

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 8, 2019

NEW ISSUE
BANK QUALIFIED

S&P Rating: Requested

In the opinion of Briggs and Morgan, Professional Association, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of their issuance and delivery to the original Purchaser, interest on the Bonds is excluded from gross income for purposes of United States income tax and is excluded, to the same extent, in computing both gross and taxable net income for purposes of State of Minnesota income tax (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "TAX EXEMPTION" and "OTHER FEDERAL TAX CONSIDERATIONS" herein.

\$4,070,000*

City of Watkins, Minnesota
General Obligation Refunding Bonds, Series 2019A
(Book Entry Only)

Dated Date: Date of Delivery

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

The Bonds (as defined herein) will mature February 1 in the years and amounts* as follows:

2021	\$115,000	2026	\$145,000	2031	\$160,000	2036	\$180,000	2041	\$210,000
2022	\$140,000	2027	\$145,000	2032	\$165,000	2037	\$180,000	2042	\$215,000
2023	\$135,000	2028	\$150,000	2033	\$165,000	2038	\$190,000	2043	\$215,000
2024	\$140,000	2029	\$155,000	2034	\$170,000	2039	\$195,000	2044	\$225,000
2025	\$145,000	2030	\$155,000	2035	\$175,000	2040	\$200,000		

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

The City may elect on February 1, 2029, and on any day thereafter, to redeem Bonds due on or after February 1, 2030 at a price of par plus accrued interest.

The Bonds are general obligations of the City for which the City pledges its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the Bonds. The proceeds of the Bonds will be used to refund the January 1, 2021 through January 1, 2044 maturities of the City's General Obligation Refunding Bonds, Series 2013A, dated April 1, 2013.

Proposals shall be for not less than \$4,017,090 plus accrued interest, if any, on the total principal amount of the Bonds. Proposals shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Following receipt of proposals, a good faith deposit will be required to be delivered to the City by the lowest bidder as described in the "Terms of Proposal" herein. Award of the Bonds will be made on the basis of True Interest Cost (TIC).

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

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

PROPOSALS RECEIVED: Tuesday, October 29, 2019 until 10:00 A.M., Central Time

CONSIDERATION OF AWARD: City Council meeting commencing at 7:00 P.M., Central Time on Tuesday, October 29, 2019



Further information may be obtained from Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887 (651) 223-3000.

* Preliminary; subject to change.

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

CITY OF WATKINS, MINNESOTA

CITY COUNCIL

Frank Eder	Mayor
Jason Laumer	Council Member
Kathleen Tschumperlin	Council Member
Sue Unterberger	Council Member
Marc Wirz	Council Member

CITY CLERK/TREASURER

Debra Kramer

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota

BOND COUNSEL

Briggs and Morgan, Professional Association
Minneapolis, Minnesota

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

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

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

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

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

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

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THE CITY HAS AUTHORIZED BAKER TILLY MUNICIPAL ADVISORS, LLC TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

TERMS OF PROPOSAL

\$4,070,000*

CITY OF WATKINS, MINNESOTA

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019A

(BOOK ENTRY ONLY)

Proposals for the above-referenced obligations (the “Bonds”) will be received by the City of Watkins, Minnesota (the “City”) on Tuesday, October 29, 2019 (the “Sale Date”) until 10:00 A.M., Central Time at the offices of Baker Tilly Municipal Advisors, LLC (“Baker Tilly MA”), 380 Jackson Street, Suite 300, Saint Paul, Minnesota, 55101, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at its meeting commencing at 7:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

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

(a) **Sealed Bidding.** Proposals may be submitted in a sealed envelope or by fax (651) 223-3046 to Baker Tilly MA. Signed proposals, without final price or coupons, may be submitted to Baker Tilly MA prior to the time of sale. The bidder shall be responsible for submitting to Baker Tilly MA the final proposal price and coupons, by telephone (651) 223-3000 or fax (651) 223-3046 for inclusion in the submitted proposal.

OR

(b) **Electronic Bidding.** Notice is hereby given that electronic proposals will be received via PARITY®. For purposes of the electronic bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all proposals submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of the Terms of Proposal.* Neither the City, its agents, nor PARITY® shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents, nor PARITY® shall be responsible for a bidder’s failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY®. The City is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY® is not an agent of the City.

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

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

* *Preliminary; subject to change.*

DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery and will bear interest payable on February 1 and August 1 of each year, commencing August 1, 2020. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

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

2021	\$115,000	2026	\$145,000	2031	\$160,000	2036	\$180,000	2041	\$210,000
2022	\$140,000	2027	\$145,000	2032	\$165,000	2037	\$180,000	2042	\$215,000
2023	\$135,000	2028	\$150,000	2033	\$165,000	2038	\$190,000	2043	\$215,000
2024	\$140,000	2029	\$155,000	2034	\$170,000	2039	\$195,000	2044	\$225,000
2025	\$145,000	2030	\$155,000	2035	\$175,000	2040	\$200,000		

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

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

BOOK ENTRY SYSTEM

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

REGISTRAR

The City will name the registrar which shall be subject to applicable regulations of the Securities and Exchange Commission. The City will pay for the services of the registrar.

OPTIONAL REDEMPTION

The City may elect on February 1, 2029, and on any day thereafter, to redeem Bonds due on or after February 1, 2030. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the Bonds. The proceeds of the Bonds will be used to refund the January 1, 2021 through January 1, 2044 maturities of the City's General Obligation Refunding Bonds, Series 2013A, dated April 1, 2013.

BIDDING PARAMETERS

Proposals shall be for not less than \$4,017,090 plus accrued interest, if any, on the total principal amount of the Bonds. No proposal can be withdrawn or amended after the time set for receiving proposals on the Sale Date unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

ESTABLISHMENT OF ISSUE PRICE

In order to provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the City in establishing the issue price of the Bonds and shall complete, execute, and deliver to the City prior to the closing date, a written certification in a form acceptable to the Purchaser, the City, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Baker Tilly MA.

The City intends that the sale of the Bonds pursuant to this Terms of Proposal shall constitute a "competitive sale" as defined in the Regulation based on the following:

- (i) the City shall cause this Terms of Proposal to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (ii) all bidders shall have an equal opportunity to submit a bid;
- (iii) the City reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
- (iv) the City anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest true interest cost, as set forth in this Terms of Proposal (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the City and Baker Tilly MA if 10% of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which it was sold. The City will

treat such sale price as the “issue price” for such maturity, applied on a maturity-by-maturity basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly described as the “hold-the-offering-price” requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and Baker Tilly MA the prices at which 10% of such maturities are sold to the public; provided such determination shall be made and the City and Baker Tilly MA notified of such prices whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a maturity have been sold.

GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit to the City in the amount of \$40,700 (the “Deposit”) no later than 1:00 P.M., Central Time on the Sale Date. The Deposit may be delivered as described herein in the form of either (i) a certified or cashier’s check payable to the City; or (ii) a wire transfer. The Purchaser shall be solely responsible for the timely delivery of its Deposit whether by check or wire transfer. Neither the City nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the City may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

Certified or Cashier’s Check. A Deposit made by certified or cashier’s check will be considered timely delivered to the City if it is made payable to the City and delivered to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101 by the time specified above.

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

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

AWARD

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

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

BOND INSURANCE AT PURCHASER’S OPTION

The City has **not** applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Bonds. If the Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder’s proposal. The City specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest TIC to the City. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the City) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Bonds.

CUSIP NUMBERS

If the Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Bonds; however, neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

SETTLEMENT

On or about November 26, 2019, the Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Briggs and Morgan, Professional Association, of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the City, or its agents, the Purchaser shall be liable to the City for any loss suffered by the City by reason of the Purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

At the time of delivery of the Bonds, the City will not be obligated with respect to more than \$10,000,000 of outstanding municipal securities, including the Bonds being offered hereby. In order to assist bidders in complying with SEC Rule 15c2-12, as amended, the City will enter into a Continuing Disclosure Undertaking pursuant to which it will covenant to file with the Municipal Securities Rulemaking Board electronically through the Electronic Municipal Market Access system certain financial information or operating data that is customarily prepared and is publicly available and notices of certain material events to the limited extent required by SEC Rule 15c2-12(d)(2). The Continuing Disclosure Undertaking will be set forth in the Official Statement.

OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds, and said Preliminary Official Statement has been deemed final by the City as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101, telephone (651) 223-3000.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts, and interest rates of the Bonds, together with any other information required by law. By awarding the Bonds to the Purchaser, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the Purchaser up to 25 copies of the Final Official Statement. The City designates the Purchaser as its agent for purposes of distributing copies of the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its proposal is accepted by the City, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

BY ORDER OF THE CITY COUNCIL

/s/ Debra Kramer
City Clerk/Treasurer

OFFICIAL STATEMENT

\$4,070,000*

**CITY OF WATKINS, MINNESOTA
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019A
(BOOK ENTRY ONLY)**

INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to the City of Watkins, Minnesota (the "City") and its issuance of \$4,070,000* General Obligation Refunding Bonds, Series 2019A (the "Bonds"). The Bonds are general obligations of the City for which it pledges its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the Bonds.

Inquiries may be directed to Ms. Debra Kramer, City Clerk/Treasurer, City of Watkins, 111 Central Avenue South, Watkins, Minnesota 55389, by telephoning (320) 764-6400, or by emailing cityofwatkins@gmail.com. Inquiries may also be made to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887, by telephoning (651) 223-3000, or by emailing bond_services@bakertilly.com. If information of a specific legal nature is desired, requests may be directed to Ms. Mary L. Ippel, Briggs and Morgan, Professional Association, Bond Counsel, 2200 IDS Center, 80 South 8th Street, Minneapolis, Minnesota 55402, by telephoning (612) 977-8400, or by emailing mippel@briggs.com.

CONTINUING DISCLOSURE

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the Bond Resolution, to provide certain specified information, if customarily prepared and publicly available (which shall consist of the audited financial statements and the annual budget) and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The City is the only "obligated person" in respect of the Bonds within the meaning of the Rule, and giving effect to the issuance of the Bonds, there will not be more than \$10 million in principal amount of municipal securities outstanding on the date of issuance of the Bonds as to which the City is an obligated person. The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix II to this Official Statement.

The City believes it has complied for the past five years in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule, except to the extent the following are deemed to be material. In reviewing its past disclosure practices, the City notes the following:

- Prior continuing disclosure undertakings entered into by the City included language stating that the City's audited financial statements would be filed "as soon as available." Although not always filed

* *Preliminary; subject to change.*

“as soon as available,” the audited financial statements were filed within the required twelve (12) month timeframe as required in each undertaking.

A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders or other beneficial owners of the Bonds will have the sole remedy of bringing an action for specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

General Description

The Bonds are dated as of the date of delivery and will mature annually on February 1 as set forth on the front cover of this Official Statement. The Bonds are issued in book entry form. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2020. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month next preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Bonds will be paid as described in the section herein entitled “Book Entry System.” Amalgamated Bank of Chicago, Chicago, Illinois will serve as Registrar for the Bonds, and the City will pay for registrar services.

Redemption Provisions

Mailed notice of redemption shall be given to the registered owner(s) of the Bonds in accordance with the requirements of DTC which currently requires no less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Failure to give such written notice to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

Optional Redemption

The City may elect on February 1, 2029, and on any day thereafter, to redeem Bonds due on or after February 1, 2030. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

Book Entry System

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

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

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

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

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

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

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

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

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

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

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

AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475. The Bonds have been structured as a current refunding, and are being issued to achieve debt service savings. The proceeds of the Bonds will be used to redeem the January 1, 2021 through January 1, 2044 maturities (the "Refunded Maturities") of the City's General Obligation Refunding Bonds, Series 2013A, dated April 1, 2013 (the "Series 2013A Bonds"). It is anticipated that the Refunded Maturities will be called and prepaid at a price of par plus accrued interest on January 1, 2020, which is within 90 days of settlement of the Bonds.

SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Principal Amount	<u>\$4,070,000</u>
Total Sources of Funds	\$4,070,000
Uses of Funds:	
Deposit for Refunding Purposes	\$3,970,000
Allowance for Discount Bidding	52,910
Costs of Issuance	<u>47,090</u>
Total Uses of Funds	\$4,070,000

SECURITY AND FINANCING

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City pledges special assessments against benefited properties originally pledged to the Series 2013A Bonds for repayment of a portion of the Bonds.

The City will also levy taxes for repayment of a portion of the Bonds, and will make its first levy in 2019 for collection in 2020. Each year's collection of taxes and special assessments, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 of the collection year and the principal and interest payment due February 1 of the following year.

FUTURE FINANCING

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

LITIGATION

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

LEGALITY

The Bonds are subject to approval as to certain matters by Briggs and Morgan, Professional Association, of Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix I herein will be delivered at closing.

TAX EXEMPTION

At closing Briggs and Morgan, Professional Association, Bond Counsel, will render an opinion that, at the time of their issuance and delivery to the original purchaser, under present federal and State of Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), the interest on each Bond is excluded from gross income for purposes of United States income tax and is excluded, to the same extent, in computing both gross income and taxable net income for purposes of State of Minnesota income tax (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and that interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts. No opinion will be expressed by Bond Counsel regarding other federal or state tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. Preservation of the exclusion of interest on the Bonds from federal gross income and state gross and taxable net income, however, depends upon compliance by the City with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from federal gross income and state gross and taxable net income.

The City will covenant to comply with requirements necessary under the Code to establish and maintain the Bonds as tax-exempt under Section 103 thereof, including without limitation, requirements relating to temporary periods for investments and limitations on amounts invested at a yield greater than the yield on the Bonds.

OTHER FEDERAL TAX CONSIDERATIONS

Property and Casualty Insurance Companies

Property and casualty insurance companies are required to reduce the amount of their loss reserve deduction by 15% of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations acquired after August 7, 1986, including interest on the Bonds.

Foreign Insurance Companies

Foreign companies carrying on an insurance business in the United States are subject to a tax on income which is effectively connected with their conduct of any trade or business in the United States, including "net investment income." Net investment income includes tax-exempt interest such as interest on the Bonds.

Branch Profits Tax

A foreign corporation is subject to a branch profits tax equal to 30% of the “dividend equivalent amount” for the taxable year. The “dividend equivalent amount” is the foreign corporation’s “effectively connected earnings and profits” adjusted for increase or decrease in “U.S. net equity.” A branch’s earnings and profits may include tax-exempt municipal bond interest, such as interest on the Bonds.

Passive Investment Income of S Corporations

Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than 25% of the gross receipts of such S corporation is passive investment income.

Financial Institutions

For federal income tax purposes, financial institutions are unable to deduct any portion of the interest expense allocable to the ownership of certain tax-exempt obligations acquired after August 7, 1986, including the Bonds but for the designation as Qualified Tax-Exempt Obligations. See “Bank-Qualified Tax-Exempt Obligations” herein.

General

The preceding is not a comprehensive list of all federal tax consequences which may arise from the receipt or accrual of interest on the Bonds. The receipt or accrual of interest on the Bonds may otherwise affect the federal income tax (or Minnesota income tax or franchise tax) liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items of income or deductions. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

RATING

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

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

MUNICIPAL ADVISOR

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

CERTIFICATION

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

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CITY PROPERTY VALUES

Trend of Values^(a)

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio ^(b)	Economic Market Value ^(c)	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2018/19	\$50,200,500	90.7%	\$52,902,518	\$6,652,192	\$42,782,708	\$539,221
2017/18	46,835,800	96.9	48,288,512	6,746,481	39,605,219	491,733
2016/17	41,474,300	88.2	46,762,402	6,679,309	34,388,091	426,256
2015/16	37,434,600	93.6	39,952,659	6,429,270	30,754,630	385,816
2014/15	38,556,400	102.9	37,844,949	6,577,200	31,697,000	369,166

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

(b) Sales Ratio Study for the year of assessment as posted by the Minnesota Department of Revenue, <https://www.revenue.state.mn.us/economic-market-values>.

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

Source: Meeker County, Minnesota, August 2019, except as otherwise noted.

2018/19 Adjusted Taxable Net Tax Capacity: \$539,221*

Real Estate:		
Residential Homestead	\$216,229	40.1%
Commercial/Industrial, Railroad and Public Utility	163,780	30.4
Residential Non-Homestead	87,486	16.2
Agricultural	4,318	0.8
Personal Property	<u>67,408</u>	<u>12.5</u>
2018/19 Adjusted Taxable Net Tax Capacity	\$539,221	100.0%

* Excludes mobile home valuation of \$1,170.

Ten of the Largest Taxpayers in the City

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2018/19 Net Tax Capacity</u>
Centerpoint Energy	Utility	\$ 44,656
Hilltop Health Care Center LLC	Nursing Home/Assisted Living Facility	36,301
Mies Properties LLC	Commercial Land/Buildings	35,456
Centra Sota Cooperative	Commercial Land/Buildings	25,073
Canadian Pacific	Railroad	18,391
Xcel Energy	Utility	15,190
Barrier Technology Inc.	Industrial Land/Buildings	13,084
Watkins Area Homes Inc.	Apartments	11,816
Meeker Properties LLC	Commercial Land/Buildings	11,016
Faber Building & Supplies, Inc.	Residential/Vacant Land	<u>10,649</u>
Total		\$221,632*

* Represents 41.1% of the City's 2018/19 adjusted taxable net tax capacity.

CITY INDEBTEDNESS

Legal Debt Limit and Debt Margin*

Legal Debt Limit (3% of 2018/19 Estimated Market Value)	\$1,506,015
Less: Outstanding Debt Subject to Limit	<u>(- 0 -)</u>
 Legal Debt Margin as of November 26, 2019	 \$1,506,015

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

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

General Obligation Special Assessment Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 11-26-19</u>
4-1-13	\$4,725,000	Improvements Refunding	1-1-2020	\$ 110,000*
11-26-19	4,070,000	Improvements Refunding (the Bonds)	2-1-2044	<u>4,070,000</u>
Total				\$4,180,000

* Excludes the Refunded Maturities.

General Obligation Utility Revenue Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 11-26-19</u>
8-21-00	\$1,881,057	Water Revenue Note (PFA) ^(a)	8-20-2020	\$ 63,000 ^(b)
6-27-01	721,400	Water Revenue Note (PFA) ^(a)	8-20-2021	39,500 ^(b)
5-1-09	1,631,700	Water Revenue Note (PFA)	8-20-2025	<u>585,000</u>
Total				\$687,500

(a) In 2000, the City entered into a joint powers agreement (the “JPA”) with the City of Eden Valley, Minnesota to build a new water treatment plant, trunk lines, and water wells, all of which service each city. The JPA states the responsibilities of each city, including the responsibility of the City of Eden Valley to complete the construction of the facility and issue two series of General Obligation Water Revenue Notes on behalf of both cities. Each city is responsible for 50.0% of the debt by evidence of notes issued by the City of Eden Valley.

(b) Represents only the City’s proportionate share of the debt service pursuant to the JPA.

**Estimated Calendar Year Debt Service Payments Including the Bonds
and Excluding the Refunded Maturities**

Year	G.O. Special Assessment Debt		G.O. Utility Revenue Debt	
	<u>Principal</u>	<u>Principal & Interest^(a)</u>	<u>Principal</u>	<u>Principal & Interest</u>
2019 (at 11-26)	(Paid)	(Paid)	(Paid)	(Paid)
2020	\$ 110,000	\$ 182,169	\$176,500	\$186,838
2021	115,000	213,170	116,000	122,700
2022	140,000	236,350	97,000	102,017
2023	135,000	229,322	98,000	101,785
2024	140,000	232,225	99,000	101,540
2025	145,000	234,980	101,000	102,283
2026	145,000	232,587		
2027	145,000	230,050		
2028	150,000	232,320		
2029	155,000	234,345		
2030	155,000	231,128		
2031	160,000	232,582		
2032	165,000	233,681		
2033	165,000	229,556		
2034	170,000	230,242		
2035	175,000	230,670		
2036	180,000	230,832		
2037	180,000	225,837		
2038	190,000	230,610		
2039	195,000	230,075		
2040	200,000	229,297		
2041	210,000	233,197		
2042	215,000	231,790		
2043	215,000	225,254		
2044	<u>225,000</u>	<u>228,488</u>		
Total	\$4,180,000 ^(b)	\$5,710,757	\$687,500	\$717,163

(a) Includes the Bonds at an assumed average annual interest rate of 2.71%; and excludes the Refunded Maturities.

(b) 33.0% of this debt will be retired within ten years.

Other Debt Obligations

United States Department of Agriculture Rural Development Loan

On October 6, 2016, the City entered into a Rural Development Loan with the United States Department of Agriculture in the original amount of \$125,000. The Loan bears an interest rate of 2.375% and matures on October 6, 2031. The following is a schedule by years of future minimum payments required under the Loan:

Year Ending December 31

2019	(Paid)
2020	\$10,004
2021	10,004
2022	10,004
2023	<u>1,974</u>
Total	\$31,986

Overlapping Debt

<u>Taxing Unit^(a)</u>	<u>2018/19 Adjusted Taxable Net Tax Capacity</u>	<u>Est. G.O. Debt As of 11-26-19^(b)</u>	<u>Debt Applicable to Tax Capacity in City</u>	
			<u>Percent</u>	<u>Amount</u>
Meeker County	\$30,275,645	\$ 1,570,000	1.8%	\$ 28,260
I.S.D. No. 463 (Eden Valley- Watkins)	6,037,329	20,785,000	8.9	<u>1,849,865</u>
Total				\$1,878,125

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

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

Debt Ratios*

	<u>G.O. Direct Debt</u>	<u>G.O. Direct & Overlapping Debt</u>
To 2018/19 Estimated Market Value (\$50,200,500)	8.33%	12.07%
Per Capita - (956 - 2018 MN State Demographer Estimate)	\$4,372	\$6,337

* *Excludes general obligation debt supported by utility revenues and other debt obligations.*

CITY TAX RATES, LEVIES AND COLLECTIONS

**Tax Capacity Rates for a City Resident in Independent School District No. 463
(Eden Valley-Watkins)**

	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
Meeker County	48.163%	49.726%	48.610%	48.884%	48.909%
City of Watkins	150.535	139.255	127.797	111.211	100.900
I.S.D. No. 463 (Eden Valley-Watkins)*	<u>32.050</u>	<u>29.713</u>	<u>29.544</u>	<u>28.502</u>	<u>34.411</u>
Total	230.748%	218.694%	205.951%	188.597%	184.220%

* *In addition, Independent School District No. 463 (Eden Valley-Watkins) has a 2018/19 market value tax rate of 0.17115% spread across the market value of property in support of an excess operating levy.*

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

Tax Levies and Collections

<u>Levy/Collect</u>	<u>Net Levy*</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 12-31-18</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2018/19	\$542,045		(In Process of Collection)		
2017/18	544,619	\$536,686	98.5%	\$536,686	98.5%
2016/17	531,881	523,764	98.5	529,937	99.6
2015/16	534,453	526,476	98.5	533,598	99.8
2014/15	569,927	557,234	97.5	569,038	99.8

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

**FUNDS ON HAND
As of July 31, 2019**

General Fund	\$1,094,637
Special Revenue Funds	475,684
Debt Service Funds	307,619
Capital Project Funds	314,028
Enterprise Fund	<u>702,073</u>
 Total Cash and Investments	 \$2,894,041

INVESTMENTS

The City follows Minnesota statutes which authorize the following types of securities available to the City for investment:

1. Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress;
2. Mutual funds through shares of registered investment companies investing only in federal obligations, tax exempt general obligations rated A or better, and repurchase agreements with certain restricted counterparties;
3. General obligations of the State of Minnesota and its municipalities; and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
4. Bankers' acceptance of United States banks eligible for purchase by the Federal Reserve System;
5. Commercial paper issued by United States corporations or their Canadian subsidiaries that is of the highest quality and matures in 270 days or less; and
6. Guaranteed investment contracts (GICs) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the City or the collateral pledged by the City is in the top two rating categories, or the top three rating categories for long-term GIC's issued by Minnesota banks.

As of July 31, 2019 the City had investments totaling \$624,794, invested in Certificates of Deposit.

GENERAL INFORMATION CONCERNING THE CITY

The City is located in Meeker County, approximately 60 miles west of the Minneapolis/Saint Paul metropolitan area and 25 miles southwest of the City of St. Cloud, Minnesota. The City encompasses an area of approximately 0.70 square miles (450 acres).

Population

The City's population trend is shown below.

	<u>Population</u>	<u>Percent Change</u>
2018 MN State Demographer Estimate	956	(0.6)%
2010 U.S. Census	962	9.3
2000 U.S. Census	880	3.7
1990 U.S. Census	849	16.5
1980 U.S. Census	729	--

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

Transportation

Minnesota Highway 55 runs through the City as well as County Road 2. Rail service is provided by Canadian Pacific Railroad.

Major Employers in the Area

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Meeker County	Municipal government and services	312
I.S.D. No. 463 (Eden Valley-Watkins)	Public education	121
Hilltop Health Care Center	Nursing home and assisted living facility	112
Mies Outland	Recreational vehicle dealer	62
City of Watkins	Municipal government and services	46 ^(a)
Gieslinger & Sons	Water and sewer contractors	39
Schmitz Pallet Service	Pallet construction	31
Red Goat Bar & Grill	Restaurant and bar	27 ^(b)
KUE Contractors	General contractors	24
LP Building Products	Fire retardant products	22
Centra Sota Cooperative	Agricultural cooperative	20 ^(c)
Keek's	Restaurant	19
Jack's Standard	Gas station and convenience store	18
Wally's Café	Restaurant	11
Farmers State Bank	Banking and financial services	9

(a) Includes three full-time employees, one part-time and 16 part-time seasonal employees, along with 26 volunteer fire fighters.

(b) Centra Sota Cooperative has 20 employees during peak season; 14 year round.

(c) The Red Goat has 22 part-time and five full-time employees

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

Labor Force Data

	<u>Annual Average</u>				<u>August</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Labor Force:					
Meeker County	13,338	13,298	13,241	13,143	13,277
State of Minnesota	2,997,748	3,033,406	3,057,014	3,070,223	3,130,214
Unemployment Rate:					
Meeker County	4.2%	4.5%	4.0%	3.5%	3.0%
State of Minnesota	3.7	3.9	3.4	2.9	3.0

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

Retail Sales and Effective Buying Income (EBI)

Meeker County

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2018/19	\$332,118	\$591,576	\$55,345
2017/18	303,861	565,290	52,633
2016/17	228,017	530,690	49,267
2015/16	455,678	502,468	47,149
2014/15	429,125	484,725	45,124

The 2018/19 Median Household EBI for the State of Minnesota was \$58,777. The 2018/19 Median Household EBI for the United States was \$52,468.

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

Land Use Permits and Recent Development

Land Use Permits

<u>Year</u>	<u>New Single Family Residential Number</u>	<u>New Commercial/Industrial Number</u>
2019 (to 8-31)	10	3
2018	11	2
2017	27	3
2016	34	4
2015	14	7

Recent Development

Garden View at Hilltop, the assisted living facility with Hilltop Health Care Center, completed construction on an additional 12 apartment units in 2018.

Source: *The City.*

Financial Institutions*

Banking and financial services of the City are provided by Farmers State Bank of Watkins, which had deposits of \$36,905,000 as of June 30, 2019.

* *Does not purport to be a comprehensive list.*

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

Health Care Services

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

<u>Facility</u>	<u>Location</u>	<u>No. of Beds</u>
Hilltop Health Care Center	City of Watkins	50

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

Education

Public Education

The following district serves the residents of the City:

<u>School</u>	<u>Location</u>	<u>Grades</u>	<u>2018/19*</u> <u>Enrollment</u>
I.S.D. No. 463 (Eden Valley-Watkins)	City of Eden Valley	K-12	971

* 2019/20 enrollment figures are not yet available.

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

Post-Secondary Education

Located approximately 21 miles from the City, St. Cloud State University has approximately 15,461 full- and part-time students in graduate and undergraduate studies in the following colleges: Fine Arts & Humanities, Business, Education, Science and Technology, Social Sciences, the School of Graduate Studies, the Center for International Studies, and the Center for Continuing Studies. In addition, nearby Saint Cloud Technical and Community College offers programs in 48 occupational areas and enrolls approximately 6,000 full- and part-time students.

Post-secondary education is also available at Saint John's University in Collegeville and the College of Saint Benedict in Saint Joseph, both within 17 miles of the City. Saint John's and Saint Benedict's are part of the same university system and have a combined enrollment of approximately 3,405 full- and part-time students in graduate and undergraduate programs.

GOVERNMENTAL ORGANIZATION AND SERVICES

Organization

The City of Watkins was organized as a municipality in 1890 and is a Statutory city. The City's governing body is the City Council, comprised of the Mayor and four Council members. The Mayor serves a two-year term of office; Council members are elected to serve overlapping four-year terms.

The following individuals comprise the current City Council:

		<u>Expiration of Term</u>
Frank Eder	Mayor	January 2021
Jason Laumer	Council Member	January 2023
Kathleen Tschumperlin	Council Member	January 2023
Sue Unterberger	Council Member	January 2021
Marc Wirz	Council Member	January 2021

The daily administration of City operations is the responsibility of the appointed City Clerk-Treasurer Debra Kramer, who has been with the City for 28 years. The City has three full-time employees, one part-time and sixteen part-time seasonal employees, along with a 26-member volunteer fire and rescue department. The City also has an economic development authority that consists of a seven-member board that meets monthly.

Services

Water Utility System. There are approximately 426 municipal connections served by a 40,000-gallon water tower and a 250,000-gallon reservoir. The 2018 audited operating revenues were \$213,497. The base rate is \$7.00 per month plus \$7.63 per thousand gallons.

Sewer Utility System. There are approximately 419 municipal connections. The system includes four wastewater treatment ponds with two lift stations and spray irrigation sites. The 2018 audited operating revenues were \$207,571. The base rate is \$10.00 per month and includes the first 2,000 gallons plus \$11.95 per thousand thereafter.

Police. The City contracts with Meeker County Sheriff's Department for law enforcement services.

Fire and Rescue. The City has a 26-member volunteer fire and rescue department. Vehicles include a pumper, tanker, grass rig, equipment van, an emergency/response vehicle and other firefighting and rescue equipment. The City also operates an ambulance service staffed by volunteer EMTs which provide emergency medical services within the city and surrounding service area.

Public Works. The City's Public Works Department has two full-time staff that oversees street work, snowplowing and removal, water and sewer systems, and parks and recreation.

Parks and Recreation. The City has a softball park with playground, baseball park, municipal outdoor pool, skating rink/warming house, and a VFW park with a playground and shelter.

Labor Contracts

The City does not have any labor contracts.

Employee Pensions

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

The City’s contributions to the GERF are equal to the contractually required contributions for each year as set by State Statute, and are as follows for the past five years:

	<u>GERF</u>
2018	\$15,060
2017	13,881
2016	13,451
2015	12,730
2014	10,564

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

For more information regarding the liability of the City with respect to its employees, please reference “Note 4, Defined Benefit Pension Plans” of the City’s Annual Financial Statements for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement.

Sources: City’s Annual Financial Statements.

Other Postemployment Benefits

The City neither provides health insurance nor assists with health insurance payments for its employees or retirees.

Source: The City.

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General Fund Budget Summary

	<u>2018 Budget</u>	<u>2018 Actual</u>	<u>2019 Budget</u>
<u>Revenues</u>			
Taxes	\$318,266	\$ 374,298	\$318,231
Special assessments	0	49,699	0
Licenses and permits	7,915	7,970	7,890
Intergovernmental	328,684	331,837	319,503
Charges for services	41,587	56,258	47,004
Fines and forfeitures	500	853	500
Investments	2,035	3,320	2,892
Miscellaneous	<u>28,450</u>	<u>31,819</u>	<u>21,950</u>
Total Revenues	\$727,437	\$ 856,054	\$717,970
<u>Expenditures</u>			
General government	\$226,354	\$ 280,296	\$223,882
Public safety	169,588	172,880	172,829
Public works	353,323	323,290	250,130
Culture and recreation	<u>14,510</u>	<u>16,124</u>	<u>16,694</u>
Total Expenditures	\$763,775	\$ 792,590	\$663,535
Excess of Revenues Over (Under)			
Expenditures	(36,338)	63,464	54,435
<u>Other Financing Sources (Uses)</u>			
Transfers in	\$120,078	\$ 86,791	\$ 36,421
Transfers out	<u>(96,771)</u>	<u>(65,578)</u>	<u>(96,735)</u>
Total Other Financing Sources (Uses)	\$ 23,307	\$ 24,213	\$ (60,314)
Net Change in Fund Balance	\$ 62,437	\$ 87,677	\$ (5,879)
Fund Balance – Beginning of Year		<u>\$ 964,708</u>	
Fund Balance – End of Year		<u>\$1,052,385</u>	

Note: The Fire Protection Special Revenue Fund is included in the General Fund.

Sources: City's Annual Financial Statements and 2019 Budget.

Major General Fund Revenue Sources

<u>Revenue</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Taxes	\$314,893	\$345,245	\$362,425	\$357,684	\$374,298
Intergovernmental	286,508	307,917	457,034	371,931	331,837
Transfers in	29,285	10,914	6,818	0	86,791
Charges for services	7,976	5,349	90,612	59,479	56,258
Special assessments	15,003	38,239	0	0	49,699
Miscellaneous	79,672	58,822	84,129	66,630	31,819

Sources: City's Annual Financial Statements.

PROPOSED FORM OF LEGAL OPINION



2200 IDS Center
 80 South 8th Street
 Minneapolis, MN 55402
 OFC 612-977-8400
 FAX 612-977-8650
 URL Briggs.com

\$ _____

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019A
 CITY OF WATKINS
 MEEKER COUNTY
 MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Watkins, Meeker County, Minnesota (the "Issuer"), of its \$ _____ General Obligation Refunding Bonds, Series 2019A, bearing a date of original issue of November 26, 2019 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

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

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

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

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

BRIGGS AND MORGAN
Professional Association

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Watkins, Minnesota (the "Issuer"), in connection with the issuance of its \$_____ General Obligation Refunding Bonds, Series 2019A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on October 10, 2019 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

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

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 4 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated _____, 2019, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2019, the Issuer shall, or shall cause the Dissemination Agent to provide, at least annually to the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, its Audited Financial Statements for the most recent Fiscal Year, which is the only financial information or operating data which is customarily prepared by the Issuer and publicly available, by not later than December 31, 2020, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB its Audited Financial Statements by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Reporting of Significant Events. This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

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

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

SECTION 5. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 6. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 8. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 9. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 10. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 11. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 7 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: _____, 2019.

CITY OF WATKINS, MINNESOTA

By _____
Its Mayor

By _____
Its City Clerk/Treasurer

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

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

Property Valuations (Chapter 273, Minnesota Statutes)

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

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

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

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

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

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

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

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

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

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

Property Tax Credits (Chapter 273, Minnesota Statutes)

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

Debt Limitations

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

1. Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.

2. Warrants or orders having no definite or fixed maturity.
3. Obligations payable wholly from the income from revenue producing conveniences.
4. Obligations issued to create or maintain a permanent improvement revolving fund.
5. Obligations issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.
6. Debt service loans and capital loans made to a school district under the provisions of Minnesota Statutes, Sections 126C.68 and 126C.69.
7. Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under this subdivision.
8. Obligations to repay loans made under Minnesota Statutes, Section 216C.37.
9. Obligations to repay loans made from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations.
10. Obligations issued to pay pension fund or other postemployment benefit liabilities under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
11. Obligations issued to pay judgments against the municipality under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
12. All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

**Levies for General Obligation Debt
(Sections 475.61 and 475.74, Minnesota Statutes)**

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

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

<u>Property Type</u>	<u>Local Tax Payable 2015-2019</u>
Residential Homestead (1a)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
Residential Non-homestead	
Single Unit (4bb)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
1-3 unit and undeveloped land (4b1)	1.25%
Market Rate Apartments	
Regular (4a)	1.25%
Low-Income (4d)	
Up to \$139,000 ^(c)	0.75%
Over \$139,000 ^(c)	0.25%
Commercial/Industrial/Public Utility (3a)	
Up to \$150,000	1.50% ^(a)
Over \$150,000	2.00% ^(a)
Electric Generation Machinery	2.00%
Commercial Seasonal Residential	
Homestead Resorts (1c)	
Up to \$600,000	0.50%
\$600,000 - \$2,300,000	1.00%
Over \$2,300,000	1.25% ^(a)
Seasonal Resorts (4c)	
Up to \$500,000	1.00% ^(a)
Over \$500,000	1.25% ^(a)
Non-Commercial (4c12)	
Up to \$500,000	1.00% ^{(a)(b)}
Over \$500,000	1.25% ^{(a)(b)}
Disabled Homestead (1b)	
Up to \$50,000	0.45%
Agricultural Land & Buildings	
Homestead (2a)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
Remainder of Farm	
Up to \$1,900,000 ^(d)	0.50% ^(b)
Over \$1,900,000 ^(d)	1.00% ^(b)
Non-homestead (2b)	1.00% ^(b)

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

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

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

^(d) Legislative increases, payable 2019. Historical valuations are: Payable 2018 - \$1,940,000; Payable 2017 - \$2,050,000; Payable 2016 - \$2,140,000; and Payable 2015 - \$1,900,000.

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

EXCERPT OF 2018 ANNUAL FINANCIAL STATEMENTS

Data on the following pages was extracted from the City's Annual Financial Statements for fiscal year ended December 31, 2018. The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here.

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Watkins, Minnesota, as of and for the year ended December 31, 2018, and the related notes to financial statements, which collectively comprise the City's regulatory financial statements as listed in the Table of Contents. We have also audited the additional supplementary information as listed in the Table of Contents for the year ended December 31, 2018.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with regulatory basis of accounting discussed in Note 1. Management is also responsible for 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.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of the Minnesota Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Watkins, Minnesota, as of December 31, 2018, the changes in financial position, and, where applicable, cash flows, thereof, for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective cash balances of each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Watkins, Minnesota, as of December 31, 2018, and the respective changes in cash balances and cash flows, where applicable, thereof, for the year then ended in conformity with the regulatory basis of accounting as discussed in Note 1. In addition, in our opinion, the additional supplementary information referred to in the first paragraph presents fairly, in all material respects, the accounts receivable and accounts payable balances of the City's funds as of December 31, 2018, in conformity with the regulatory basis of accounting discussed in Note 1.

Other Matters

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2019, on our consideration of the City of Watkins' 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 City of Watkins' internal control over financial reporting and compliance.

Bugan KD, Ltd.

St. Cloud, Minnesota
February 26, 2019

City of Watkins
Statement of Balances Arising From Cash Transactions -
Governmental Funds
December 31, 2018

	General Fund (100-171, 190, 195, 200, 210, 225)	<u>Special Revenue</u> Ambulance Service (220)	<u>Debt Service</u> G.O. Refunding Bond 2013A (340)	Other Governmental Funds	Total Governmental Funds	<u>Component Unit</u> Economic Development Authority
Assets						
Cash	<u>\$ 1,052,385</u>	<u>\$ 635,142</u>	<u>\$ 248,867</u>	<u>\$ 274,178</u>	<u>\$ 2,210,572</u>	<u>\$ 453,295</u>
Cash Fund Balances						
Restricted	\$ -	\$ -	\$ 248,867	\$ 36,581	\$ 285,448	\$ -
Committed	-	635,142	-	-	635,142	258,812
Assigned	435,479	-	-	237,597	673,076	194,483
Unassigned	<u>616,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>616,906</u>	<u>-</u>
Total cash fund balances	<u>\$ 1,052,385</u>	<u>\$ 635,142</u>	<u>\$ 248,867</u>	<u>\$ 274,178</u>	<u>\$ 2,210,572</u>	<u>\$ 453,295</u>

See notes to financial statements.

City of Watkins
Statement of Cash Receipts, Disbursements, and
Changes in Cash Fund Balances -
Governmental Funds
Year Ended December 31, 2018

	General Fund (100-171, 190, 195, 200, 210, 225)	Special Revenue	Debt Service	Other Governmental Funds	Total Governmental Funds	Component Unit
		Ambulance Service (220)	G.O. Refunding Bond 2013A (340)			Economic Development Authority
Receipts						
General property taxes	\$ 371,311	\$ -	\$ 169,783	\$ -	\$ 541,094	\$ 20,255
Franchise taxes	2,987	-	-	-	2,987	-
Special assessments	49,699	-	84,070	-	133,769	-
Licenses and permits	7,970	-	-	-	7,970	-
Intergovernmental	331,837	-	-	-	331,837	-
Charges for services	56,258	198,599	-	55,450	310,307	-
Fines and forfeitures	853	-	-	-	853	-
Investment income	3,320	3,047	479	507	7,353	1,202
Miscellaneous						
Contributions and donations	8,645	1,445	-	57,173	67,263	-
Loan and lease payments	-	-	-	-	-	40,071
Other	23,174	-	-	70	23,244	51
Total receipts	<u>856,054</u>	<u>203,091</u>	<u>254,332</u>	<u>113,200</u>	<u>1,426,677</u>	<u>61,579</u>
Disbursements						
Current						
General government	265,730	-	495	-	266,225	-
Public safety	172,880	127,022	-	228	300,130	-
Public works	207,544	-	-	-	207,544	-
Economic development	-	-	-	-	-	14,056
Culture and recreation	15,553	-	-	86,361	101,914	-
Debt service						
Principal	-	-	105,000	19,557	124,557	-
Interest and fiscal charges	-	-	150,988	451	151,439	-
Capital outlay						
General government	14,566	-	-	-	14,566	-
Public safety	-	43,885	-	32,090	75,975	-
Public works	115,746	-	-	-	115,746	-
Culture and recreation	571	-	-	25,870	26,441	-
Total disbursements	<u>792,590</u>	<u>170,907</u>	<u>256,483</u>	<u>164,557</u>	<u>1,384,537</u>	<u>14,056</u>
Excess of receipts over (under) disbursements	63,464	32,184	(2,151)	(51,357)	42,140	47,523
Other Financing Sources (Uses)						
Transfers in	86,791	-	-	62,578	149,369	-
Transfers out	(62,578)	-	-	(86,791)	(149,369)	-
Total other financing sources (uses)	<u>24,213</u>	<u>-</u>	<u>-</u>	<u>(24,213)</u>	<u>-</u>	<u>-</u>
Net change in cash fund balances	87,677	32,184	(2,151)	(75,570)	42,140	47,523
Cash Fund Balances						
Beginning of year	964,708	602,958	251,018	349,748	2,168,432	405,772
End of year	<u>\$ 1,052,385</u>	<u>\$ 635,142</u>	<u>\$ 248,867</u>	<u>\$ 274,178</u>	<u>\$ 2,210,572</u>	<u>\$ 453,295</u>

See notes to financial statements.

City of Watkins
Statement of Balances Arising from
Cash Transactions - Proprietary Funds
December 31, 2018

	Enterprise Funds		
	Water	Sewer	Total
	(601,155)	(602,156)	
Assets			
Cash	\$ 355,894	\$ 325,556	\$ 681,450
Net Cash Position			
Unrestricted	\$ 355,894	\$ 325,556	\$ 681,450

See notes to financial statements.

City of Watkins
Statement of Receipts, Disbursements, and
Changes in Net Cash Position -
Proprietary Funds
Year Ended December 31, 2018

	Water (601,155)	Sewer (602,156)	Total
Operating receipts			
Charges for services	\$ 212,897	\$ 207,571	\$ 420,468
Connection fees	600	-	600
Total operating receipts	<u>213,497</u>	<u>207,571</u>	<u>421,068</u>
Operating disbursements			
Wages and salaries	25,494	26,025	51,519
Materials and supplies	5,214	8,196	13,410
Professional services	3,092	14,223	17,315
Utilities	50,807	16,461	67,268
Repairs and maintenance	6,375	39,453	45,828
Miscellaneous expenses	8,164	5,187	13,351
Total operating disbursements	<u>99,146</u>	<u>109,545</u>	<u>208,691</u>
Operating income	114,351	98,026	212,377
Nonoperating receipts (disbursements)			
Investment income	118	462	580
Other	4,249	9,691	13,940
Interest expense	<u>(7,581)</u>	<u>(9,780)</u>	<u>(17,361)</u>
Total nonoperating receipts (disbursements)	<u>(3,214)</u>	<u>373</u>	<u>(2,841)</u>
Change in net cash position before other items	111,137	98,399	209,536
Bond principal	<u>(78,000)</u>	<u>(92,000)</u>	<u>(170,000)</u>
Change in net cash position	33,137	6,399	39,536
Net cash position			
Beginning of year	<u>322,757</u>	<u>319,157</u>	<u>641,914</u>
End of year	<u>\$ 355,894</u>	<u>\$ 325,556</u>	<u>\$ 681,450</u>

See notes to financial statements.

City of Watkins
Statement of Cash Flows - Cash Basis -
Proprietary Funds
Year Ended December 31, 2018

	Water <u>(601,155)</u>	Sewer <u>(602,156)</u>	Total <u></u>
Cash Flows - Operating Activities			
Receipts from customers	\$ 213,497	\$ 207,571	\$ 421,068
Payments to suppliers	(73,652)	(83,520)	(157,172)
Payments to employees	(25,494)	(26,025)	(51,519)
Net cash flows - operating activities	<u>114,351</u>	<u>98,026</u>	<u>212,377</u>
Cash Flows - Noncapital			
Financing Activities			
Other receipts	<u>4,249</u>	<u>9,691</u>	<u>13,940</u>
Cash Flows - Capital and Related			
Financing Activities			
Debt service loan principal payments	(78,000)	(92,000)	(170,000)
Debt service loan interest payments	<u>(7,581)</u>	<u>(9,780)</u>	<u>(17,361)</u>
Net cash flows - capital and related financing activities	<u>(85,581)</u>	<u>(101,780)</u>	<u>(187,361)</u>
Cash Flows - Investing Activities			
Interest and dividends	<u>118</u>	<u>462</u>	<u>580</u>
Net change in cash and cash equivalents	33,137	6,399	39,536
Cash and Cash Equivalents			
Beginning of year	<u>322,757</u>	<u>319,157</u>	<u>641,914</u>
End of year	<u>\$ 355,894</u>	<u>\$ 325,556</u>	<u>\$ 681,450</u>

See notes to the financial statements.

**City of Watkins
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Watkins has a mayor council form of government. A mayor and four council members are elected by the voters of the City for two year and four year terms, respectively.

A. Financial Reporting Entity

The financial statements present the City and its component units. The City includes all funds, account groups, 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 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 are presented in this report as follows:

Discretely Presented Component Unit – Entails reporting the component unit financial data in statements separate from the financial date of the City.

Related Organization – The relationship of the City with the entity is disclosed.

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

1. Discretely Presented Component Unit

The Watkins Economic Development Authority (EDA) is a legal entity separate from the City. The Watkins EDA is governed by a seven member board consisting of two members of the City Council and five members of the general public. Separate financial statements are included in this report for the Watkins EDA to emphasize that it is legally separate from the City. The EDA is presented as a governmental fund type. The complete financial statements of the EDA may be obtained from the City's Clerk/Treasurer at City Hall.

2. Related Organizations

The Watkins Firemen's and Ambulance Relief Associations (the "Associations") are organized as nonprofit organizations, legally separate from the City, by its members to provide pension and other benefits to such members in accordance with *Minnesota Statutes*. The Board of Trustees is appointed by the membership of the Associations and not by the City Council. All relief funding is conducted in accordance with *Minnesota Statutes*, whereby state aid flows to the Associations, tax levies are determined by the Associations and are reviewed and approved by the City. The Associations pay benefits directly to the members. Because the Associations are fiscally independent of the City, the financial statements of the Associations have not been included within the City's reporting entity.

**City of Watkins
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the City are maintained, and the accompanying financial statements have been prepared, on the regulatory basis of accounting prescribed by the Minnesota Office of the State Auditor. The regulatory basis allows revenues to be recognized when received rather than when earned and expenditures to be recognized when paid rather than when the obligations are incurred.

Description of Major Funds:

Major Governmental Funds:

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

Ambulance Service Special Revenue Fund – This fund accounts for operations of the City's ambulance service. The primary revenue source for this fund is charges for services.

G.O. Refunding Bond 2013A Debt Service Fund – This fund is used to account for receipts and disbursements related to the debt issuance.

Major Proprietary Funds:

Water Fund – This fund accounts for operations of the City's water utility.

Sewer Fund – This fund accounts for the operations of the City's sewer utility.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Revenues, Expenditures, and Expenses

1. Property Tax Collection Calendar

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Meeker County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

D. Cash, Cash Equivalents, and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled deposits are allocated to the individual funds based on the average of month-end cash and investment balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

E. Fund Equity

1. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors or laws, or regulations of other governments or b) imposed by law through enabling legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Equity (Continued)

1. Classification (Continued)

- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City's Clerk/Treasurer based on the City Council's direction.
- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

2. Minimum Fund Balance

The City's target General Fund balance is to maintain a minimum unrestricted fund balance of 50% of the next year's budgeted expenditures.

F. Budgetary Information

1. In September of each year, City staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Budgets for the General, Special Revenue, Capital Project Funds, and the Enterprise Funds are adopted on a basis consistent with the regulatory basis of accounting. Annual appropriated budgets for Debt Service Funds are adopted based on bond indenture provisions.
5. Expenditures may not legally exceed budgeted appropriations at the fund level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a fund level, so long as the total fund budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General, Special Revenue, certain Debt Service and Capital Project Funds, and the Enterprise Funds.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

City of Watkins
Notes to Financial Statements

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Disbursements in Excess of Appropriations

Disbursements exceeded appropriations in the following funds for the year ended December 31, 2018:

	Disbursements	Appropriations	Excess
Major funds			
General Fund	\$ 792,590	\$ 763,775	\$ 28,815
Ambulance Service	170,907	95,000	75,907

NOTE 3 – CASH

In accordance with applicable *Minnesota Statutes*, the City maintains deposits at depository banks authorized by the City Council.

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City requires its deposits exceeding insurance to be fully collateralized in accordance with *Minnesota Statutes*.

As of December 31, 2018, the City did not have any investments.

As of December 31, 2018, the City's bank balances were fully insured through the FDIC and collateral pledged.

Checking and savings accounts	\$ 2,722,129
Certificates of deposit	623,188
Total cash	\$ 3,345,317

Cash is presented in the December 31, 2018, financial statements as follows:

Statement of Balances Arising from	
Cash Transactions - Governmental Funds	
Total Governmental Funds	\$ 2,210,572
Component Unit - EDA	453,295
Statement of Balances Arising from	
Cash Transactions - Proprietary Funds	681,450
Total cash and investments	\$ 3,345,317

City of Watkins
Notes to Financial Statements

NOTE 4 – DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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

Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent for each of the first ten years and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent for all years of service. For all members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

For all General Employment Plan members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about six percent per year) for members retiring prior to full retirement age.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information from the General Employees Plan. That report may be obtained on the PERA website at www.mnpera.org.

City of Watkins
Notes to Financial Statements

NOTE 4 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. Coordinated Plan members were required to contribute 6.5% of their annual covered salary in 2018. In 2018, the City of Watkins was required to contribute 7.5% of annual covered payroll for Coordinated Plan members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2018, 2017, and 2016, were \$15,060, \$13,881, and \$13,451, respectively.

NOTE 5 – LOANS PAYABLE

A. City of Eden Valley

During 2000, the City entered into a joint powers agreement with the City of Eden Valley, Minnesota, to build a new water treatment plant, trunk lines from the plant to each City and establish necessary water wells so properly treated and adequate water may be furnished and distributed to the residents of each City. This agreement states the responsibilities of each City, including the responsibility of the City of Eden Valley, to complete the construction of the facility and issue G.O. Water Revenue Bonds. Each City is responsible for 50% of the debt by evidence of notes issued by the Cities in 2000 and 2001.

The following is a summary of loan transactions of the City for the year ended December 31, 2018:

	Beginning Balance	Additions	Maturities	Ending Balance	Due Within 1 Year
Loans payable	\$ 260,500	\$ -	\$ 78,000	\$ 182,500	\$ 80,000

The 2000 loan is due in annual installments of \$18,225 to \$63,000 through August 20, 2020, plus interest at 3.16% per annum. The annual requirements to maturity are:

	Principal	Interest	Total
2019	\$ 61,000	\$ 3,918	\$ 64,918
2020	63,000	1,991	64,991
Total	<u>\$ 124,000</u>	<u>\$ 5,909</u>	<u>\$ 129,909</u>

City of Watkins
Notes to Financial Statements

NOTE 5 – LOANS PAYABLE (CONTINUED)

A. City of Eden Valley (Continued)

The 2001 loan is due in annual installments of \$8,700 to \$20,000 through August 20, 2021, plus interest at 2.32% per annum. The annual requirements to maturity are:

	Principal	Interest	Total
2019	\$ 19,000	\$ 1,357	\$ 20,357
2020	19,500	917	20,417
2021	20,000	464	20,464
Total	<u>\$ 58,500</u>	<u>\$ 2,738</u>	<u>\$ 61,238</u>

NOTE 6 – BOND AND NOTES PAYABLE

Bonds and notes outstanding at December 31, 2018, include the following issues:

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
Governmental activities						
2013A G.O. Refunding Bonds	04/01/13	2.00%-4.00%	\$ 4,725,000	01/01/44	\$ 4,080,000	\$ 110,000
USDA Rural Development Loan	10/06/16	2.375%	125,000	10/06/31	39,407	9,056
Business-type activities						
2007 PFA G.O. Revenue Note	01/03/07	1.27%	1,631,700	08/20/25	678,000	93,000
Total long-term liabilities					<u>\$ 4,797,407</u>	<u>\$ 212,056</u>

The following is a summary of transactions of the City for the year ended December 31, 2018:

	Beginning Balance	Additions	Maturities	Ending Balance
G.O. Debt	\$ 4,185,000	\$ -	\$ 105,000	\$ 4,080,000
USDA Rural Development Loan	58,964	-	19,557	39,407
PFA Revenue Note	770,000	-	92,000	678,000
Total	<u>\$ 5,013,964</u>	<u>\$ -</u>	<u>\$ 216,557</u>	<u>\$ 4,797,407</u>

The annual requirements to amortize all bonded debt outstanding are as listed below and on the next page.

**City of Watkins
Notes to Financial Statements**

**City of Watkins
Notes to Financial Statements**

NOTE 6 – BOND AND NOTES PAYABLE (CONTINUED)

	USDA Rural Development Note		G.O. Revenue Note	
	Principal	Interest	Principal	Interest
2019	\$ 9,056	\$ 948	\$ 93,000	\$ 8,611
2020	9,260	744	94,000	7,429
2021	9,480	524	96,000	6,236
2022	9,705	299	97,000	5,016
2023	1,906	68	98,000	3,785
2024-2028	-	-	200,000	3,823
Total	\$ 39,407	\$ 2,583	\$ 678,000	\$ 34,900

	G.O. Improvement Bonds		Total	
	Principal	Interest	Principal	Interest
2019	\$ 110,000	\$ 148,888	\$ 212,056	\$ 158,447
2020	110,000	146,413	213,260	154,586
2021	115,000	143,662	220,480	150,422
2022	115,000	140,787	221,705	146,102
2023	120,000	137,337	219,906	141,190
2024-2028	655,000	629,600	855,000	633,423
2029-2033	775,000	508,775	775,000	508,775
2034-2038	940,000	343,800	940,000	343,800
2039-2043	1,140,000	140,200	1,140,000	140,200
Total	\$ 4,080,000	\$ 2,339,462	\$ 4,797,407	\$ 2,376,945

NOTE 7 – CASH FUND BALANCE/NET CASH POSITION

Fund equity balances in the governmental funds are classified in the statements based on the restrictions of the revenue sources. Further assignments in the General Fund are as follows:

	<u>General Fund</u>
Assigned for	
Working capital	\$ 280,932
Fire protection	54,261
Capital improvements	90,504
Park and recreation	<u>9,782</u>
Total	\$ 435,479

NOTE 7 – CASH FUND BALANCE/NET CASH POSITION (CONTINUED)

Net cash position in the propriety funds are further restricted as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Designated for		
Water replacement	\$ 355,894	\$ -
Sewer replacement	<u>-</u>	<u>325,556</u>
Total	\$ 355,894	\$ 325,556

NOTE 8 – RECEIVABLES

Notes, loans, and lease receivables at December 31, 2018, are as follows:

EDA Revolving Loan		
Jim Riebe Loan		
\$5,000 loan, due in monthly installments of \$90, through August 2019, interest at 3.0%		\$ 744
Hilltop Health Care Center		
\$46,817 promissory note, due in monthly installments of \$484, through May 2022, interest at 3.0%		18,399
David and Nancy Knutson		
\$22,000 promissory note, due in monthly installments of \$213, through September 2025, interest at 3.0%		15,569
Fire Trak Loan		
\$50,000 promissory note, due in monthly installments of \$432, through February 2019, interest at 2.5% below prime		<u>837</u>
Total lease, notes and loans receivable		\$ 35,549

City of Watkins
Notes to Financial Statements

City of Watkins
Notes to Financial Statements

NOTE 9 – TRANSFERS

	Transfers In		
	General Fund	Other Governmental	Total
Transfers out			
General Fund	\$ -	\$ 62,578	\$ 62,578
G.O. Improvement Bonds 2007B	86,791	-	86,791
 Total transfers	<u>\$ 86,791</u>	<u>\$ 62,578</u>	<u>\$ 149,369</u>

The above transfers were made to reimburse costs, fund capital outlay purchases, and close a debt service fund.

NOTE 10 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2018 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2018, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 11 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

NOTE 11 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED (CONTINUED)

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements improves the information that is disclosed in the notes to the financial statements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement will be effective for the year ending December 31, 2019.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This statement will be effective for the year ending December 31, 2020.

City of Watkins, Minnesota
\$4,070,000* General Obligation Refunding Bonds, Series 2019A

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$_____ (which may not be less than \$4,017,090) plus accrued interest, if any, to the date of delivery.

<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>	<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>
2021	_____ %	_____ %	_____ %	2033	_____ %	_____ %	_____ %
2022	_____ %	_____ %	_____ %	2034	_____ %	_____ %	_____ %
2023	_____ %	_____ %	_____ %	2035	_____ %	_____ %	_____ %
2024	_____ %	_____ %	_____ %	2036	_____ %	_____ %	_____ %
2025	_____ %	_____ %	_____ %	2037	_____ %	_____ %	_____ %
2026	_____ %	_____ %	_____ %	2038	_____ %	_____ %	_____ %
2027	_____ %	_____ %	_____ %	2039	_____ %	_____ %	_____ %
2028	_____ %	_____ %	_____ %	2040	_____ %	_____ %	_____ %
2029	_____ %	_____ %	_____ %	2041	_____ %	_____ %	_____ %
2030	_____ %	_____ %	_____ %	2042	_____ %	_____ %	_____ %
2031	_____ %	_____ %	_____ %	2043	_____ %	_____ %	_____ %
2032	_____ %	_____ %	_____ %	2044	_____ %	_____ %	_____ %

Designation of Term Maturities

Years of Term Maturities _____

In making this offer on the sale date of October 29, 2019 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated October 8, 2019 including the City’s right to modify the principal amount of the Bonds. (See “Terms of Proposal” herein.) In the event of failure to deliver these Bonds in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

By submitting this proposal, we confirm that we have an established industry reputation for underwriting municipal bonds such as the Bonds.

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

NET INTEREST COST: \$_____

TRUE INTEREST RATE: _____ %

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

Account Members

Account Manager
By: _____
Phone: _____

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

Attest: _____

Date: _____

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