Pension Liability Sensitivity**

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

**Sensitivity of Net Pension Liability at Current Single Discount Rate (in thousands)**

	6.50%	7.50%	8.50%	GERF	PEPFF
1% Lower	\$18,301,446	\$18,301,446	\$18,301,446	\$36,853,496	\$36,853,496
Current Discount Rate	12,885,653	12,885,653	12,885,653	26,326,421	26,326,421
1% Higher	8,424,513	8,424,513	8,424,513	17,725,002	17,725,002

**H. Pension Plan Fiduciary Net Position**

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

**11. Defined Contribution Plan**

One council member of the City of Richfield is covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer defined contribution 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.

The defined contribution plan consists of individual accounts paying a lump sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Therefore, there is no future liability to the employer. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% 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% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Pension expense for the year is equal to contributions made. Total contributions made by the City of Richfield during fiscal year 2016 were:

Contribution Amount	Percentage of Covered Payroll	Required Rate
Employer \$430	Employee 5%	Employer 5%

**12. Other Post-Employment Benefits**

**A. Plan Description**

The City provides post-employment insurance benefits to certain eligible employees as required by State law, through a single-employer defined benefit plan administered by the City. All post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are summarized as follows:

**Post-Employment Insurance Benefits** – All retirees of the City have the option under state law to continue their medical insurance coverage through the City from the time of retirement until the

employee reaches the age of eligibility for Medicare. For members of all employee groups, the retiree must pay the full premium to continue coverage for medical and dental insurance.

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

**B. Funding Policy**

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the City. There is no invested plan assets accumulated for payment of future benefits.

**C. Annual OPEB Cost and Net OPEB Obligation**

The City's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the City, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement Nos. 43 and 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation to the plan:

	2016
Annual required contribution	\$ 193,716
Interest on net OPEB obligation	71,702
Adjustment to annual required contribution	(62,202)
Annual OPEB cost (Expense)	203,216
Contributions made	46,838
Increase in net OPEB obligation	156,378
Net OPEB obligation – beginning of year	1,593,378
Net OPEB obligation – end of year	\$1,749,756

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended 2014, 2015, and 2016 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	\$278,928	\$80,196	28.75%	\$1,417,656
December 31, 2015	\$288,344	\$112,622	39.1%	\$1,593,378
December 31, 2016	\$203,216	\$46,838	23.0%	\$1,749,756

**D. Funded Status and Funding Progress**

As of January 1, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,750,641, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,750,641. The covered payroll (annual payroll of active employees covered by the plan) was \$13,844,000 and the ratio of the UAAL to the covered payroll was 12.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan, and ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress immediately following the notes to the basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

In the January 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 percent discount, Pay-As-You-Go funding, Projected Unit Credit actuarial cost method, an annual health care cost trend rate of 9.0 percent initially, which includes a 3% inflation rate, reduced by decrements to an ultimate rate of 5.0 percent after twelve years for medical insurance, a 30 year open amortization period of the UAAL increasing at 3.75% per year using the payroll growth rate and with the level percentage of payroll amortization method. The 30 year open amortization base period resets to 30 years at each valuation date.

13. Right-of-Way

In 2002, the City acquired three properties for a total cost of \$7,000,000 for Interstate 494 widening right-of-way under the Metropolitan Council Right-of-Way Acquisition Loan Fund (RALF).

Under the RALF program, the City is obligated to return to the Metropolitan Council the proceeds of all RALF properties sold to the State of Minnesota. These RALF obligations and related properties have not been recorded since they do not represent true resources or liabilities of the City.

14. Conduit Debt

From time to time, the City has issued various industrial development 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. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Finally, the City does not track the remaining outstanding principal balances on conduit debt, as the City does not have any obligation toward the debt.

As of December 31, 2016 there were four bond issues outstanding with an estimated aggregate principal amount outstanding of approximately \$12,330,192.

15. Tax Increment Financing

The Richfield Housing and Redevelopment Authority (HRA) have entered into 10 Tax Increment Financing agreements which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures*. The HRA's authority to enter into these agreements comes from *Minnesota Statute 469*. The HRA entered into these agreements for the purpose of economic development.

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the HRA through tax revenues from additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount on which the HRA makes payments for a fixed period of time with available tax increment after deducting for certain administrative costs. The HRA has determined through its agreements with developers and state law to grant abatements of up to 90% of annual property taxes through a direct reduction of the entity's property tax bill. There were no agreements in 2016 that exceeded this 90% threshold.

During the year ended December 31, 2106, the HRA generated \$4,935,979 in tax increment revenue and made \$2,736,528 in payments to developer.

The tax abatement agreements that the HRA has outstanding as of December 31, 2016 are the following.

Purpose	Percentage of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year
Retail redevelopment	90%	\$ 215,765
Senior housing	75	327,556
Senior housing and market rate housing	75	280,487
Business redevelopment	75	758,378
Rental Housing	90	100,950
Mixed-use housing and retail	75	432,585
Mixed-use housing and retail	90	-
Mixed-use housing and retail	90	-
Mixed-use housing and retail	75	307,568
Senior housing	90	-
Retail redevelopment	-	313,139

16. Federal and State Funds

The City received 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 are 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, 2016.

17. Nature and Amount of Significant Transactions between City - HRA

As noted in note 1, the HRA was established for the purpose to provide housing and redevelopment assistance to Richfield residents and businesses. The structure of the HRA is that it has no employees per se; however, it has a contract with the City where the City's Community Development department is to provide services as needed. Accordingly, the City charges the HRA for labor provided, data processing services, and office supplies, etc. In addition, to help fund redevelopment projects, the City will issue long term debt on behalf of the HRA. At the same time the HRA enters into a pledge agreement with the City whereby the HRA pledges future tax increment receipts generated by the redevelopment to service the debt issued.

During 2016, the HRA transferred to the City \$869,352 of tax increment receipts to fund debt service requirements for debt issued on behalf of the HRA.

Finally, during 2013, as part of the North Richfield Parkway project, the City purchased several properties with the future intent to convey the properties to the HRA for future redevelopment of the site. Funding for the property purchases was provided by the \$3,120,000 G.O. Improvement Bonds, Series 2013A. The bonds were issued with a debt service structure of 75% to be paid with a debt service tax levy and 25% to be paid by special assessments levied against the HRA, once the properties were conveyed to the HRA. The amount of the special assessment was \$780,000.

During 2014, the City conveyed the properties to the HRA at a value of \$704,639 and levied the planned special assessments against the HRA. As part of the special assessment process the HRA prepaid the \$780,000 with funding provided by the City in the form of an inter fund loan from the City's Capital Improvement Fund.

The term of the loan will be twenty (20) years with no principal and interest payments due the first two years and then payment beginning in year three with an interest rate of 1%. The repayment of the loan will have three sources in the following priority: land sale proceeds, tax increment revenues and funds of the HRA that are legally available to pay on the loan.

In 2016, the City conveyed several properties to the HRA at a book value of \$1,264,063. The City Council determined that since the HRA was the development agency of the City, it would be appropriate for ease of future development that the properties be legally owned by the HRA.

18. Joint Venture

Local Government Information Systems Association (LOGIS):

This consortium of approximately 30 government entities provides computerized data processing and support services to its members. LOGIS is legally separate; the City does not appoint a voting majority of its board, and the Consortium is fiscally independent of the City. The total amount recorded within the 2016 financial statements of the City was \$59,042 for services provided, which is allocated to the various funds based on applications. Complete financial statements may be obtained at the LOGIS offices located at 5750 Duluth Street, Golden Valley, Minnesota 55422.

**19. Service Concession Arrangement**

The City has entered into an agreement with Wheel Fun Rentals LLC, where Wheel Fun Rentals will manage the City's Mini-Golf facility, concession sales, and bicycle rental operations during the April – September period of operation.

The City will continue to own existing assets of the operation. Any new equipment purchased by Wheel Fun Rentals for the operation of the facility will be the property of Wheel Fun Rentals. As compensation for operating the facility, Wheel Fun Rentals will retain gross revenues from the mini-golf facility, concessions and bike rental. Wheel Fun Rentals will pay to the City \$6,000 per season plus 7.5% of gross revenues from mini-golf fees, concession sales and bike rentals, not to exceed a combined total of \$12,000 per season.

Wheel Fun Rentals will be responsible for managing the facility, setting hours of operation and rates, with City approval, provide sufficient staffing to operate, maintain and repair the facility during the operating season, pay utilities associated with the operation, purchase and maintain a food license, and purchase and hold the necessary insurance coverage for such an operation.

**20. Subsequent Event**

In April of 2017, the City issued \$9,130,000 General Obligation Street Reconstruction Bonds, Series 2017A, to fund the City's share of Hennepin County's 66<sup>th</sup> Street Reconstruction Project. The debt service for the bonds will be funded by debt service tax levies.

**CITY OF RICHFIELD, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
For The Year Ended December 31, 2016**

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	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Taxes:</b>				
Current ad valorem	\$ 11,992,811	\$ 11,992,811	\$ 12,309,740	\$ 316,929
Fiscal disparities	3,218,879	3,218,879	2,671,343	(547,536)
<b>Total Taxes</b>	<b>15,211,690</b>	<b>15,211,690</b>	<b>14,981,083</b>	<b>(230,607)</b>
<b>Fees and Fines:</b>				
Municipal court fines	373,000	340,000	289,749	(70,251)
<b>Total Fees and Fines</b>	<b>373,000</b>	<b>340,000</b>	<b>289,749</b>	<b>(70,251)</b>
<b>Licenses and Permits:</b>				
Business licenses	355,540	356,030	337,788	(18,242)
Nonbusiness licenses and permits	586,200	599,200	786,237	187,037
<b>Total Licenses and Permits</b>	<b>941,740</b>	<b>955,230</b>	<b>1,124,025</b>	<b>182,795</b>
<b>Intergovernmental Revenues:</b>				
Federal :				
Grants	160,500	160,500	140,221	(20,279)
State:				
Local government aid	550,000	550,000	550,000	-
Fire State Aid	161,400	161,400	153,551	(7,849)
Grants - other	21,000	21,000	27,998	6,998
Police State Aid	371,840	371,840	366,552	(4,712)
Law officer training	14,000	14,000	13,444	(556)
State-aid street maintenance	315,000	315,000	315,000	-
County -				
Community health services	134,250	134,250	134,280	30
Grants - other	25,500	36,590	40,653	4,063
<b>Total Intergovernmental Revenue</b>	<b>1,753,480</b>	<b>1,754,510</b>	<b>1,751,699</b>	<b>(2,911)</b>
<b>Charges for Services:</b>				
General Government	757,990	799,090	913,793	114,703
Deputy Registrar	737,000	805,900	821,544	15,644
Public Safety	36,800	36,800	42,875	6,075
Park and Recreation	370,550	372,000	388,591	16,581
Nature Center	97,950	89,520	80,078	(9,542)
<b>Total Charges for Services</b>	<b>1,959,990</b>	<b>2,103,510</b>	<b>2,246,871</b>	<b>143,481</b>
<b>Investment Earnings</b>	<b>11,000</b>	<b>10,000</b>	<b>32,763</b>	<b>22,763</b>
<b>Investment Earnings</b>	<b>11,000</b>	<b>10,000</b>	<b>32,763</b>	<b>22,763</b>
<b>Total Investment Earnings</b>	<b>11,000</b>	<b>10,000</b>	<b>32,763</b>	<b>22,763</b>
<b>Miscellaneous Revenues:</b>				
Rent	13,890	13,890	26,330	12,440
Recovery - damage to City property	3,000	3,000	6,037	3,037
Other	53,910	49,610	41,601	(6,009)
<b>Total Miscellaneous Revenues</b>	<b>70,800</b>	<b>66,500</b>	<b>73,968</b>	<b>7,468</b>
<b>Total Revenues</b>	<b>\$ 20,361,710</b>	<b>\$ 20,451,540</b>	<b>\$ 20,490,258</b>	<b>\$ 38,718</b>

CITY OF RICHFIELD, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
For The Year Ended December 31, 2016

Schedule 10  
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	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>EXPENDITURES:</b>				
<b>LEGISLATIVE/EXECUTIVE</b>				
Mayor - Council:				
Personnel services	\$ 119,740	\$ 114,840	\$ 110,201	\$ (4,639)
Other services and charges	99,740	97,845	97,845	(4,075)
Total	219,480	216,760	208,046	(8,714)
Other Agencies:				
Personnel services	29,030	29,030	28,987	(43)
Other services and charges	70,480	70,480	70,480	-
Total	99,510	99,510	99,467	(43)
City Manager:				
Personnel services	181,490	187,120	187,751	631
Other services and charges	34,650	33,230	29,423	(3,807)
Total	216,140	220,350	217,174	(3,176)
Legal:				
Other services and charges	312,290	331,080	290,037	(41,043)
Total	312,290	331,080	290,037	(41,043)
Total Legislative/Executive	847,420	867,700	814,724	(52,976)
<b>ADMINISTRATIVE SERVICES:</b>				
Administration:				
Personnel services	22,930	23,460	-	(23,460)
Other services and charges	106,690	106,690	32,297	(74,393)
Total	129,620	130,150	32,297	(97,853)
Human Resources:				
Personnel services	15,440	21,490	31,858	10,368
Other services and charges	24,140	22,370	22,272	(88)
Total	39,580	43,860	54,130	10,270
Finance:				
Personnel services	223,620	229,120	228,714	(406)
Other services and charges	57,930	58,260	55,063	(3,197)
Total	281,450	287,380	283,777	(3,603)
City Clerk:				
Personnel services	405,340	488,190	479,914	11,724
Other services and charges	67,890	68,460	72,136	3,676
Total	473,230	556,650	552,050	15,400
Assessing:				
Personnel services	97,090	97,090	98,697	1,607
Other services and charges	290,900	305,000	302,656	(2,142)
Total	387,990	402,090	401,353	(535)
Total Administrative Services	1,311,930	1,400,130	1,323,809	(76,321)
<b>PUBLIC SAFETY:</b>				
Administrative Support Services:				
Personnel services	499,360	496,160	491,913	(4,237)
Other services and charges	447,470	449,790	451,491	1,701
Total	946,830	945,940	943,404	(2,536)
Police Operations:				
Personnel services	5,976,440	5,663,020	5,597,073	(65,947)
Other services and charges	1,626,480	1,691,420	1,613,966	(67,454)
Total	7,602,920	7,354,440	7,211,039	(133,401)

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CITY OF RICHFIELD, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
For The Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Emergency Services:				
Personnel services	7,280	7,280	7,282	2
Other services and charges	17,620	17,760	13,976	(3,774)
Total	24,900	25,030	21,258	(3,772)
Total Public Safety	8,574,650	8,315,410	8,175,701	(138,709)
<b>FIRE:</b>				
Fire Protection:				
Personnel services	3,086,380	3,477,260	3,468,335	(8,925)
Other services and charges	589,960	589,970	588,643	(1,327)
Total	3,896,340	4,067,230	4,056,978	(10,252)
Total Fire	3,896,340	4,067,230	4,056,978	(10,252)
<b>COMMUNITY DEVELOPMENT:</b>				
Administration:				
Personnel services	120	-	63,557	63,437
Other services and charges	61,070	63,870	63,557	(313)
Total	61,190	63,870	63,557	(313)
Economic Development:				
Personnel services	33,490	15,710	16,392	672
Other services and charges	17,720	16,540	9,384	(7,156)
Total	51,210	32,250	25,766	(6,484)
Planning & Zoning:				
Personnel services	222,720	219,490	223,619	4,029
Other services and charges	55,870	56,530	35,996	(20,534)
Total	278,590	276,020	259,615	(16,505)
Inspection:				
Personnel services	797,600	799,910	791,303	(8,607)
Other services and charges	205,620	205,770	190,625	(15,145)
Total	1,003,220	1,005,680	981,928	(23,752)
Total Community Development	1,394,410	1,377,820	1,330,766	(47,054)
<b>PUBLIC WORKS:</b>				
Administration:				
Personnel services	133,500	133,310	187,770	54,460
Other services and charges	38,460	38,650	27,006	(11,644)
Total	171,960	171,960	214,776	42,816
Engineering:				
Personnel services	214,130	174,280	170,728	(3,552)
Other services and charges	123,880	124,120	94,072	(30,048)
Total	337,910	298,400	264,800	(35,600)
Streets:				
Personnel services	739,390	732,420	746,996	14,576
Other services and charges	734,510	741,400	790,968	49,568
Total	1,473,900	1,473,820	1,537,964	64,144
Park Maintenance:				
Personnel services	719,700	650,770	684,485	33,715
Other services and charges	550,950	618,930	561,116	(57,814)
Total	1,270,650	1,269,700	1,245,601	(24,099)
Forestry:				
Personnel services	388,940	375,150	313,023	(62,127)
Other services and charges	243,090	254,860	257,650	2,790
Total	632,030	630,010	570,673	(59,337)
Total Public Works	3,896,350	3,843,890	3,833,814	(10,076)

CITY OF RICHFIELD, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 For The Year Ended December 31, 2016

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	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>RECREATION SERVICES:</b>				
Recreation Services Administration:				
Personnel services	271,890	270,740	285,498	(5,242)
Other services and charges	70,680	76,900	76,059	(841)
Total	342,570	347,640	341,557	(6,083)
Recreation Programs:				
Personnel services	649,480	616,500	600,015	(16,485)
Other services and charges	333,710	360,360	376,162	15,802
Total	983,190	976,860	976,177	(683)
Wood Lake Nature Center:				
Personnel services	417,690	414,220	423,589	9,389
Other services and charges	94,870	90,010	86,456	(3,554)
Total	512,560	504,230	510,045	5,815
Total Recreation Services	1,858,320	1,828,730	1,827,779	(951)
Total Expenditures	\$ 21,749,420	\$ 21,700,910	\$ 21,363,571	\$ (337,339)
Revenues over (under) expenditures	\$ (1,387,710)	\$ (1,249,370)	\$ (873,313)	\$ 376,057
Other financing sources (uses):				
Transfer from Special Revenue Funds	150,000	150,000	150,000	-
Transfer from Debt Service Funds	435,000	435,000	435,000	-
Transfer from Capital Project Funds	670,000	531,660	170,000	(361,660)
Transfer from Enterprise Funds	282,710	282,710	282,710	-
Transfer to Special Revenue Funds	(150,000)	(150,000)	(150,000)	-
Total other financing sources (uses)	1,387,710	1,249,370	887,710	(381,660)
Net increase in fund balance	-	-	14,397	14,397
Fund balance - January 1	8,687,207	8,687,207	8,687,207	-
Fund balance - December 31	\$ 8,687,207	\$ 8,687,207	\$ 8,701,604	\$ 14,397

CITY OF RICHFIELD, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - ICE ARENA FUND  
 For the Year Ended December 31, 2016

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	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Charges for Services	\$ 967,280	\$ 940,910	\$ 904,582	\$ (36,328)
Miscellaneous	75,080	76,530	76,596	66
Total Revenues	1,042,360	1,016,440	980,178	(36,282)
<b>Expenditures:</b>				
Current				
Personnel services	411,870	429,980	448,392	18,412
Other services and charges	471,030	444,090	446,503	2,413
Debt Service	22,890	22,890	22,878	(12)
Interest	-	-	6,682	6,682
Capital outlay	905,790	896,960	924,455	27,495
Total Expenditures	136,570	119,480	55,723	(63,757)
Excess of revenues over (under) expenditures				
Other Financing Sources:				
Transfers in:				
General Fund	70,000	70,000	70,000	-
Net Other Financing Sources:	70,000	70,000	70,000	-
Net decrease in fund balance	206,570	189,480	125,723	(63,757)
Fund Balance - January 1	(4,076,677)	(4,076,677)	(4,076,677)	-
Fund Balance - December 31	\$ (3,870,107)	\$ (3,887,197)	\$ (3,960,954)	\$ (63,757)

Schedule of City of Richfield Contributions  
General Employees Retirement Fund  
Last Ten Years

Fiscal Year Ending December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	\$706,736	\$706,736	\$0	\$9,423,147	7.50%
2016	\$726,143	\$726,143	\$0	\$9,681,907	7.50%

CITY OF RICHFIELD, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POST-EMPLOYMENT BENEFITS PLAN  
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
January 1, 2008	\$ 3,347,505	\$ -	\$ 3,347,505	-	\$ 13,254,399	25.3%
January 1, 2010	\$ 2,573,782	\$ -	\$ 2,573,782	-	\$ 12,903,221	19.9%
January 1, 2012	\$ 2,528,372	\$ -	\$ 2,528,372	-	\$ 13,137,406	19.2%
January 1, 2014	\$ 2,674,636	\$ -	\$ 2,674,636	-	\$ 13,098,666	20.4%
January 1, 2016	\$ 1,750,641	\$ -	\$ 1,750,641	-	\$ 13,844,000	12.6%

Schedule of City of Richfield Contributions  
Public Employees Police and Fire Fund  
Last Ten Years

Fiscal Year Ending December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	\$948,453	\$948,453	\$0	\$5,854,648	16.20%
2016	\$1,000,004	\$1,000,004	\$0	6,172,864	16.20%

\* Option to provide RSI for ten years at transition or to provide RSI prospectively.

Schedule of City of Richfield Proportionate Share of Net Pension Liability  
Public Employees General Employees Retirement Fund  
Last Ten Years GERF Retirement Fund

Fiscal Year Ending June 30	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	Employer's Covered-Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1596%	\$8,271,300	\$	\$8,271,300	\$9,226,400	89.65%	78.19%
2016	0.1587%	\$12,885,653	\$168,215	\$13,053,868	\$9,846,133	130.87%	68.91%

Schedule of City of Richfield Proportionate Share of Net Pension Liability  
Public Employees Police and Fire Fund  
Last Ten Years PEPFF Retirement Fund

Fiscal Year Ending June 30	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)	Employer's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.603%	\$6,851,491	\$5,371,889	127.54%	86.61%
2016	0.656%	\$26,326,421	\$6,317,469	416.72%	63.88%

CITY OF RICHFIELD, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
DECEMBER 31, 2016

Note 1 Legal Compliance – Budgets

Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control is at the department level for the General Fund. At December 31, 2016, there were no General Fund departments whose expenditures exceeded budget appropriations.

Note 2 Pensions Plans

General Employees Fund

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

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

\* Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015, or after.

**CITY OF RICHFIELD, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 December 31, 2016

Police and Fire Fund

Statement 15

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

	Special Revenue	Redevelopment Bonds	Park and Recreational Development Capital Projects	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 5,150,186	-	3,780,206	\$ 8,930,392
Due from other governments	42,539	-	-	42,539
Receivables, net	683,079	-	-	683,079
Due from other funds	42,764	-	103,387	146,151
Prepaid items	7,330	-	-	7,330
Advances to other funds	513,162	-	507,269	1,020,431
<b>Total assets</b>	<b>\$ 6,439,060</b>	<b>\$ -</b>	<b>\$ 4,390,862</b>	<b>\$ 10,829,922</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 130,193	-	37,148	\$ 167,341
Accrued salaries and benefits	2,275	-	-	2,275
Due to other funds	1,009,194	-	10,000	1,019,194
Payable to other governments	14,229	-	-	14,229
Advances from other funds	-	-	221,440	221,440
<b>Total liabilities</b>	<b>1,155,891</b>	<b>-</b>	<b>268,588</b>	<b>1,424,479</b>
<b>Fund balances</b>				
Nonspendable	7,330	-	-	7,330
Restricted	340,462	-	-	340,462
Committed	5,968,798	-	4,363,531	10,312,329
Unassigned	(1,023,421)	-	(231,257)	(1,254,678)
<b>Total fund balances</b>	<b>5,283,169</b>	<b>-</b>	<b>4,122,274</b>	<b>9,405,443</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,439,060</b>	<b>\$ -</b>	<b>\$ 4,390,862</b>	<b>\$ 10,829,922</b>



Statement 16  
**CITY OF RICHFIELD, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended December 31, 2016**

	Special Revenue	Redevelopment Bonds	Park and Recreational Development Capital Projects	Total Nonmajor Governmental Funds
<b>REVENUES:</b>				
Franchise taxes	\$ 2,260,122	\$ -	\$ -	\$ 2,260,122
Fees and fines	9,688	-	-	9,688
Intergovernmental	126,917	869,352	-	996,269
Charges for services	376,394	-	-	376,394
Investment earnings	37,601	-	23,216	60,817
Miscellaneous	481,826	-	10,998	492,824
<b>Total revenues</b>	<b>3,296,548</b>	<b>869,352</b>	<b>34,213</b>	<b>4,200,113</b>

**EXPENDITURES:**

Current:				
Administrative Services	463,789	-	-	463,789
Public Safety	134,685	-	-	134,685
Recreation Services	600,920	-	56,528	659,448
Debt Service	-	680,000	-	680,000
Principal	-	189,352	-	189,352
Interest and other charges	-	-	-	-
Capital Outlay:				
Administrative Services	109,715	-	-	109,715
Public Safety	17,037	-	-	17,037
Recreation Services	49,621	-	560,430	610,051
<b>Total expenditures</b>	<b>1,375,767</b>	<b>869,352</b>	<b>616,958</b>	<b>2,864,077</b>

Excess (deficiency) of revenues over expenditures

	1,920,781	-	(684,745)	1,336,036
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	232,941	-	712,500	945,441
Total other financing sources and uses	(2,341,660)	-	(941)	(2,342,601)
Net increase (decrease) in fund balance	(187,538)	-	126,814	(61,124)
Fund balances (deficit) - January 1	5,471,107	-	3,995,460	9,466,567
<b>Fund balances (deficit) - December 31</b>	<b>\$ 5,283,169</b>	<b>\$ -</b>	<b>\$ 4,122,274</b>	<b>\$ 9,405,443</b>

**CITY OF RICHFIELD, MINNESOTA**  
**SUBCOMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**December 31, 2016**

	Liquor Contributions Fund	Tourism Admin	Communications	Elections	Drug/ Forfeiture	Public Safety Compliance	Recreation Contr.
<b>ASSETS</b>							
Cash and investments	\$ 133,871	\$ 69,660	\$ 1,488,660	\$ 806,862	\$ 133,382	\$ 96,106	\$ 14,488
Due from other governments	-	-	-	-	225	19,745	-
Receivables, net	-	-	111,795	113,332	-	887	-
Due from other funds	-	-	42,764	-	-	-	-
Prepaid items	-	-	7,330	-	-	-	-
Advances to other funds	-	-	513,162	-	-	-	-
<b>Total Assets</b>	<b>\$ 133,871</b>	<b>\$ 69,660</b>	<b>\$ 2,133,711</b>	<b>\$ 919,294</b>	<b>\$ 133,607</b>	<b>\$ 116,738</b>	<b>\$ 14,488</b>

**LIABILITIES AND FUND BALANCES**

Liabilities:							
Accounts payable	\$ -	\$ 11,949	\$ 86,427	\$ 16,083	\$ -	\$ 7,748	\$ 1,963
Accrued salaries and benefits	-	-	2,275	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Payable to other governments	-	-	-	-	216	302	44
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 11,949</b>	<b>\$ 90,702</b>	<b>\$ 16,083</b>	<b>\$ 216</b>	<b>\$ 8,050</b>	<b>\$ 1,997</b>
Fund Balances:							
Nonspendable	-	-	7,330	-	-	-	-
Restricted	-	-	-	-	133,391	19,745	12,491
Committed	133,871	47,631	2,036,679	903,211	-	87,943	-
Unassigned	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>133,871</b>	<b>47,631</b>	<b>2,043,009</b>	<b>903,211</b>	<b>133,391</b>	<b>107,688</b>	<b>12,491</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 133,871</b>	<b>\$ 69,660</b>	<b>\$ 2,133,711</b>	<b>\$ 919,294</b>	<b>\$ 133,607</b>	<b>\$ 116,738</b>	<b>\$ 14,488</b>

Statement 17

CITY OF RICHFIELD  
 SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 For The Year Ended December 31, 2016

	Nature Center Contr.	Public Health Grants	Wood Lake Half Marathon	Utility Franchise Fees	Swimming Pool	Special Facilities	Total Nonmajor Special Revenue Funds	Revenues:							
								Liquor Contributions Fund	Tourism Admin	Communications	Elections	Drug/ Forfeiture	Public Safety Compliance		
	\$ 92,498	\$ 61,568	\$ 363	\$ 2,284,483	\$ -	\$ 10,266	\$ 6,160,186	\$ -	\$ -	\$ 427,065	\$ -	\$ -	\$ 9,688	\$ -	\$ -
	-	22,669	-	-	-	-	42,539	-	-	-	-	-	-	-	-
	-	-	-	457,065	-	-	683,079	-	-	-	-	-	25,000	-	6,729
	-	-	-	-	-	-	42,764	-	-	-	-	-	-	-	23,323
	-	-	-	-	-	-	7,330	-	-	-	-	-	-	-	14,089
	-	-	-	-	-	-	515,162	-	-	-	-	-	-	-	44,141
	\$ 92,498	\$ 84,127	\$ 363	\$ 2,741,528	\$ -	\$ 10,266	\$ 6,439,060	-	-	-	-	-	-	-	-
	\$ 1,617	\$ -	\$ 225	\$ -	\$ 733	\$ 1,468	\$ 130,193	721	324	8,278	4,006	955	508	-	-
	-	-	-	-	-	-	2,276	-	-	-	-	-	-	-	-
	-	-	-	-	1,009,194	-	1,009,194	-	-	-	-	-	-	-	-
	173	-	-	-	13,494	-	14,229	721	13,717	447,638	210,889	40,106	74,285	-	-
	1,780	-	225	-	1,023,421	1,468	1,156,891	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	7,330	-	-	-	-	-	-	-	-
	90,708	84,127	-	-	-	8,797	5,856,798	-	-	-	-	-	-	-	-
	-	-	138	2,741,528	-	-	(1,023,421)	-	-	-	-	-	-	-	-
	90,708	84,127	138	2,741,528	(1,023,421)	8,797	5,285,189	721	3,887	43,785	86,581	(20,621)	17,574	-	-
	\$ 92,498	\$ 84,127	\$ 363	\$ 2,741,528	\$ -	\$ 10,266	\$ 6,439,060	-	-	-	-	-	-	-	-
								Expenditures: Current: Personnel services 174,647 95,375 2,479 Other services and charges 119,691 28,943 60,729 37,165 Capital outlay 109,715 - - 17,037 Total Expenditures 404,053 124,318 60,729 56,681 Excess (Deficiency) of Revenues over Expenditures 232,445 100,767 3,951 1,000,000							
								Other Financing Sources (Uses): Transfers in: General Fund - - - - - Special Revenue Funds - - - - - Capital Project Funds 941 - - - - Enterprise Funds 99,500 - - - - Transfers out: General Fund - (150,000) - - - Special Revenue Funds - - - - - Debt Service Funds - - - - - Capital Project Funds (47,000) - - - - Internal Service Funds - - - - - Net Other Financing Sources (Uses) 941 - (150,000) - (30,000)							
								Net increase (decrease) in fund balance 1,662 3,887 (106,215) 86,581 (50,621) 17,574 Fund Balance - January 1 132,209 43,744 2,149,224 816,630 184,012 90,114 Fund Balance - December 31 133,871 47,631 2,043,009 903,211 133,391 107,688							

CITY OF RICHFIELD, MINNESOTA  
 SPECIAL REVENUE FUND - LIQUOR CONTRIBUTIONS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 For the Year Ended December 31, 2016

Statement 18

Recreation Contr.	Nature Center Contr.	Public Health Grants	Wood Lake Half Marathon	Utility Franchise Fees	Swimming Pool	Special Facilities	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,833,057	\$ -	\$ -	\$ 2,260,122
-	-	51,528	-	-	-	-	9,688
-	8,248	-	-	-	-	-	83,257
-	8,248	51,528	-	-	-	-	31,571
-	-	-	-	-	-	-	14,089
-	-	-	-	-	378,394	-	128,917
-	-	-	-	-	-	-	378,394
140	1,563	362	20	18,454	-	-	35,331
24,678	106,142	-	9,790	-	-	-	159,323
24,678	106,142	-	43,866	-	2,270	30,558	324,773
24,678	106,142	51,528	53,596	-	2,270	30,558	484,056
24,678	175,953	51,890	53,616	1,851,511	380,664	30,558	3,296,946
7,000	38,230	-	26,000	-	180,087	9,300	542,948
28,042	44,625	34,312	27,474	35,303	219,101	21,161	656,446
35,042	82,755	34,312	53,474	35,303	448,809	30,461	1,375,767
(10,224)	33,198	17,578	142	1,816,208	(68,145)	97	1,920,781
-	-	-	-	-	70,000	10,000	80,000
-	-	-	-	-	52,500	-	52,500
-	-	-	-	-	-	-	94
-	-	-	-	-	-	-	99,500
-	-	-	-	-	-	-	(150,000)
-	-	-	-	-	-	-	(52,500)
-	-	-	-	(401,710)	-	-	(401,710)
-	-	-	-	(1,680,450)	-	-	(1,707,450)
-	-	-	-	-	-	-	(30,000)
-	-	-	-	(2,062,160)	122,500	10,000	(2,108,719)
(10,224)	33,198	17,578	142	(245,952)	54,355	10,097	(187,838)
22,715	57,510	66,549	(4)	2,987,480	(1,077,776)	(1,300)	5,471,107
\$ 12,491	\$ 90,708	\$ 84,127	\$ 138	\$ 2,741,528	\$ (1,023,421)	\$ 8,797	\$ 5,283,169

	Budgeted Amounts	Actual	Variance with
	Original	Final	Final Budget
			Over
			(Under)
Revenues:			
Investment Earnings	\$ 350	\$ 200	\$ 721
Other Financing Sources (Uses):			
Transfers in:			
Capital Project Funds	-	-	941
Enterprise Funds	450,000	99,500	99,500
Transfers out:			
Capital Project Funds	(450,000)	(99,500)	(99,500)
Net Other Financing Sources (Uses)	-	-	941
Net increase in fund balance	350	200	1,662
Fund Balance - January 1	132,302	132,209	132,209
Fund Balance - December 31	\$ 132,652	\$ 132,409	\$ 133,871
			\$ 1,462

Schedule 20  
CITY OF RICHFIELD, MINNESOTA  
SPECIAL REVENUE FUND - TOURISM ADMINISTRATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Investment Earnings	\$ 100	\$ 80	\$ 324	\$ 244
Miscellaneous:				
Other	10,650	10,360	13,393	3,033
Total Revenues	10,750	10,440	13,717	3,277
Expenditures:				
Current				
Personnel services	9,830	9,830	9,830	-
Net increase in fund balance	920	610	3,887	3,277
Fund Balance - January 1	43,744	43,744	43,744	-
Fund Balance - December 31	\$ 44,664	\$ 44,354	\$ 47,631	\$ 3,277

Schedule 21  
CITY OF RICHFIELD, MINNESOTA  
SPECIAL REVENUE FUND - COMMUNICATIONS  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Franchise taxes	\$ 410,000	\$ 415,000	\$ 427,065	\$ 12,065
Investment Earnings	4,500	2,100	8,278	6,178
Miscellaneous:				
Other	-	-	12,495	12,495
Total Revenues	414,500	417,100	447,838	30,738
Expenditures:				
Current				
Personnel services	177,710	173,840	174,647	807
Other services and charges	115,730	126,920	119,691	(6,229)
Capital outlay	20,000	100,000	109,715	9,715
Total Expenditures	313,440	399,760	404,053	4,283
Excess of revenues over expenditures	101,060	17,340	43,785	26,445
Other Financing Uses:				
Transfers out:				
General Fund	(150,000)	(150,000)	(150,000)	-
Net Other Financing Uses:	(150,000)	(150,000)	(150,000)	-
Net Increase (decrease) in fund balance	(48,940)	(132,660)	(106,215)	26,445
Fund Balance - January 1	2,149,224	2,149,224	2,149,224	-
Fund Balance - December 31	\$ 2,100,284	\$ 2,016,564	\$ 2,043,009	\$ 26,445

CITY OF RICHFIELD, MINNESOTA  
SPECIAL REVENUE FUND - ELECTIONS  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended December 31, 2016

Schedule 22

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Investment Earnings	\$ 1,500	\$ 1,000	\$ 4,006	\$ 3,006
Miscellaneous:				
Other	201,000	205,000	206,893	1,893
Total Revenues	202,500	206,000	210,899	4,899
<b>Expenditures:</b>				
Current				
Personnel services	95,450	96,760	95,375	(1,385)
Other services and charges	31,000	27,620	28,943	1,323
Total Expenditures	126,450	124,380	124,318	(62)
Net increase in fund balance	76,050	81,620	86,581	4,961
Fund Balance - January 1	816,630	816,630	816,630	-
Fund Balance - December 31	\$ 892,680	\$ 898,250	\$ 903,211	\$ 4,961

CITY OF RICHFIELD, MINNESOTA  
SPECIAL REVENUE FUND - DRUG FORFEITURE  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended December 31, 2016

Schedule 23

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Fees and Fines	\$ 40,000	\$ 40,000	\$ 9,688	\$ (30,312)
Intergovernmental	-	-	25,000	25,000
Investment Earnings	200	200	955	755
Miscellaneous:				
Other	1,000	1,000	4,465	3,465
Total Revenues	41,200	41,200	40,108	(1,092)
<b>Expenditures:</b>				
Current				
Other services and charges	42,500	25,600	60,729	35,129
Total Expenditures	42,500	25,600	60,729	35,129
Excess of revenues over (under) expenditures	(1,300)	15,600	(20,621)	(36,221)
<b>Other Financing Uses:</b>				
Transfers out:				
Internal Service Funds	(30,000)	(30,000)	(30,000)	-
Net Other Financing Uses:	(30,000)	(30,000)	(30,000)	-
Net decrease in fund balance	(31,300)	(14,400)	(50,621)	(36,221)
Fund Balance - January 1	184,012	184,012	184,012	-
Fund Balance - December 31	\$ 152,712	\$ 169,612	\$ 133,391	\$ (36,221)

Schedule 24  
CITY OF RICHFIELD, MINNESOTA  
SPECIAL REVENUE FUND - PUBLIC SAFETY COMPLIANCE  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental:				
Federal Grants				
State	\$ -	\$ -	\$ 6,729	\$ 6,729
County	20,000	19,000	23,323	4,323
Investment Earnings	20,000	20,000	14,089	(5,911)
Miscellaneous:				
Contributions	80	100	508	408
Other	-	-	18,713	18,713
Total Revenues	10,080	16,100	10,893	(5,207)
	50,080	55,200	74,255	19,055
<b>Expenditures:</b>				
Current				
Personnel services	2,800	2,300	2,479	179
Other services and charges	20,000	44,200	37,165	(7,035)
Capital Outlay	20,000	-	17,037	17,037
Total Expenditures	42,800	46,500	56,681	10,181
Net increase in fund balance	7,280	8,700	17,574	8,874
Fund Balance - January 1	90,114	90,114	90,114	-
Fund Balance - December 31	\$ 97,394	\$ 98,814	\$ 107,688	\$ 8,874

Schedule 25  
CITY OF RICHFIELD, MINNESOTA  
SPECIAL REVENUE FUND - RECREATION CONTRIBUTIONS  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Investment Earnings	\$ 100	\$ 110	\$ 140	\$ 30
Miscellaneous:				
Contributions	50,000	55,000	24,678	(30,322)
Total Revenues	50,100	55,110	24,818	(30,292)
<b>Expenditures:</b>				
Current				
Personnel services	1,000	1,000	7,000	6,000
Other services and charges	45,000	50,000	28,042	(21,958)
Total Expenditures	46,000	51,000	35,042	(15,958)
Net increase (decrease) in fund balance	4,100	4,110	(10,224)	(14,334)
Fund Balance - January 1	22,715	22,715	22,715	-
Fund Balance - December 31	\$ 26,815	\$ 26,825	\$ 12,491	\$ (14,334)

CITY OF RICHFIELD, MINNESOTA  
**SPECIAL REVENUE FUND - NATURE CENTER CONTRIBUTIONS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2016**

Schedule 27

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental:				
State	\$ -	\$ -	\$ 8,248	8,248
Investment Earnings	500	100	1,563	1,463
Miscellaneous:				
Contributions	65,000	66,000	106,142	40,142
<b>Total Revenues</b>	<b>65,500</b>	<b>66,100</b>	<b>115,953</b>	<b>49,853</b>
<b>Expenditures:</b>				
Current				
Personnel services	37,230	37,230	38,230	1,000
Other services and charges	28,030	28,030	44,525	16,495
<b>Total Expenditures</b>	<b>65,260</b>	<b>65,260</b>	<b>82,755</b>	<b>17,495</b>
Net increase in fund balance	240	840	33,198	32,358
<b>Fund Balance - January 1</b>	<b>57,510</b>	<b>57,510</b>	<b>57,510</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 57,750</b>	<b>\$ 58,350</b>	<b>\$ 90,708</b>	<b>\$ 32,358</b>

CITY OF RICHFIELD, MINNESOTA  
**SPECIAL REVENUE FUND - PUBLIC HEALTH GRANTS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2016**

Schedule 26

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental revenues:				
Federal grants	\$ 36,800	\$ 34,220	\$ 51,528	\$ 17,308
Investment Earnings	100	100	362	262
<b>Total Revenues</b>	<b>36,900</b>	<b>34,320</b>	<b>51,890</b>	<b>17,570</b>
<b>Expenditures:</b>				
Current				
Other services and charges	36,800	31,220	34,312	3,092
Net increase in fund balance	100	3,100	17,578	14,478
<b>Fund Balance - January 1</b>	<b>66,549</b>	<b>66,549</b>	<b>66,549</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 66,649</b>	<b>\$ 69,649</b>	<b>\$ 84,127</b>	<b>\$ 14,478</b>

CITY OF RICHFIELD, MINNESOTA  
 SPECIAL REVENUE FUND - WOOD LAKE HALF MARATHON  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Investment Earnings	\$ -	\$ -	\$ 20	\$ 20
Miscellaneous:				
Contributions	11,500	11,000	9,790	(1,210)
Other	55,000	50,000	43,806	(6,194)
Total Revenues	66,500	61,000	53,616	(7,384)
Expenditures:				
Current	34,200	32,000	26,000	(6,000)
Personnel services	32,300	28,000	27,474	(526)
Other services and charges	66,500	60,000	53,474	(6,526)
Total Expenditures	-	1,000	142	(858)
Net increase (decrease) in fund balance	(4)	(4)	(4)	-
Fund Balance - January 1				
Fund Balance - December 31	\$ (4)	\$ 996	\$ 138	\$ (858)

CITY OF RICHFIELD, MINNESOTA  
 SPECIAL REVENUE FUND - UTILITY FRANCHISE FEES  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Franchise taxes	\$ 1,811,000	\$ 1,816,000	\$ 1,833,057	\$ 17,057
Investment Earnings	2,400	2,700	18,454	15,754
Total Revenues	1,813,400	1,818,700	1,851,511	32,811
Expenditures:				
Current	95,000	95,000	35,303	(59,697)
Other services and charges	1,718,400	1,723,700	1,816,208	92,508
Excess of revenues over expenditures				
Other Financing Uses:				
Transfers out:				
Debt Service Fund	(401,710)	(401,710)	(401,710)	-
Capital Project Fund	(1,580,000)	(1,660,450)	(1,660,450)	-
Net Other Financing Uses:	(1,981,710)	(2,062,160)	(2,062,160)	-
Net increase (decrease) in fund balance	(263,310)	(338,460)	(245,952)	92,508
Fund Balance - January 1	2,987,480	2,987,480	2,987,480	-
Fund Balance - December 31	\$ 2,724,170	\$ 2,649,020	\$ 2,741,528	\$ 92,508



Schedule 30  
**CITY OF RICHFIELD, MINNESOTA**  
**SPECIAL REVENUE FUND - SWIMMING POOL**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
 For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final		Over	(Under)
<b>Revenues:</b>					
Charges for services	\$ 319,220	\$ 349,140	\$ 376,394	\$ 29,254	
Miscellaneous:					
Other	-	-	2,270	2,270	
<b>Total Revenues</b>	<b>319,220</b>	<b>349,140</b>	<b>380,664</b>	<b>31,524</b>	
<b>Expenditures:</b>					
Current					
Personnel services	204,470	204,090	180,087	(24,003)	
Other services and charges	201,470	207,980	219,101	11,121	
Capital outlay	52,500	52,500	49,621	(2,879)	
<b>Total Expenditures</b>	<b>458,440</b>	<b>464,570</b>	<b>448,809</b>	<b>(15,761)</b>	
<b>Excess of revenues over expenditures</b>	<b>(139,220)</b>	<b>(115,430)</b>	<b>(68,145)</b>	<b>47,285</b>	
<b>Other Financing Sources:</b>					
Transfers in:					
General Fund	70,000	70,000	70,000	-	
Special Revenue Fund	52,500	52,500	52,500	-	
<b>Net Other Financing Sources:</b>	<b>122,500</b>	<b>122,500</b>	<b>122,500</b>	<b>-</b>	
<b>Net increase (decrease) in fund balance</b>	<b>(16,720)</b>	<b>7,070</b>	<b>54,355</b>	<b>47,285</b>	
<b>Fund Balance - January 1</b>	<b>(1,077,776)</b>	<b>(1,077,776)</b>	<b>(1,077,776)</b>	<b>-</b>	
<b>Fund Balance - December 31</b>	<b>\$ (1,094,496)</b>	<b>\$ (1,070,706)</b>	<b>\$ (1,023,421)</b>	<b>\$ 47,285</b>	

Schedule 31  
**CITY OF RICHFIELD, MINNESOTA**  
**SPECIAL REVENUE FUND - SPECIAL FACILITIES**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
 For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final		Over	(Under)
<b>Revenues:</b>					
Miscellaneous:					
Other	\$ 34,110	\$ 30,110	\$ 30,558	\$ 448	
<b>Total Revenues</b>	<b>34,110</b>	<b>30,110</b>	<b>30,558</b>	<b>448</b>	
<b>Expenditures:</b>					
Current					
Personnel services	9,300	9,300	9,300	-	
Other services and charges	21,210	24,670	21,161	(3,509)	
<b>Total Expenditures</b>	<b>30,510</b>	<b>33,970</b>	<b>30,461</b>	<b>(3,509)</b>	
<b>Excess of revenues over (under) expenditures</b>	<b>3,600</b>	<b>(3,860)</b>	<b>97</b>	<b>3,957</b>	
<b>Other Financing Sources:</b>					
Transfers in:					
General Fund	10,000	10,000	10,000	-	
<b>Net Other Financing Sources:</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>	
<b>Net increase in fund balance</b>	<b>13,600</b>	<b>6,140</b>	<b>10,097</b>	<b>3,957</b>	
<b>Fund Balance - January 1</b>	<b>(1,300)</b>	<b>(1,300)</b>	<b>(1,300)</b>	<b>-</b>	
<b>Fund Balance - December 31</b>	<b>\$ 12,300</b>	<b>\$ 4,840</b>	<b>\$ 8,797</b>	<b>\$ 3,957</b>	

CITY OF RICHFIELD, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
December 31, 2016

	Central Garage & Equipment Fund	Information Technology Fund	Self Insurance Fund	Building Services Fund	Compensated Absences Fund	Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 1,132,319	\$ 397,772	\$ 4,333,406	\$ 872,273	\$ 1,876,939	\$ 8,612,709
Due from other funds	-	1,250	81,015	-	-	81,015
Prepaid items	-	-	-	-	-	1,250
Total current assets	1,132,319	399,022	4,394,421	872,273	1,876,939	8,674,974
Noncurrent assets:						
Advances to other funds	-	-	835,725	-	-	835,725
Capital assets:						
Buildings and equipment	8,735,879	663,744	-	397,768	-	9,797,391
Less accumulated depreciation	(5,325,807)	(425,419)	-	(187,537)	-	(5,938,763)
Total noncurrent assets	3,410,072	238,325	835,725	210,231	-	4,694,353
Total assets	4,542,391	637,347	5,230,146	1,082,504	1,876,939	13,369,327
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>						
Deferred outflows of resources related to pensions	130,857	185,129	-	131,223	-	451,309
Total assets and deferred outflows of resources	4,673,348	826,476	5,230,146	1,213,727	1,876,939	13,820,636
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	49,063	48,763	20,933	35,487	-	154,246
Accrued salaries and benefits	5,565	23,201	-	5,571	-	34,337
Due to other governments	32,210	-	14,863	-	-	47,073
Compensated absences	4,781	13,292	-	14,360	500,680	533,113
Total current liabilities	91,619	85,256	35,796	55,418	500,680	768,769
Noncurrent liabilities:						
Compensated absences	13,141	36,536	-	39,473	1,376,259	1,465,409
Net OPEB obligation	25,380	14,373	-	17,866	-	57,609
Net pension liability	316,488	457,076	-	317,133	-	1,090,697
Claims and judgments	-	-	1,113,694	-	-	1,113,694
Total noncurrent liabilities	355,009	507,985	1,113,694	374,462	1,376,259	3,727,309
Total liabilities	446,628	593,241	1,149,390	429,880	1,876,939	4,496,078
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Deferred inflows or resources related to pensions	35,825	51,740	-	35,998	-	123,463
<b>NET POSITION</b>						
Net investment in capital assets	3,410,072	238,325	-	210,231	-	3,858,628
Unrestricted	780,823	(56,830)	4,080,756	537,718	-	5,342,467
Total net position	4,190,895	181,495	4,080,756	747,949	-	9,201,095
Total liabilities, deferred inflows of resources and net position	\$ 4,673,348	\$ 826,476	\$ 5,230,146	\$ 1,213,727	\$ 1,876,939	\$ 13,820,636

CITY OF RICHFIELD, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
For the Year Ended December 31, 2016

	Central Garage & Equipment Fund	Information Technology Fund	Self Insurance Fund	Building Services Fund	Compensated Absences Fund	Total
<b>OPERATING REVENUES</b>						
Charges for Service	\$ 1,130,400	\$ 939,397	\$ 763,008	\$ 801,168	\$ -	\$ 3,633,963
Total operating revenues	1,130,400	939,397	763,008	801,168	-	3,633,963
<b>OPERATING EXPENSES</b>						
Personnel services	381,481	485,502	322,440	357,841	10,207	1,557,271
Other service and charges	875,761	593,769	1,162,889	414,177	-	3,046,286
Depreciation	724,155	43,792	-	26,313	-	794,260
Total operating expenses	1,981,397	1,123,063	1,485,029	798,331	10,207	5,397,817
Operating gain (loss)	(850,997)	(183,666)	(722,021)	3,027	(10,207)	(1,763,854)
<b>NONOPERATING REVENUES</b>						
Interest and investment revenue	4,342	1,720	42,388	4,603	10,207	63,260
Intergovernmental revenue	1,232	1,779	-	1,234	-	4,245
Miscellaneous revenue	13,908	-	198,516	-	-	212,424
Gain (loss) on disposal of capital assets	67,898	-	-	-	-	67,898
Total nonoperating revenue	87,380	3,499	240,904	5,837	10,207	347,827
Income (loss) before transfers	(763,617)	(180,167)	(481,117)	8,864	-	(1,416,027)
Transfers in	805,000	190,000	-	-	-	995,000
Changes in net position	41,383	9,843	(481,117)	8,864	-	(421,027)
Total net position - beginning	4,149,512	171,652	4,564,973	739,085	-	9,622,122
Total net position - ending	\$ 4,190,895	\$ 181,495	\$ 4,080,756	\$ 747,949	\$ -	\$ 9,201,095

Statement 34  
**CITY OF RICHFIELD, MINNESOTA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
 For the Year Ended December 31, 2016

**FIDUCIARY FUNDS**

**Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.**

**Building Permit – Surcharges Fund is maintained to account for surcharges collected for the state and to remit these funds to them.**

**Escrow Fund is maintained to account for various deposits, mainly contractors' deposits, to guarantee work performance improvements required by the City.**

**Snowmobile – Boat Licenses Fund accounts for monies collected for registration of snowmobile and boat licenses and remits these funds to the Department of Natural Resources.**

**Motor Vehicle Licenses Fund accounts for monies collected for registration and license fees of motor vehicles and remits these funds to the State of Minnesota.**

	Central Garage & Equipment Fund	Information Technology Fund	Self Insurance Fund	Building Services Fund	Compensated Absence Fund	Totals
Cash flow from operating activities:						
Receipts from interfund services provided	\$ 1,130,400	\$ 939,397	\$ 783,008	\$ 801,168	\$ -	\$ 3,654,973
Payment to employees	(379,763)	(476,237)	(322,449)	(356,186)	(6,568)	(1,539,273)
Payment to suppliers	(74,429)	(87,429)	(100,000)	(100,000)	-	(361,858)
Miscellaneous	16,140	1,779	198,616	1,234	-	216,669
Net cash flows from operating activities	(3,641)	(92,639)	(322,869)	57,728	(6,568)	(387,989)
Cash flow from noncapital financing activities:						
Transfer from Capital Project Funds	806,000	190,000	-	-	-	996,000
Interfund borrowing	-	-	69,808	-	-	69,808
Net cash flows from noncapital financing activities	806,000	190,000	69,808	-	-	1,065,808
Cash flow from capital and related financing activities:						
Proceeds from sale of property	19,698	-	-	-	-	19,698
Acquisition of capital assets	(821,169)	(78,349)	-	(64,876)	-	(964,394)
Net cash flows from capital and related financing activities	(801,471)	(78,349)	-	(64,876)	-	(944,696)
Cash flow from investing activities:						
Investment income	4,342	1,720	42,388	4,603	10,207	63,260
Net increase (decrease) in cash and cash equivalents	4,240	20,732	(20,682)	7,465	4,549	(85,686)
Cash and cash equivalents - January 1	1,128,079	377,840	4,654,668	864,818	1,872,390	8,798,395
Cash and cash equivalents - December 31	\$ 1,132,319	\$ 397,772	\$ 4,333,986	\$ 872,273	\$ 1,876,939	\$ 8,612,709
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating Income (loss)	\$ (850,997)	\$ (183,656)	\$ (722,021)	\$ 3,027	\$ (10,207)	\$ (1,763,854)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:						
Miscellaneous revenue	16,140	1,779	198,616	1,234	-	216,669
Depreciation	724,166	43,792	-	26,313	-	794,269
Change in assets and liabilities:						
Decrease (increase) in deferred outflows related to pensions	(108,498)	(149,784)	-	(103,662)	-	(361,944)
Increase (decrease) in payables	26,797	(2,974)	23,708	(1,130)	-	46,399
Increase (decrease) in salaries and benefits	2,046	16,864	-	1,302	-	20,212
Increase (decrease) in compensated absences	(318)	(7,699)	-	1,154	4,549	(2,214)
Increase (decrease) in due to other governments	16,983	-	(18,000)	-	-	(1,017)
Increase (decrease) in net OPEB obligations	1,881	577	-	1,013	-	3,471
Increase (decrease) in net pension liability	(1,881)	(577)	-	(1,013)	-	(3,471)
Increase (decrease) in net pension liability	183,016	170,689	-	118,446	-	472,151
Increase (decrease) in claims and judgments	-	-	194,947	-	-	194,947
Total adjustments	847,356	91,017	399,163	64,701	4,549	1,396,786
Net cash flows from operating activities	\$ (3,641)	\$ (92,639)	\$ (322,869)	\$ 57,728	\$ (6,569)	\$ (387,989)

CITY OF RICHFIELD, MINNESOTA  
 FIDUCIARY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 For the Year Ended December 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
<b>BUILDING PERMIT SURCHARGES</b>				
<b>ASSETS</b>				
Cash and investments	\$ 1,838	\$ 24,221	\$ 24,918	\$ 1,141
<b>LIABILITIES</b>				
Due to other governments	\$ 1,838	\$ 48,394	\$ 49,091	\$ 1,141
<b>ESCROW FUND</b>				
<b>ASSETS</b>				
Cash and investments	\$ 662,721	\$ 173,232	\$ 266,612	\$ 469,441
<b>LIABILITIES</b>				
Deposits	\$ 662,721	\$ 171,816	\$ 265,096	\$ 469,441
<b>SNOWMOBILE - BOAT LICENSES</b>				
<b>ASSETS</b>				
Cash and investments	\$ 3,466	\$ 58,521	\$ 59,184	\$ 2,803
<b>LIABILITIES</b>				
Due to other governments	\$ 3,466	\$ 55,609	\$ 56,272	\$ 2,803
<b>MOTOR VEHICLE LICENSES</b>				
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 21,762,043	\$ 21,762,043	\$ -
<b>LIABILITIES</b>				
Due to other governments	\$ -	\$ 21,843,229	\$ 21,843,229	\$ -
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and investments	\$ 568,025	\$ 22,018,017	\$ 22,112,657	\$ 473,385
<b>TOTAL ASSETS</b>	\$ 568,025	\$ 22,018,017	\$ 22,112,657	\$ 473,385
<b>LIABILITIES</b>				
Due to other governments	5,304	21,947,232	21,948,592	3,944
Deposits	662,721	171,816	265,096	469,441
<b>TOTAL LIABILITIES</b>	\$ 568,025	\$ 22,119,048	\$ 22,213,688	\$ 473,385

CITY OF RICHFIELD  
 COMBINING STATEMENT OF ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 December 31, 2016

	Agency Funds		Total Fiduciary Funds
	Building Permit Surcharges	Escrow Fund	Snowmobile Boat Licenses
<b>Assets</b>			
Cash and investments	\$ 1,141	\$ 469,441	\$ 2,803
	\$ 1,141	\$ 469,441	\$ 2,803
<b>Liabilities</b>			
Due to other governments	\$ 1,141	\$ -	\$ 2,803
Deposits	\$ -	\$ 469,441	\$ -
<b>Total Liabilities</b>	\$ 1,141	\$ 469,441	\$ 2,803

HOUSING AND REDEVELOPMENT AUTHORITY  
OF RICHFIELD, MINNESOTA  
COMBINED BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016

	Totals	
	2016	2015
Cash and investments	\$ 9,949,230	\$ 8,511,097
Accrued interest receivable	2,293	2,283
Due from other governments	7,028	7,937
Accounts receivable	314,026	37,612
Taxes receivable	10,179	7,120
Assets held for resale	4,408,040	3,133,977
Restricted cash	135,562	35,339
Long term second mortgage receivable	2,474,149	2,691,734
Allowance for doubtful accounts	(2,474,149)	(2,591,734)
Total Assets	\$ 14,826,358	\$ 11,735,375

	General	Special Revenue	Capital Projects
Cash and investments	\$ 1,545,127	\$ 1,623,069	\$ 6,781,034
Accrued interest receivable	-	2,293	-
Due from other governments	-	1,302	5,726
Accounts receivable	-	4,513	309,513
Taxes receivable	7,268	-	2,911
Assets held for resale	-	31,744	4,376,286
Restricted cash	-	135,562	-
Long term second mortgage receivable	216,000	2,202,679	55,470
Allowance for doubtful accounts	(216,000)	(2,202,679)	(55,470)
Total Assets	\$ 1,552,395	\$ 1,798,483	\$ 11,475,480

ASSETS & DEFERRED OUTFLOWS OF RESOURCES

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Liabilities:			
Accounts payable	\$ 28,825	\$ 25,485	\$ 479,354
Due to other government	-	1,358	-
Due to primary government	780,000	-	-
Total Liabilities	808,825	26,843	479,354
Deferred Inflows of Resources:			
Unavailable revenue - property taxes	\$ 7,268	\$ 122,801	\$ -
Unavailable revenue - federal housing assistance	-	-	2,911
Unavailable revenue - tax increment	-	-	-
Total Deferred Inflows of Resources	7,268	122,801	2,911
Fund Balances:			
Restricted	-	49,448	8,123,280
Committed	-	1,464,241	-
Assigned	-	135,150	2,869,935
Unassigned	736,302	-	-
Total Fund Balances	736,302	1,648,839	10,993,215
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,552,395	\$ 1,798,483	\$ 11,475,480

Fund balance reported above  
Allocation to reflect consolidation on internal service fund activities related to component unit  
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in component unit funds.  
Delinquent property taxes  
Federal Housing Assistance  
Net position of component unit activities

**HOUSING AND REDEVELOPMENT AUTHORITY  
OF RICHFIELD, MINNESOTA  
COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year December 31, 2016**

	General	Special Revenue	Capital Projects	
<b>Revenues:</b>				
Taxes	\$ 494,050	-	\$ 4,935,980	
Intergovernmental revenue	-	1,672,877	603,038	
Investment income	9,222	14,240	48,507	
Miscellaneous revenues	27,509	104,886	1,669,566	
<b>Total Revenues</b>	<u>530,781</u>	<u>1,792,003</u>	<u>7,257,081</u>	
<b>Expenditures -</b>				
<b>Current:</b>				
Personnel services	269,791	146,623	306,266	
Other services and charges	269,222	1,712,135	2,066,355	
Capital outlay	-	-	2,212,938	
<b>Total Expenditures</b>	<u>539,013</u>	<u>1,858,758</u>	<u>4,585,559</u>	
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(8,232)</u>	<u>(66,755)</u>	<u>2,671,522</u>	
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
General Fund	-	78,592	24,284	
Special Revenue Funds	29,050	-	-	
Capital Project Funds	29,050	-	37,927	
Transfers out:				
General Fund	-	(29,050)	(29,050)	
Special Revenue Funds	(78,592)	-	-	
Capital Project Funds	(24,284)	-	(37,927)	
<b>Net Other Financing Sources (Uses)</b>	<u>(44,776)</u>	<u>49,542</u>	<u>(4,766)</u>	
<b>Net Changes in Fund Balances</b>	<u>(53,008)</u>	<u>(17,213)</u>	<u>2,666,756</u>	
<b>Fund Balances - January 1</b>	<u>789,310</u>	<u>1,666,052</u>	<u>8,326,459</u>	
<b>Fund Balances - December 31</b>	<u>\$ 736,302</u>	<u>\$ 1,648,839</u>	<u>\$ 10,993,215</u>	
Adjustment to reflect the consolidation of internal service fund activities related to component unit period expenditures				
Change in net position of component unit activities	(35,720)			
	<u>125,860</u>			
	<u>2,686,675</u>			

	2016	2015
<b>Totals</b>		
	\$ 5,430,030	\$ 5,158,308
	2,275,915	1,515,484
	71,969	25,671
	1,801,951	1,068,055
	<u>9,579,865</u>	<u>7,767,518</u>
	722,680	738,128
	4,047,712	5,407,229
	2,212,938	1,044,091
	<u>6,983,330</u>	<u>7,189,448</u>
	2,596,535	578,070
	102,876	66,760
	29,050	-
	66,977	27,889
	(58,100)	-
	(78,592)	(63,760)
	<u>(62,211)</u>	<u>(30,889)</u>
	-	-
	2,596,535	578,070
		<u>10,203,751</u>
		<u>\$ 10,781,821</u>

Statement 39

City of Richfield  
Housing and Redevelopment Authority - Housing Choice Vouchers  
Financial Data Schedule  
Balance Sheet  
December 31, 2016

<b>Assets</b>	
<b>Current assets</b>	
113 Cash	2016
	<u>135,562</u>
121 Accounts receivable - PHA projects	1,302
128 Fraud recovery	11,557
128.1 Allowance for doubtful accounts - fraud	<u>(7,044)</u>
190 Total assets	<u>\$ 141,377</u>
<b>Liabilities and Fund Balance</b>	
<b>Current liabilities</b>	
312 Accounts payable <= 90 days	\$ 440
331 Accounts payable - other government	432
342 Unearned revenue	13,467
310 Total current liabilities	<u>14,339</u>
<b>Deferred inflows of resources</b>	
400 Deferred inflows of resources	109,334
Total Deferred inflows of resources	<u>109,334</u>
509.3 Fund balance restricted	10,043
512.3 Unassigned fund balance	7,661
513 Total fund balance	<u>17,704</u>
600 Total liabilities and fund balance	<u>\$ 141,377</u>

**Note: Financial Data Schedules - U.S. Department of Housing and Urban Development**

The City has presented the financial data schedules for its Housing and Redevelopment Authority. These schedules are presented on a modified accrual basis of accounting. The information in these schedules is presented in accordance with the U.S. Department of Housing and Urban Development, Office of Public Housing (HUD) and Indian Housing, Real Estate Assessment, Center and the Financial Assessment Subsystem - Public Housing (FASS-PH). Accordingly, some of the amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the City's basic financial statements.

Statement 40

City of Richfield  
Housing and Redevelopment Authority - Housing Choice Vouchers  
Financial Data Schedule  
Income Statement  
For the year ended December 31, 2016

<b>Revenue</b>	2016
70600 HUD PHA operating grants	<u>\$1,452,856</u>
71200 Investment Income - unrestricted	280
71400 Fraud recovery	5,612
71500 Other revenue	<u>651,328</u>
70000 Total revenue	<u>2,110,076</u>
<b>Operating expenses</b>	
<b>Administrative expenses</b>	
91100 Administrative salaries	95,305
91500 Employee benefit contributions - administrative	51,318
91600 Office expenses	29,110
91400 Advertising & marketing	46
91900 Other	793
91000 Total operating administrative expenses	<u>176,572</u>
<b>General expenses</b>	
96200 Other general expenses	26,095
96400 Bad debt - tenants rents	1,118
	<u>27,213</u>
96900 Total operating expenses	<u>203,785</u>
Excess of operating revenue over operating expenses	1,906,291
<b>Other expenses</b>	
97300 Housing assistance payments	1,314,676
97350 HAP Portability-in	610,433
90000 Total other expenses	<u>1,925,109</u>
Net increase (decrease) in net position	(18,818)
Net position - beginning	36,522
Net position - ending	<u>\$ 17,704</u>
<b>Memo account information</b>	
11170 Administrative fee equity	7,661
11180 Housing assistance payments equity	10,043
Total net position	<u>\$ 17,704</u>
11190 Unit months available	2,450
11210 Number of unit months leased	2,407

**Note: Financial Data Schedules - U.S. Department of Housing and Urban Development**

The City has presented the financial data schedules for its Housing and Redevelopment Authority. These schedules are presented on a modified accrual basis of accounting. The information in these schedules is presented in accordance with the U.S. Department of Housing and Urban Development, Office of Public Housing (HUD) and Indian Housing, Real Estate Assessment, Center and the Financial Assessment Subsystem - Public Housing (FASS-PH). Accordingly, some of the amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the City's basic financial statements.

**Schedule 1  
City of Richfield  
Net Position by Components  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Governmental activities</b>										
Net investment in capital assets	\$ 39,483,470	\$ 46,038,420	\$ 46,358,789	\$ 46,717,964	\$ 60,996,302	\$ 50,719,852	\$ 48,633,166	\$ 53,868,489	\$ 53,489,119	\$ 51,476,014
Restricted	24,474,914	17,736,711	18,955,821	18,729,736	4,106,339	4,773,506	2,824,310	3,625,019	6,159,180	3,093,111
Unrestricted	2,539,476	3,302,508	3,826,158	4,861,701	14,489,164	16,420,037	20,321,278	17,269,452	5,339,294	(428,034)
<b>Total governmental activities net position</b>	<b>\$ 66,497,860</b>	<b>\$ 87,077,639</b>	<b>\$ 88,139,788</b>	<b>\$ 89,309,401</b>	<b>\$ 89,591,805</b>	<b>\$ 71,913,194</b>	<b>\$ 71,778,754</b>	<b>\$ 74,762,960</b>	<b>\$ 64,987,593</b>	<b>\$ 54,143,091</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 16,564,444	\$ 21,046,188	\$ 21,000,169	\$ 20,297,510	\$ 18,788,234	\$ 18,482,474	\$ 19,212,879	\$ 14,105,007	\$ 14,610,034	\$ 16,757,963
Restricted	272,507	272,507	272,507	272,507	272,507	272,507	272,507	-	-	-
Unrestricted	8,656,011	3,820,984	3,147,419	3,380,134	4,457,373	5,062,397	3,890,596	9,019,091	2,723,183	2,429,606
<b>Total business-type activities net position</b>	<b>\$ 25,492,962</b>	<b>\$ 25,138,689</b>	<b>\$ 24,420,095</b>	<b>\$ 23,950,151</b>	<b>\$ 23,498,114</b>	<b>\$ 23,817,378</b>	<b>\$ 23,375,982</b>	<b>\$ 23,124,098</b>	<b>\$ 17,333,197</b>	<b>\$ 19,187,569</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 56,047,914	\$ 67,083,608	\$ 66,368,958	\$ 66,015,474	\$ 69,764,536	\$ 69,202,126	\$ 67,846,045	\$ 67,973,496	\$ 68,099,153	\$ 68,235,977
Restricted	24,747,421	18,009,218	19,228,328	19,002,243	4,378,846	5,046,012	3,096,817	3,625,019	6,159,180	3,093,111
Unrestricted	11,195,487	7,123,502	6,972,577	8,241,835	18,946,537	21,482,434	24,211,874	26,288,543	8,062,457	2,001,572
<b>Total primary government net position</b>	<b>\$ 91,990,822</b>	<b>\$ 92,216,328</b>	<b>\$ 92,559,863</b>	<b>\$ 93,259,552</b>	<b>\$ 93,089,919</b>	<b>\$ 95,730,572</b>	<b>\$ 95,154,736</b>	<b>\$ 97,887,058</b>	<b>\$ 82,320,790</b>	<b>\$ 73,330,660</b>

Note: The City implemented GASB Statement No. 68 and GASB Statement No. 71 in 2015. Years prior to 2015 have not been restated.



Schedule 2  
City of Richfield  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 2,116,388	\$ 2,352,600	\$ 2,435,317	\$ 2,241,131	\$ 2,871,668	\$ 2,874,868	\$ 3,042,891	\$ 3,102,253	\$ 3,112,271	\$ 3,503,975
Public safety	8,006,189	8,779,156	9,220,252	7,956,850	8,337,565	8,207,554	8,369,982	8,010,123	8,367,770	11,080,522
Fire	2,924,032	3,111,442	2,849,347	3,375,222	3,342,834	3,427,829	3,365,043	3,757,653	4,114,362	5,766,379
Community development	310,792	322,428	143,142	1,118,218	1,145,063	1,136,623	1,322,175	1,360,558	1,390,908	1,489,202
Public Works	13,050,226	16,834,546	30,589,925	7,310,898	6,837,282	7,076,058	9,545,980	9,647,341	15,932,128	16,181,254
Parks and recreation	2,053,366	2,063,866	2,260,043	1,943,071	2,118,937	2,015,873	2,154,180	3,882,319	3,973,233	4,244,085
Interest on long-term debt	941,738	1,182,413	1,684,937	1,569,436	1,534,727	1,496,022	1,196,968	1,220,893	1,118,400	1,786,750
<b>Total governmental activities expenses</b>	<b>\$ 29,402,731</b>	<b>\$ 34,646,451</b>	<b>\$ 49,182,963</b>	<b>\$ 25,514,826</b>	<b>\$ 26,188,076</b>	<b>\$ 26,234,927</b>	<b>\$ 28,997,219</b>	<b>\$ 30,981,140</b>	<b>\$ 38,009,072</b>	<b>\$ 44,032,167</b>
<b>Business-type activities</b>										
Liquor	\$ 10,167,674	\$ 10,439,862	\$ 10,454,379	\$ 10,231,138	\$ 10,309,292	\$ 10,799,198	\$ 10,308,021	\$ 10,639,175	\$ 10,246,033	\$ 10,018,719
Water and sewer utility	5,813,949	6,359,038	6,402,596	6,543,019	6,698,270	6,699,992	7,217,814	7,271,227	7,503,496	8,067,365
Storm sewer utility	1,041,955	1,103,688	1,158,998	1,099,575	1,056,249	1,167,332	1,260,211	1,220,584	1,263,819	1,462,684
Recreation Fund	1,608,789	1,716,063	1,701,676	1,671,877	1,680,331	1,679,838	1,745,104	-	-	-
Street Light utility	-	-	1,640	-	-	-	-	-	-	-
<b>Total business-type activities expenses</b>	<b>18,632,367</b>	<b>19,618,651</b>	<b>19,719,289</b>	<b>19,545,609</b>	<b>19,744,142</b>	<b>20,346,360</b>	<b>20,531,150</b>	<b>19,130,986</b>	<b>19,013,348</b>	<b>19,548,768</b>
<b>Total primary government expenses</b>	<b>\$ 48,035,098</b>	<b>\$ 54,265,102</b>	<b>\$ 68,902,252</b>	<b>\$ 45,060,435</b>	<b>\$ 45,932,218</b>	<b>\$ 46,581,287</b>	<b>\$ 49,528,369</b>	<b>\$ 50,112,126</b>	<b>\$ 57,022,420</b>	<b>\$ 63,580,935</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$ 534,039	\$ 441,704	\$ 404,782	\$ 398,787	\$ 438,427	\$ 514,721	\$ 545,092	\$ 672,182	\$ 795,899	\$ 830,145
Public safety	1,546,321	1,448,515	1,484,728	689,767	752,083	683,347	822,423	837,168	828,737	640,411
Fire	6,150	3,400	21,150	15,589	14,376	15,899	12,140	25,905	13,605	18,180
Community development	20,359	18,775	10,325	1,038,020	967,780	1,188,057	985,884	1,305,144	1,146,164	1,383,804
Public Works	29,978	30,352	19,698	15,205	277,224	290,307	309,848	308,784	307,611	309,235
Parks and recreation	342,479	345,259	326,746	381,511	396,727	413,146	419,164	1,608,943	1,721,646	1,751,634
Other activities	-	-	-	-	-	-	-	-	-	-
<b>Total Charges for services</b>	<b>2,479,326</b>	<b>2,288,005</b>	<b>2,267,429</b>	<b>2,538,879</b>	<b>2,846,617</b>	<b>3,105,477</b>	<b>3,094,551</b>	<b>4,758,126</b>	<b>4,813,662</b>	<b>4,933,409</b>
Operating grants and contributions:										
Public safety	743,298	914,722	787,410	1,003,961	767,708	813,807	776,911	852,230	818,401	906,083
Fire	196,114	162,580	138,196	129,055	288,954	275,595	163,949	141,794	150,837	161,310
Public Works	262,325	250,784	257,775	268,305	292,677	337,167	328,310	453,428	316,893	338,323
Parks and recreation	22,294	28,802	34,938	3,494	8,947	22,180	26,396	2,032	19,281	28,611
<b>Total Operating grants and contributions</b>	<b>1,224,031</b>	<b>1,356,888</b>	<b>1,218,319</b>	<b>1,404,815</b>	<b>1,358,286</b>	<b>1,448,749</b>	<b>1,295,566</b>	<b>1,449,484</b>	<b>1,305,392</b>	<b>1,434,327</b>
Capital grants and contributions:										
Public safety	-	-	-	-	20,000	-	-	-	-	-
Community development	1,509,465	1,549,344	1,546,075	1,549,542	1,559,732	2,029,215	820,737	861,086	868,587	869,352
Public Works	8,362,186	11,463,338	26,141,406	2,012,957	1,216,632	1,180,578	1,764,952	2,174,565	5,266,238	3,864,463
Parks and recreation	-	-	200,248	116,030	-	11,971	-	30,253	-	-
<b>Total Capital grants and contributions</b>	<b>9,871,651</b>	<b>13,012,682</b>	<b>27,887,729</b>	<b>3,678,529</b>	<b>2,796,364</b>	<b>3,221,764</b>	<b>2,585,689</b>	<b>3,065,904</b>	<b>6,134,825</b>	<b>4,733,815</b>
<b>Total governmental activities program revenues</b>	<b>\$ 13,575,008</b>	<b>\$ 16,657,575</b>	<b>\$ 31,373,477</b>	<b>\$ 7,622,223</b>	<b>\$ 7,001,267</b>	<b>\$ 7,775,990</b>	<b>\$ 6,975,806</b>	<b>\$ 9,273,514</b>	<b>\$ 12,253,879</b>	<b>\$ 11,101,551</b>

Note: The City implemented GASB Statement No. 68 and GASB Statement No. 71 in 2015. Years prior to 2015 have not been restated.

Schedule 2 (cont.)  
City of Richfield  
Changes in Position  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Business-type activities</b>										
<b>Charges for services:</b>										
Liquor	\$ 10,775,419	\$ 11,302,384	\$ 11,349,563	\$ 11,117,676	\$ 11,198,404	\$ 11,807,489	\$ 11,137,402	\$ 11,500,417	\$ 10,859,642	\$ 10,457,318
Water & Sewer	5,617,234	5,503,808	5,703,187	6,099,325	6,525,152	6,940,791	7,008,067	7,222,179	7,314,887	7,647,683
Storm Sewer	884,562	941,542	936,509	980,077	991,950	1,238,267	1,117,761	1,204,476	1,181,739	1,352,699
Recreation Activities	1,176,264	1,239,389	1,293,946	1,248,111	1,196,110	1,131,040	1,120,189	-	-	-
Street Light utility	-	-	82,832	274,182	-	-	-	-	-	-
Capital Grants & Contributions	-	1,123,416	-	-	-	-	-	-	200,000	-
<b>Total business-type activities program revenues</b>	<b>18,455,479</b>	<b>20,110,539</b>	<b>19,366,037</b>	<b>19,719,371</b>	<b>19,911,616</b>	<b>21,117,587</b>	<b>20,383,439</b>	<b>19,927,072</b>	<b>19,556,268</b>	<b>19,457,700</b>
<b>Total primary government program revenues</b>	<b>32,030,487</b>	<b>36,768,114</b>	<b>50,739,514</b>	<b>27,341,594</b>	<b>26,912,983</b>	<b>28,893,577</b>	<b>27,359,245</b>	<b>29,200,586</b>	<b>31,810,147</b>	<b>30,559,251</b>
<b>Net (Expense) Revenue</b>										
Governmental activities	(15,827,723)	(17,988,876)	(17,809,486)	(17,892,603)	(19,186,809)	(18,458,937)	(22,021,413)	(21,707,626)	(25,755,193)	(32,930,616)
Business-type activities	(176,888)	491,888	(353,252)	173,762	167,474	771,227	(147,711)	796,086	542,920	(91,068)
<b>Total primary government net expense</b>	<b>\$ (16,004,611)</b>	<b>\$ (17,496,988)</b>	<b>\$ (18,162,738)</b>	<b>\$ (17,718,841)</b>	<b>\$ (19,019,335)</b>	<b>\$ (17,687,710)</b>	<b>\$ (22,169,124)</b>	<b>\$ (20,911,540)</b>	<b>\$ (25,212,273)</b>	<b>\$ (33,021,684)</b>
<b>General Revenues and other changes in Net Position</b>										
<b>Governmental activities</b>										
Property taxes	\$ 11,368,203	\$ 12,417,269	\$ 13,631,513	\$ 14,522,676	\$ 15,276,804	\$ 17,025,767	\$ 17,965,988	\$ 18,613,321	\$ 18,388,710	\$ 18,398,414
Franchise taxes	1,017,826	1,033,940	1,055,073	1,161,200	1,236,825	1,259,670	1,304,716	1,973,751	2,230,602	2,260,122
Unrestricted grants and contributions	2,602,147	2,144,629	2,719,211	1,320,480	1,319,307	1,230,268	1,223,981	1,937,907	2,054,379	2,084,057
Others	2,308,539	1,719,487	836,787	1,214,910	846,105	631,131	710,988	809,584	1,069,172	940,134
Transfers	1,859,180	1,253,330	629,031	842,970	790,172	633,490	661,300	866,460	1,009,749	(1,596,613)
<b>Total governmental activities</b>	<b>19,155,895</b>	<b>18,568,655</b>	<b>18,871,615</b>	<b>19,062,236</b>	<b>19,469,213</b>	<b>20,780,326</b>	<b>21,886,973</b>	<b>24,201,003</b>	<b>24,752,612</b>	<b>22,086,114</b>
<b>Business-type activities</b>										
Others	732,268	407,169	263,689	199,264	170,661	181,527	481,633	309,319	335,616	348,827
Transfers	(1,859,180)	(1,253,330)	(629,031)	(842,970)	(790,172)	(633,490)	(661,300)	(866,460)	(1,009,749)	1,596,613
<b>Total business-type activities</b>	<b>(1,126,912)</b>	<b>(846,161)</b>	<b>(365,342)</b>	<b>(643,706)</b>	<b>(619,511)</b>	<b>(451,963)</b>	<b>(179,667)</b>	<b>(557,141)</b>	<b>(674,133)</b>	<b>1,945,440</b>
<b>Total primary government</b>	<b>\$ 18,028,983</b>	<b>\$ 17,722,494</b>	<b>\$ 18,506,273</b>	<b>\$ 18,418,530</b>	<b>\$ 18,849,702</b>	<b>\$ 20,328,363</b>	<b>\$ 21,707,306</b>	<b>\$ 23,643,862</b>	<b>\$ 24,078,479</b>	<b>\$ 24,031,554</b>
<b>Changes in Net Position</b>										
Governmental activities	\$ 3,328,172	\$ 579,779	\$ 1,062,129	\$ 1,169,633	\$ 282,404	\$ 2,321,389	\$ (134,440)	\$ 2,493,377	\$ (1,002,581)	\$ (10,844,502)
Business-type activities	(1,303,800)	(354,273)	(718,594)	(469,944)	(452,037)	319,264	(327,378)	238,945	(131,213)	1,854,372
<b>Total primary government</b>	<b>\$ 2,024,372</b>	<b>\$ 225,506</b>	<b>\$ 343,535</b>	<b>\$ 699,689</b>	<b>\$ (169,633)</b>	<b>\$ 2,640,653</b>	<b>\$ (461,818)</b>	<b>\$ 2,732,322</b>	<b>\$ (1,133,794)</b>	<b>\$ (8,990,130)</b>

Note: The City implemented GASB Statement No. 68 and GASB Statement No. 71 in 2015. Years prior to 2015 have not been restated.

Schedule 3  
City of Richfield  
Fund Balance, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>General Fund</b>										
Reserved	\$ 87,315	\$ 92,303	\$ 91,326	\$ 73,146	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,649,555	6,657,999	6,683,584	6,756,678	-	-	-	-	-	-
Nonspendable	-	-	-	-	67,919	72,531	72,413	83,241	85,424	76,593
Unassigned	-	-	-	-	6,886,065	7,235,983	7,679,767	8,414,671	8,601,783	8,925,011
<b>Total general fund</b>	<b>\$ 6,736,870</b>	<b>\$ 6,750,302</b>	<b>\$ 6,774,910</b>	<b>\$ 6,829,824</b>	<b>\$ 6,953,984</b>	<b>\$ 7,308,514</b>	<b>\$ 7,752,180</b>	<b>\$ 8,497,912</b>	<b>\$ 8,687,207</b>	<b>\$ 8,701,604</b>
<b>All Other Governmental Funds</b>										
Reserved										
Advances to other funds	\$ -	\$ -	\$ -	\$ 908,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid items	7,330	7,330	20,275	20,275	-	-	-	-	-	-
Debt service	3,194,219	3,240,201	3,860,116	10,850,982	-	-	-	-	-	-
Unreserved, reported in										
Special revenue funds	10,447,959	10,529,219	10,803,383	3,195,982	-	-	-	-	-	-
Capital project funds	11,379,182	14,683,130	17,748,413	12,281,522	-	-	-	-	-	-
Nonspendable	-	-	-	-	20,275	7,330	7,330	7,330	7,330	7,330
Restricted	-	-	-	-	2,882,735	3,198,047	3,360,006	3,477,447	6,195,103	14,300,168
Committed	-	-	-	-	6,010,283	6,469,737	6,703,091	7,409,218	9,417,154	13,209,935
Assigned	-	-	-	-	4,728,247	4,826,523	7,539,435	7,385,044	12,653,949	6,844,543
Unassigned	-	-	-	-	(66,244)	(307,452)	(217,010)	(5,327,013)	(5,155,757)	(5,205,632)
<b>Total all other government funds</b>	<b>\$ 25,028,700</b>	<b>\$ 28,459,880</b>	<b>\$ 32,232,187</b>	<b>\$ 27,237,511</b>	<b>\$ 13,375,296</b>	<b>\$ 14,194,185</b>	<b>\$ 17,392,852</b>	<b>\$ 12,952,026</b>	<b>\$ 23,117,779</b>	<b>\$ 29,156,344</b>

Note: The City implemented GASB Statement 54 in 2011. This information is not available for previous years.

Schedule 4  
City of Richfield  
Changes in Fund Balance, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Property taxes	\$ 11,310,180	\$ 12,373,968	\$ 13,614,364	\$ 14,683,414	\$ 15,436,001	\$ 16,975,557	\$ 18,116,437	\$ 18,370,724	\$ 18,407,060	\$ 18,357,209
Franchise taxes	1,017,826	1,033,940	1,055,073	1,161,200	1,236,825	1,259,670	1,304,716	1,973,751	2,230,602	2,260,122
Special assessments	604,234	333,854	386,977	356,068	332,974	338,582	296,384	975,724	222,667	194,607
Fees and fines	379,605	349,481	389,819	415,624	447,611	377,343	467,095	493,947	442,278	279,437
License and permits	872,135	794,272	733,326	901,746	810,617	928,747	938,455	1,030,746	985,367	1,124,025
Intergovernmental	12,300,664	16,235,985	31,506,661	6,088,027	5,262,097	5,502,036	4,903,648	5,486,032	9,272,708	7,971,353
Charges for services	1,218,194	1,144,252	1,144,284	1,221,509	1,588,389	1,799,367	1,689,001	3,233,433	3,386,017	3,529,947
Investment earnings	1,377,540	915,215	240,971	178,949	95,422	58,402	35,365	62,931	56,205	157,444
Miscellaneous	830,468	499,675	535,604	997,545	723,012	530,813	638,468	726,303	980,395	719,430
<b>Total revenues</b>	<b>29,810,846</b>	<b>33,680,642</b>	<b>49,607,079</b>	<b>25,904,082</b>	<b>26,932,948</b>	<b>27,770,537</b>	<b>28,388,579</b>	<b>32,353,591</b>	<b>35,983,298</b>	<b>34,593,674</b>
<b>Expenditures</b>										
General government	2,085,409	2,182,970	2,076,721	2,055,395	2,098,161	2,184,584	2,207,715	2,476,487	2,523,323	2,602,322
Police	7,799,254	8,228,342	8,320,110	7,607,999	7,972,936	7,886,426	8,228,719	7,761,398	7,936,351	8,310,386
Fire	2,876,983	3,097,345	3,153,679	3,230,055	3,251,870	3,283,640	3,495,925	3,561,443	3,845,082	4,056,978
Community Development	312,098	251,917	220,912	1,075,950	1,092,855	1,096,509	1,215,361	1,297,986	1,337,103	1,330,766
Public Works	11,669,379	15,443,128	29,253,543	5,313,266	4,727,177	4,854,355	7,244,947	7,424,484	13,814,201	13,457,283
Recreation services	1,837,126	1,854,522	1,712,717	1,725,477	1,815,018	1,756,185	1,795,561	3,207,929	3,282,355	3,382,122
Capital outlay	330,102	183,858	113,155	73,903	202,064	101,130	48,636	1,128,508	523,092	743,485
Construction/acquisition cost	7,367,951	7,502,583	2,879,275	14,801,527	8,471,460	3,217,198	1,934,877	1,215,892	1,840,072	2,207,711
Debt service:										
Principal	950,000	1,000,000	1,285,000	1,600,000	1,955,000	2,850,000	1,830,000	2,760,000	2,565,000	2,125,000
Interest and other charges	779,093	1,146,342	1,424,744	1,726,989	1,637,254	1,602,355	1,230,904	1,257,253	1,271,643	1,563,351
<b>Total expenditures</b>	<b>36,007,395</b>	<b>40,891,007</b>	<b>50,438,856</b>	<b>39,210,571</b>	<b>33,223,795</b>	<b>28,832,402</b>	<b>29,232,645</b>	<b>32,093,390</b>	<b>36,938,222</b>	<b>39,779,404</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(6,196,549)</b>	<b>(7,210,365)</b>	<b>(831,777)</b>	<b>(13,306,489)</b>	<b>(7,290,847)</b>	<b>(1,061,865)</b>	<b>(844,066)</b>	<b>260,201</b>	<b>(2,954,924)</b>	<b>(5,185,830)</b>
<b>Other Financing Sources(Uses)</b>										
Bonds issued	8,955,000	9,995,000	4,550,000	7,855,000	-	5,090,000	3,120,000	-	9,100,000	11,215,000
Premium (Discounts) on debt issued	(1,910)	(72,303)	(22,339)	146,587	-	20,307	76,365	-	278,526	516,582
Proceeds from sale of capital assets	-	-	-	-	-	-	6,804	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	(6,610,000)	(2,705,000)	-	-	-	-
Transfers in	16,974,442	13,724,429	6,579,328	11,890,481	2,458,913	5,016,917	5,773,029	3,333,711	11,965,883	4,368,205
Transfers out	(14,804,812)	(12,992,149)	(6,478,297)	(11,525,341)	(2,296,121)	(5,186,940)	(5,806,099)	(3,227,251)	(11,848,134)	(4,860,995)
<b>Total other financing sources(uses)</b>	<b>11,122,720</b>	<b>10,654,977</b>	<b>4,628,692</b>	<b>8,366,727</b>	<b>(6,447,208)</b>	<b>2,235,284</b>	<b>3,170,099</b>	<b>106,450</b>	<b>9,496,275</b>	<b>11,238,772</b>
<b>Net change in fund balances</b>	<b>\$ 4,926,171</b>	<b>\$ 3,444,612</b>	<b>\$ 3,796,915</b>	<b>\$ (4,939,762)</b>	<b>\$ (13,738,055)</b>	<b>\$ 1,173,419</b>	<b>\$ 2,326,033</b>	<b>\$ 366,681</b>	<b>\$ 6,541,351</b>	<b>\$ 6,052,952</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>6.1%</b>	<b>6.5%</b>	<b>5.7%</b>	<b>13.7%</b>	<b>14.6%</b>	<b>17.5%</b>	<b>11.2%</b>	<b>13.5%</b>	<b>10.5%</b>	<b>10.0%</b>

**Schedule 5  
City of Richfield  
Assessed Value and Actual Value of Taxable Property  
Last Ten Fiscal Years  
(in thousand of dollars)**

<b>Year Ended December 31</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Estimated Market Value</b>	<b>Total Direct Tax Rate (1)</b>
<b>2007</b>	<b>2,683,917</b>	<b>593,360</b>	<b>5,702</b>	<b>3,282,979</b>	<b>3,166,632</b>	<b>37.01%</b>
<b>2008</b>	<b>2,564,008</b>	<b>632,433</b>	<b>5,779</b>	<b>3,202,220</b>	<b>3,289,409</b>	<b>39.31%</b>
<b>2009</b>	<b>2,387,793</b>	<b>584,442</b>	<b>5,655</b>	<b>2,977,890</b>	<b>3,214,994</b>	<b>44.33%</b>
<b>2010</b>	<b>2,198,407</b>	<b>508,244</b>	<b>4,985</b>	<b>2,711,636</b>	<b>2,990,148</b>	<b>49.79%</b>
<b>2011</b>	<b>1,954,100</b>	<b>497,407</b>	<b>4,913</b>	<b>2,456,420</b>	<b>2,669,488</b>	<b>56.80%</b>
<b>2012</b>	<b>1,816,389</b>	<b>489,491</b>	<b>7,992</b>	<b>2,313,872</b>	<b>2,534,910</b>	<b>62.56%</b>
<b>2013</b>	<b>1,934,597</b>	<b>507,270</b>	<b>7,902</b>	<b>2,449,769</b>	<b>2,672,791</b>	<b>65.67%</b>
<b>2014</b>	<b>1,971,484</b>	<b>548,560</b>	<b>7,859</b>	<b>2,527,903</b>	<b>2,736,099</b>	<b>66.17%</b>
<b>2015</b>	<b>2,061,584</b>	<b>577,408</b>	<b>12,690</b>	<b>2,651,682</b>	<b>2,854,982</b>	<b>61.66%</b>
<b>2016</b>	<b>2,260,137</b>	<b>605,362</b>	<b>13,567</b>	<b>2,879,066</b>	<b>3,072,682</b>	<b>62.66%</b>

(1) Includes both City and Housing and Redevelopment Authority Rates.

Source: Hennepin County Finance Department

Schedule 6  
City of Richfield  
Property Tax Rates-Direct and Overlapping Governments  
Per \$1,000 of Assessed Value or Tax Capacity  
Last Ten Fiscal Years

Fiscal Year	Direct City Rates			Total City	Overlapping Rates			Total Direct & Overlapping Rates
	General	Debt	HRA		School District	Hennepin County	Metropolitan Agencies	
2007	35.78%	0.00%	1.23%	37.02%	21.47%	39.11%	7.31%	104.91%
2008	36.05%	1.86%	1.40%	39.31%	21.87%	38.57%	7.39%	107.14%
2009	37.91%	4.62%	1.81%	44.33%	23.08%	40.41%	7.15%	114.98%
2010	41.22%	6.73%	1.83%	49.79%	23.60%	42.64%	8.14%	124.16%
2011	48.60%	6.39%	1.81%	56.80%	26.76%	45.84%	9.17%	138.57%
2012	54.21%	6.59%	1.76%	62.56%	28.89%	48.23%	9.52%	149.21%
2013	56.77%	7.29%	1.60%	65.67%	31.01%	49.46%	10.09%	156.23%
2014	56.79%	7.67%	1.71%	66.17%	34.14%	49.95%	10.58%	160.83%
2015	53.17%	6.97%	1.53%	61.66%	26.66%	46.40%	9.79%	144.50%
2016	53.19%	7.80%	1.67%	62.66%	28.77%	45.36%	9.53%	146.32%

Source: Hennepin County Assessing Office

Schedule 7  
City of Richfield  
Principal Property Tax Payers

Tax payer	2016			Tax payer	2007		
	Assessed Value/ Tax Capacity	Rank	Percentage of Total City Tax Capacity Value		Assessed Value/ Tax Capacity	Rank	Percentage of Total City Tax Capacity Value
Best Buy	\$ 3,203,690	1	12.52%	Best Buy	\$ 3,064,310	1	7.79%
Meridian Crossings LLC	1,099,250	2	4.30%	Ohio Teachers Retirement System	1,155,110	2	2.94%
Menards, Inc.	516,930	3	2.02%	Shoppes at Lyndale	1,040,340	3	2.65%
Crossroads at Penn LLC	429,363	4	1.68%	Richfield State Agency	647,665	4	1.65%
City Bella	340,095	5	1.33%	Hub Shopping Center	563,450	5	1.43%
Brixmor SPE 1 LLC	318,610	6	1.25%	Century Court Apartments	560,418	6	1.43%
CSM Corporation	307,450	7	1.20%	City Bella	394,193	7	1.00%
Gramercy Park	265,034	8	1.04%	Gramercy Co-op	349,553	8	0.89%
The Oaks LLC	197,763	9	0.77%	Market Plaza	347,887	9	0.88%
ROP Investment Co LLC	188,788	10	0.74%	Southdale Square Center	321,910	10	0.82%
<b>Total</b>	<b>\$ 6,866,973</b>		<b>26.84%</b>	<b>Total</b>	<b>\$ 8,444,836</b>		<b>21.48%</b>

Source: Hennepin County Assessing Office

**Schedule 8  
City of Richfield  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Net Total Property Tax Levy (1)</b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collections to Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Percent of Delinquent Taxes to Tax Levy</b>
2007	11,398,318	11,219,146	98.4%	162,447	11,381,593	99.9%	-	0.0%
2008	12,441,451	12,247,426	98.4%	194,025	12,441,451	100.0%	-	0.0%
2009	13,664,697	13,502,685	98.8%	162,012	13,664,697	100.0%	-	0.0%
2010	14,575,518	14,464,099	99.2%	4,170	14,468,269	99.3%	-	0.0%
2011	16,037,434	15,901,906	99.2%	21,107	15,923,013	99.3%	(11,919)	-0.1%
2012	17,477,266	17,261,829	98.8%	6,241	17,268,070	98.8%	13,221	0.1%
2013	17,744,951	17,631,536	99.4%	46,267	17,677,803	99.6%	25,603	0.1%
2014	18,012,303	17,933,454	99.6%	41,742	17,975,196	99.8%	38,901	0.2%
2015	18,745,569	18,685,167	99.7%	178,949	18,864,116	100.6%	81,006	0.4%
2016	19,125,557	19,001,616	99.4%	-	19,001,616	99.4%	125,908	0.7%

Notes: (1) Net amount certified to County after credits and adjustments.



**Schedule 9**  
**City of Richfield**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Year	Government Activities				Business Type Activities			Total Primary Government	Percentage of Personal Income	Debt Per Capita
	Redevelopment Bonds	G.O. Improvement Bonds	Capital Notes	Storm Sewer Bonds	Ice Arena Bonds	Water & Sewer Bonds	Water Bonds			
2007	13,945,000	9,405,000	-	2,500,000	1,255,000	6,080,000	-	33,185,000	-	1,002
2008	13,050,000	18,780,000	515,000	2,435,000	1,185,000	5,875,000	-	41,840,000	-	1,242
2009	12,120,000	22,975,000	515,000	2,350,000	1,110,000	5,660,000	-	44,730,000	-	1,321
2010	17,500,000	24,105,000	260,000	2,260,000	1,035,000	5,440,000	-	50,600,000	-	1,436
2011	10,205,000	23,095,000	-	2,170,000	955,000	5,210,000	1,480,000	43,115,000	-	1,219
2012	8,965,000	23,880,000	-	2,075,000	870,000	4,975,000	1,480,000	42,235,000	-	1,174
2013	8,340,000	25,785,000	-	4,790,431	780,000	4,730,000	1,428,526	45,853,957	-	1,274
2014	7,685,000	24,460,000	-	4,557,831	-	4,475,000	1,368,326	42,546,157	-	1,180
2015	7,020,000	31,989,510	-	5,983,079	-	4,210,000	5,273,618	54,476,207	-	1,507
2016	6,340,000	42,212,887	-	7,150,861	-	-	5,194,818	60,898,566	-	1,666

Note: statements

Note: Information on personal income is not available.

**Schedule 10  
City of Richfield  
Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Redevelopment Bonds</b>	<b>Total</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Net Total</b>	<b>Percentage of Actual Taxable Value of Property (1)</b>	<b>Per Capita (2)</b>
2007	9,405,000	13,945,000	23,350,000	3,194,219	20,155,781	0.61%	609
2008	19,295,000	13,050,000	32,345,000	3,240,201	29,104,799	0.91%	864
2009	23,490,000	12,120,000	35,610,000	3,860,116	31,749,884	1.07%	938
2010	24,365,000	17,500,000	41,865,000	10,850,982	31,014,018	1.14%	880
2011	23,095,000	10,205,000	33,300,000	2,006,261	31,293,739	1.27%	885
2012	23,880,000	8,955,000	32,835,000	1,525,230	31,309,770	1.35%	870
2013	25,785,000	8,340,000	34,125,000	1,680,344	32,444,656	1.32%	902
2014	24,460,000	7,685,000	32,145,000	2,388,013	29,756,987	1.18%	826
2015	31,989,510	7,020,000	39,009,510	1,653,862	37,355,648	1.41%	1,033
2016	42,212,887	6,340,000	48,552,887	2,192,838	46,360,049	1.74%	1,268

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) Total Taxable Assessed Value can be found in Schedule 5.

(2) Population data can be found in Schedule 14.

**Schedule 11  
City of Richfield  
Direct and Overlapping Governmental Activities Debt  
As of December 31, 2016**

<u>Jurisdiction</u>	<u>Net Debt Outstanding (1)</u>	<u>Percentage Applicable to City of Richfield (2)</u>	<u>Amount Applicable to City of Richfield</u>
<b>City of Richfield</b>	<b>\$ 39,885,000</b>	<b>100.00%</b>	<b>\$ 39,885,000</b>
<b>Hennepin County</b>	<b>\$ 811,375,883</b>	<b>1.77%</b>	<b>\$ 14,361,353</b>
<b>Independent School District #280, Richfield, MN</b>	<b>24,664,879</b>	<b>69.55%</b>	<b>17,154,423</b>
<b>Hennepin Suburb Park District</b>	<b>47,787,952</b>	<b>2.46%</b>	<b>1,175,584</b>
<b>Hennepin Regional RR Authority</b>	<b>32,848,204</b>	<b>2.46%</b>	<b>808,066</b>
<b>Metropolitan Council</b>	<b>38,874,706</b>	<b>0.90%</b>	<b>349,872</b>
	<b>\$ 955,551,624</b>		<b>\$ 33,849,298</b>
 <b>Total</b>	 <b>\$ 995,436,624</b>		 <b>\$ 73,734,298</b>

Source: Hennepin County Property Tax

Note: (1) Excludes Revenue bonds and Special Assessment bonds

(2) The percentage applicable to the City of Richfield was determined by dividing the portion of the tax capacity within the City by the total tax capacity of the taxing jurisdiction.

**Schedule 12  
City of Richfield  
Legal Debt Margin Information  
Last Ten Fiscal Years  
(In thousand dollars)**

**Legal Debt Margin Calculation for Fiscal Year 2016**

<b>Market Value of taxable property</b>	<b>\$ 2,670,879</b>
<b>Debt Limit (3% of market value of taxable property)</b>	<b>80,126</b>
<b>Total debt applicable to debt limit</b>	<b><u>29,522</u></b>
<b>Legal debt margin</b>	<b><u><u>50,604</u></u></b>

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Debt limit</b>	<b>\$ 65,660</b>	<b>\$ 96,067</b>	<b>\$ 83,337</b>	<b>\$ 81,349</b>	<b>\$ 73,693</b>	<b>\$ 69,416</b>	<b>\$ 73,493</b>	<b>\$ 75,837</b>	<b>\$ 79,550</b>	<b>\$ 80,126</b>
<b>Total debt applicable to limit</b>	<b>8,105</b>	<b>18,100</b>	<b>22,383</b>	<b>23,167</b>	<b>21,992</b>	<b>22,978</b>	<b>24,151</b>	<b>22,875</b>	<b>30,910</b>	<b>29,522</b>
<b>Legal debt margin</b>	<b>\$ 57,555</b>	<b>\$ 77,967</b>	<b>\$ 60,954</b>	<b>\$ 58,182</b>	<b>\$ 51,701</b>	<b>\$ 46,438</b>	<b>\$ 49,342</b>	<b>\$ 52,962</b>	<b>\$ 48,640</b>	<b>\$ 50,604</b>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	<b><u>12.34%</u></b>	<b><u>18.84%</u></b>	<b><u>26.86%</u></b>	<b><u>28.48%</u></b>	<b><u>29.84%</u></b>	<b><u>33.10%</u></b>	<b><u>32.86%</u></b>	<b><u>30.16%</u></b>	<b><u>38.86%</u></b>	<b><u>36.84%</u></b>

**Schedule 13  
City of Richfield  
Revenue Bond Coverage  
Last Ten Fiscal Years**

Fiscal Year	Gross Revenue	Direct Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements (2)			Coverage
				Principal	Interest	Total	
2007	7,279,005 (4)	6,407,429	871,576	290,000	413,917	702,686	1.24
2008	7,302,918 (4)	6,696,608	606,310	340,000	405,516	745,516	0.81
2009	7,579,089 (4)	6,448,574	1,130,515	375,000	385,598	760,598	1.49
2010	7,967,431 (4)	7,389,315	578,116	385,000	395,350	780,350	0.74
2011	8,441,735 (5)	6,727,238	1,714,497	400,000	425,307	825,307	2.08
2012	9,026,205 (5)	6,709,992	2,316,213	415,000	427,749	842,749	2.75
2013	9,246,037 (5)	7,683,443	1,562,594	490,000	447,541	937,541	1.67
2014	8,426,655 (6)	6,532,437	1,894,218	547,800	378,409	926,209	2.05
2015	8,496,626 (6)	6,805,269	1,691,357	557,800	351,861	909,661	1.86
2016	9,000,382 (6)	7,421,778	1,578,604	602,300	281,309	883,609	1.79

- Notes: (1) Total operating expenses exclude depreciation  
(2) Include principal and interest of revenue bonds only  
(3) Storm sewer and Ice Arena bonds  
(4) Storm sewer, Ice Arena, Water and Sewer revenue bonds  
(5) Storm sewer, Ice Arena, Water and Sewer revenue bonds, and Water revenue bonds  
(6) Storm sewer, Water and Sewer revenue bonds, and Water revenue bonds

**Schedule 14  
 City of Richfield  
 Demographic and Economic Statistics  
 Last Ten Fiscal Years**

<b>Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Education Level in Years of Schooling</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
<b>2007</b>	<b>33,107</b>					<b>4,057</b>	<b>4.3%</b>
<b>2008</b>	<b>33,676</b>					<b>4,053</b>	<b>6.0%</b>
<b>2009</b>	<b>33,859</b>					<b>3,995</b>	<b>6.7%</b>
<b>2010</b>	<b>35,228</b>					<b>3,980</b>	<b>6.4%</b>
<b>2011</b>	<b>35,376</b>					<b>4,131</b>	<b>5.8%</b>
<b>2012</b>	<b>35,979</b>					<b>4,388</b>	<b>4.3%</b>
<b>2013</b>	<b>36,041</b>					<b>4,405</b>	<b>3.8%</b>
<b>2014</b>	<b>36,154</b>					<b>4,396</b>	<b>3.0%</b>
<b>2015</b>	<b>36,557</b>					<b>4,302</b>	<b>2.6%</b>
<b>2016</b>	<b>36,557</b>					<b>4,235</b>	<b>3.2%</b>

Sources: Minnesota Department of Employment and Economic Development, Metropolitan Council, and Richfield School District #280.

Note: Information on personal income, median age, and education levels is not available.

**Schedule 15  
City of Richfield  
Principal Employers**

<b>Employer</b>	<b>2016</b>			<b>Employer</b>	<b>2007</b>		
	<b>No. of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>		<b>No. of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
<b>Best Buy Corporate office</b>	<b>6,000</b>	<b>1</b>	<b>31.15%</b>	<b>Best Buy Corporate Office</b>	<b>6,000</b>	<b>1</b>	<b>27.27%</b>
<b>U.S. Bancorp</b>	<b>1,964</b>	<b>2</b>	<b>10.20%</b>	<b>GMAC-RFC</b>	<b>1,281</b>	<b>2</b>	<b>5.82%</b>
<b>Independent School District 280</b>	<b>681</b>	<b>3</b>	<b>3.54%</b>	<b>I.S.D. No. 280 (Richfield)</b>	<b>656</b>	<b>3</b>	<b>2.98%</b>
<b>Target at Cedar Point Commons</b>	<b>350</b>	<b>4</b>	<b>1.82%</b>	<b>City of Richfield</b>	<b>276</b>	<b>4</b>	<b>1.25%</b>
<b>Metro Sales Inc.</b>	<b>270</b>	<b>5</b>	<b>1.40%</b>	<b>Metro Sales, Inc.</b>	<b>243</b>	<b>5</b>	<b>1.10%</b>
<b>Fraser School</b>	<b>244</b>	<b>6</b>	<b>1.27%</b>	<b>Best Buy Store at Shops &amp; Xerxes</b>	<b>200</b>	<b>6</b>	<b>0.91%</b>
<b>Menards</b>	<b>200</b>	<b>7</b>	<b>1.04%</b>	<b>Richfield Health Center</b>	<b>122</b>	<b>7</b>	<b>0.55%</b>
<b>City of Richfield</b>	<b>190</b>	<b>8</b>	<b>0.99%</b>	<b>Metro Dental</b>	<b>119</b>	<b>8</b>	<b>0.54%</b>
<b>Headway Emotional Health Services</b>	<b>100</b>	<b>9</b>	<b>0.52%</b>	<b>Weis Builders</b>	<b>119</b>	<b>9</b>	<b>0.54%</b>
<b>Weis Builders</b>	<b>75</b>	<b>10</b>	<b>0.39%</b>	<b>M &amp; I Bank</b>	<b>112</b>	<b>10</b>	<b>0.51%</b>
<b>Total</b>	<b>10,074</b>		<b>52.30%</b>	<b>Total</b>	<b>9,128</b>		<b>41.47%</b>

Sources: Minnesota State Business Directory, Richfield Chamber of Commerce, and the Minnesota Manufacturers Register.

Note: Employee totals include only employees with full time status.

**Schedule 16  
City of Richfield  
Full-Time Equivalent City Employees by Function/Program  
Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>General government</b>										
<b>Management services</b>	6	6	4	3	3	3	3	3	3	3
<b>Finance</b>	6	6	5	6	6	7	5	6	5	6
<b>City Clerk</b>	12	9	8	7	7	8	8	9	9	10
<b>Assessing</b>	1	1	1	1	1	1	1	1	1	1
<b>Others</b>	12	10	9	11	10	10	10	11	12	11
<b>Public Safety</b>										
<b>Police officers</b>	44	45	45	46	46	46	46	46	48	48
<b>Dispatchers</b>	8	8	8	7	6	6	7	8	0	0
<b>Others</b>	19	19	12	13	14	14	14	14	14	14
<b>Fire</b>										
<b>Fire fighters and officers</b>	26	26	24	26	26	26	26	26	27	27
<b>Community Development</b>										
<b>Planning/Zoning</b>	2	2	2	2	2	2	2	2	2	2
<b>Inspections</b>	4	7	7	7	7	7	8	8	8	8
<b>Others</b>	12	12	12	10	10	8	8	8	6	7
<b>Public Works</b>										
<b>Engineering</b>	4	4	5	4	4	4	3	3	3	3
<b>Street and park maintenance</b>	21	19	18	23	20	20	20	20	19	20
<b>Forestry</b>	1	1	3	4	4	4	4	4	4	4
<b>Others</b>	12	11	8	5	6	5	5	5	6	6
<b>Parks and recreation</b>	23	20	18	18	17	18	18	33	33	32
<b>Liquor</b>	26	24	24	26	27	28	25	26	25	23
<b>Water and Wastewater</b>	19	15	14	18	18	18	18	18	17	16
<b>Storm Water</b>	1	1	1	1	1	1	1	1	1	1
<b>Recreation funds</b>	17	17	16	16	15	15	15	0	0	0
<b>Total</b>	<b>276</b>	<b>263</b>	<b>244</b>	<b>254</b>	<b>250</b>	<b>251</b>	<b>247</b>	<b>252</b>	<b>243</b>	<b>242</b>

Full Time Equivalent - includes intermittent, seasonal, and part-time employees adjusted to full time equivalent status.

Source: City Administration Services office



**Schedule 17  
City of Richfield  
Operating Indications by Function/Program  
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Police</b>										
Physical arrest	358	470	493	571	468	451	490	404	435	471
Total Offenses Cited	7,406	6,672	6,859	6,171	5,536	5,111	6,599	7,284	5,764	6,352
<b>Fire</b>										
Emergency responses	3,812	3,602	3,634	3,773	3,917	4,066	4,096	4,135	4,195	4,073
Fires extinguished	94	62	110	117	109	101	90	75	90	83
<b>Other public works</b>										
Streets resurfacing (miles)	3.77	3.91	3.21	3.68	-	0.50	0.20	-	14.30	15
Potholes repaired (tons of asphalt used)	174.26	174.26	475.14	367.72	599.24	441.95	732.00	306.46	100.79	81.4
<b>Parks and recreation</b>										
Athletic field permit issued	50	50	87	89	47	54	58	52	55	56
<b>Water</b>										
New connections	5	-	-	-	-	1	2	4	2	6
Connections eliminated (Redevelopment)	-	-	-	-	-	-	-	17	4	18
Water main breaks	14	11	8	13	11	7	13	9	19	16
Average daily consumption (million of gallons)	3.73	3.35	3.24	3.03	3.09	3.19	3.02	2.90	2.84	2.70
Peak daily consumption (million of gallons)	8.49	7.41	6.75	5.63	5.90	6.81	6.24	6.01	4.97	4.80
<b>Waste Water</b>										
Average daily sewage treatment (million of gallons)	2.83	3.01	2.90	2.72	2.88	3.08	3.13	3.16	3.16	3.14

Sources: Various city departments

Note: Indicators are not available for the general government function

Schedule 18  
City of Richfield  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Police</b>										
<b>Stations</b>	1	1	1	1	1	1	1	1	1	1
<b>Fire stations</b>	2	2	2	2	2	2	2	2	2	2
<b>Other public works</b>										
<b>Street (miles)</b>	125.19	125.19	125.19	125.19	123.43	123.43	123.43	123.43	123.43	123.43
<b>Highway (miles)</b>	6.64	6.64	6.64	6.64	7.17	7.17	7.17	7.17	7.17	7.17
<b>Street lights</b>	3,133	3,183	3,183	3,184	3,183	3,183	3,349	3,349	3,349	3,349
<b>Traffic signals</b>	51	50	50	49	49	49	49	49	49	49
<b>Parks and recreation</b>										
<b>Acreage</b>	461	461	461	461	461	461	461	461	461	461
<b>Playgrounds</b>	21	21	21	21	21	21	21	21	21	21
<b>Baseball/softball diamonds</b>	21	21	21	21	21	21	21	21	21	21
<b>Soccer/football fields</b>	4	4	4	4	4	4	4	4	4	4
<b>Hockey Rink - indoor</b>	2	2	2	2	2	2	2	2	2	2
<b>Community Center</b>	1	1	1	1	1	1	1	1	1	1
<b>Nature Center</b>	1	1	1	1	1	1	1	1	1	1
<b>Water</b>										
<b>Water mains (miles)</b>	121	121	121	121	121	121	121	121	121	121
<b>Fire hydrants</b>	1,043	1,043	1,043	1,043	1,044	1,046	1,047	1,048	1,052	1050
<b>Storage capacity (millions of gallons)</b>	5	5	5	5	5	5	5	5	5	5
<b>Wastewater</b>										
<b>Sanitary sewers (miles)</b>	119.4	119.4	119.4	119.4	119.4	119.4	119.4	119.4	119.4	120
<b>Storm sewers (miles)</b>	59.9	59.9	59.9	59.9	59.9	59.9	59.9	59.9	59.9	60

Sources: Various city departments

Note: No capital asset indicators are available for the general government.

**FORM OF LEGAL OPINION**

(See following page)



Offices in 470 U.S. Bank Plaza  
200 South Sixth Street  
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\$ \_\_\_\_\_  
City of Richfield, Minnesota  
General Obligation Capital Improvement Plan Refunding Bonds  
Series 2017B

We have acted as bond counsel to the City of Richfield, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its General Obligation Capital Improvement Plan Refunding Bonds, Series 2017B (the “Bonds”), originally dated December 14, 2017, and issued in the original aggregate principal amount of \$ \_\_\_\_\_. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

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

2. The principal of and interest on the Bonds are payable from ad valorem taxes, but if necessary for the payment thereof additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. However, such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations and is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

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

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

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

Dated December \_\_\_, 2017 at Minneapolis, Minnesota.

### BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, 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"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, 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 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.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. 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, Security certificates will be printed and delivered to DTC.
12. 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.

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

(See following page)



\$ \_\_\_\_\_  
City of Richfield, Minnesota  
General Obligation Capital Improvement Plan Refunding Bonds  
Series 2017B

CONTINUING DISCLOSURE CERTIFICATE

December \_\_, 2017

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Richfield, Minnesota (the “Issuer”) in connection with the issuance of its General Obligation Capital Improvement Plan Refunding Bonds, Series 2017B (the “Bonds”), in the original aggregate principal amount of \$ \_\_\_\_\_. The Bonds are being issued pursuant to resolutions adopted by the City Council of the Issuer (the “Resolutions”). The Bonds are being delivered to \_\_\_\_\_ (the “Purchaser”) on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer hereby covenants and agrees as follows:

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

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

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

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

“Bonds” means the General Obligation Capital Improvement Plan Refunding Bonds, Series 2017B, issued by the Issuer in the original aggregate principal amount of \$ \_\_\_\_\_.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

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

“Final Official Statement” means the deemed final Preliminary Official Statement, dated November 2, 2017, as supplemented by the Addendum, dated \_\_\_\_\_, 2017, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

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

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

“GASB” means the Governmental Accounting Standards Board.

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

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

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

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

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

“Purchaser” means \_\_\_\_\_.

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

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

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

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

(a) The Issuer shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends December 31, 2017, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

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

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

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

1. Current Property Valuations
2. Direct Debt
3. Tax Levies and Collections
4. U.S. Census Data/Population Trend
5. Employment/Unemployment Data

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

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

Section 5.      Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events (“Material Events”) with respect to the Bonds:

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

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

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

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

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

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

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

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

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

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

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

**CITY OF RICHFIELD, MINNESOTA**

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Mayor

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City Manager

# APPENDIX E

## TERMS OF PROPOSAL

### **\$3,205,000\* GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN REFUNDING BONDS, SERIES 2017B CITY OF RICHFIELD, MINNESOTA**

Proposals for the purchase of \$3,205,000\* General Obligation Capital Improvement Plan Refunding Bonds, Series 2017B (the "Bonds") of the City of Richfield, Minnesota (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the City, until 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:00 A.M. Central Time, on November 14, 2017, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

#### PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, and Sections 475.521 and 475.67, by the City, for the purpose of effecting an advance partial net cash refunding of certain outstanding general obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

#### DATES AND MATURITIES

The Bonds will be dated December 14, 2017, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2018	\$60,000	2022	\$285,000	2026	\$315,000
2019	75,000	2023	295,000	2027	325,000
2020	275,000	2024	300,000	2028	335,000
2021	285,000	2025	310,000	2029	345,000

#### ADJUSTMENT OPTION

\* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

#### TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

## **INTEREST PAYMENT DATES AND RATES**

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2018, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%).** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## **BOOK-ENTRY-ONLY FORMAT**

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

## **PAYING AGENT/ESCROW AGENT**

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent") and U.S. Bank National Association, St. Paul, Minnesota as escrow agent (the "Escrow Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent and Escrow Agent services. The City reserves the right to remove the Paying Agent and/or Escrow Agent and to appoint a successor.

## **OPTIONAL REDEMPTION**

At the option of the City, the Bonds maturing on or after February 1, 2027 shall be subject to optional redemption prior to maturity on February 1, 2026 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

## **DELIVERY**

On or about December 14, 2017, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.



## LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

## SUBMISSION OF PROPOSALS

Proposals must not be for less than \$3,166,540 plus accrued interest on the principal sum of \$3,205,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com); or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Terms of Proposal until 11:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$64,100 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn 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.

## **AWARD**

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

## **BOND INSURANCE**

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

## **CUSIP NUMBERS**

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

## **NON-QUALIFIED TAX-EXEMPT OBLIGATIONS**

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

## **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

## **NEW ISSUE PRICING**

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

*Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal. As described in more detail in the following paragraphs, if the competitive sale requirements are not satisfied AND the City determines to apply the hold-the-offering-price rule (as described in the following paragraph) to any maturity of the Bonds, all proposals shall be cancelled and deemed withdrawn, UNLESS the prospective winning bidder affirmatively confirms its proposal and agrees to comply with the hold-the-offering-price rule, in the manner described below.*

Bidders should prepare their proposals on the assumption that the City will determine the issue price of the Bonds either based on the reasonably expected initial offering price to the public or by application of the 10% test. No bidder will be required to comply with the hold-the-offering-price rule in connection with the initial sale of the Bonds to the public unless the bidder has confirmed its proposal and agreed to comply with the hold-the-offering-price rule, as described below.

Paragraphs (c) through (g) below shall apply only in the event that the competitive sale requirements are not satisfied.

(c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the prospective winning bidder prior to awarding the Bonds. The City may determine to treat (i) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The prospective winning bidder shall advise the City if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The City shall promptly advise the prospective winning bidder, at or before the time of the award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule.

(d) *If the City has determined to apply the hold-the-offering-price rule to any maturity of the Bonds, no award shall be made to the prospective winning bidder and all proposals shall be cancelled and deemed withdrawn unless and until the prospective winning bidder has affirmatively confirmed its proposal and agreed to comply with the hold-the-offering-price rule. The prospective winning bidder must provide that confirmation to the City no later than 90 (ninety) minutes after receiving notification that the City has determined to apply the hold-the-offering-price rule to any maturity of the Bonds. Such confirmation may be provided orally, but must be promptly confirmed in writing.*

If the prospective winning bidder does not provide its confirmation within the required time period, the prospective winning bidder's proposal shall be cancelled and deemed to be withdrawn. The City thereupon may award the Bonds to another bidder, provided that the new prospective winning bidder confirms its proposal and agrees to comply with

the hold-the-offering-price rule, or the City may cancel the sale of the Bonds, as set forth in this Terms of Proposal. *If the City has determined to apply the 10% test to all maturities of the Bonds, no proposals shall be cancelled or deemed withdrawn and the City shall award the proposals in accordance with this Terms of Proposal.*

(e) If the City has determined to apply the hold-the-offering-price rule to any maturity of the Bonds and the winning bidder has confirmed its proposal and its agreement to comply with the hold-the-offering-price rule, the winning bidder shall also confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder. The winning bidder further shall agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period stating on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5<sup>th</sup>) business day after the sale date.

(f) Until the 10% test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the City the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold to the public.

(g) The City acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as application to the Bonds.

(h) By submitting a proposal, each bidder confirms that (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is

a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

### **PRELIMINARY OFFICIAL STATEMENT**

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at [www.ehlers-inc.com](http://www.ehlers-inc.com) by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Richfield, Minnesota



# PROPOSAL FORM

The City Council  
City of Richfield, Minnesota

November 14, 2017

**RE: \$3,205,000\* General Obligation Capital Improvement Plan Refunding Bonds, Series 2017B**  
**DATED: December 14, 2017**

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$\_\_\_\_\_ (not less than \$3,166,540) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2018	_____ % due 2022	_____ % due 2026
_____ % due 2019	_____ % due 2023	_____ % due 2027
_____ % due 2020	_____ % due 2024	_____ % due 2028
_____ % due 2021	_____ % due 2025	_____ % due 2029

\* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

**The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$64,100, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers & Associates no later than two hours after the proposal opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. If our proposal is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about December 14, 2017.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for this Issue.

We have received and reviewed the Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: \_\_\_\_ NO: \_\_\_\_.

As set forth in the Terms of Proposal, this proposal shall be cancelled and deemed to be withdrawn in the event that the competitive sale requirements are not satisfied and the City determines to apply the hold-the-offering-price rule to any maturity of the Bonds (such terms are used as described in the Terms of Proposal, unless we affirmatively confirm this proposal and agree to comply with the hold-the-offering-price rule no later than 90 (ninety) minutes after receiving notification that the City has determined to apply the hold-the-offering-price rule to any maturity of the Bonds. If we provide that confirmation orally, we will promptly confirm it in writing. If we do not confirm our proposal within the required time period, this proposal shall be cancelled and deemed to be withdrawn. The City thereupon may award the Bonds to another bidder, or the City may cancel the sale of the Bonds, as set forth in the Terms of Proposal.

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_  
Account Members:

**Award will be on a true interest cost basis.** According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from December 14, 2017 of the above proposal is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_%.

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The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Richfield, Minnesota, on November 14, 2017.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_