

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 5, 2018

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 the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal 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). 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. See "TAX EXEMPTION" herein.

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.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF SARTELL, MINNESOTA (Stearns and Benton Counties)

\$7,855,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2018B

PROPOSAL OPENING: June 11, 2018, 10:00 A.M., C.T. **CONSIDERATION:** June 11, 2018, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$7,855,000* General Obligation Refunding Bonds, Series 2018B (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, and Section 475.67, by the City of Sartell, Minnesota (the "City") for the purpose of effecting a current refunding of certain outstanding general obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Briggs and Morgan, Professional Association, Minneapolis, Minnesota.

DATE OF BONDS: June 28, 2018

MATURITY: August 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$630,000	2023	\$715,000	2027	\$805,000
2020	655,000	2024	735,000	2028	835,000
2021	675,000	2025	755,000	2029	575,000
2022	695,000	2026	780,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2019 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing August 1, 2027 and thereafter are subject to call for prior redemption on August 1, 2026 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$7,933,550

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$157,100 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Briggs and Morgan, Professional Association

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.



REPRESENTATIONS

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

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

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

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

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

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

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

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

CLOSING CERTIFICATES

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

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CITY COUNCIL

		<u>Term Expires</u>
Sarah Jane Nicoll	Mayor	January 2019
Pat Lynch	Council Member	January 2019
Mike Chisum	Council Member	January 2021
David Peterson	Council Member	January 2019
Ryan Fitzthum	Council Member	January 2021

ADMINISTRATION

Mary Degiovanni, City Administrator

Heidi Ostlie, Finance Director

PROFESSIONAL SERVICES

Briggs and Morgan, Professional Association, Bond Counsel, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Sartell, Minnesota (the "City") and the issuance of its \$7,855,000* General Obligation Refunding Bonds, Series 2018B (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the sale of the Bonds ("Award Resolution") to be adopted by the City Council on June 11, 2018.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of June 28, 2018. The Bonds will mature on August 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on August 1 and February 1 of each year, commencing February 1, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

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

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, and Section 475.67, by the City for the purpose of effecting a current refunding of the City’s \$4,090,000 General Obligation Water Revenue Bonds, Series 2008B (the “Series 2008B Bonds”), dated October 2, 2008 and a current refunding of the City's \$9,205,000 General Obligation Water and Sewer Revenue Bonds, Series 2009A (the "Series 2009A Bonds"), dated February 4, 2009.

Following are the maturities of the Series 2008B Bonds which are being refunded by this issue:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 803803
Series 2008B Bonds	10/2/08	8/1/18	Par	2019	4.000%	\$200,000	VY8
				2020	4.000%	205,000	VZ5
				2021	4.000%	215,000	WA9
				2022	4.100%	225,000	WB7
				2023	4.200%	235,000	WC5
				2024	4.250%	245,000	WD3
				2026 (Term)	4.375%	525,000	WF8
				2028 (Term)	4.500%	<u>575,000</u>	WH4
Total Series 2008B Bonds Being Refunded						<u>\$2,425,000</u>	

Following are the maturities of the Series 2009A Bonds which are being refunded by this issue:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 666178
Series 2009A Bonds	2/4/09	8/1/18	Par	2019	3.500%	380,000	WU5
				2020	3.500%	395,000	WV3
				2021	3.500%	415,000	WW1
				2022	3.625%	430,000	WX9
				2023	3.750%	450,000	WY7
				2024	3.900%	470,000	WZ4
				2025	4.000%	495,000	XA8
				2026	4.000%	515,000	XB6
				2027	4.000%	545,000	XC4
				2028	4.100%	570,000	XD2
				2029	4.150%	<u>600,000</u>	XE0
Total Series 2009A Bonds Being Refunded						<u>\$5,265,000</u>	

Proceeds of Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The City will pay the interest payments due on August 1, 2018 from the Debt Service Fund for the Series 2008B and Series 2009A Bonds.

ESTIMATED SOURCES AND USES*

Sources	Refunding 2008B	Refunding 2009A	Total Bond Issue
Par Amount of Bonds	<u>\$2,480,000</u>	<u>\$5,375,000</u>	<u>\$7,855,000</u>
Total Sources	\$2,480,000	\$5,375,000	\$7,855,000
Uses			
Total Underwriter's Discount (1.200%)	\$29,760	\$64,500	\$94,260
Costs of Issuance	21,469	46,531	68,000
Deposit to Current Refunding Fund	2,425,000	5,265,000	7,690,000
Rounding Amount	<u>3,771</u>	<u>(1,031)</u>	<u>2,740</u>
Total Uses	\$2,480,000	\$5,375,000	\$7,855,000

Breakdown of Principal Payments:

Payment Date	Refunding 2008B	Refunding 2009A	Total Bond Issue
8/01/2019	\$220,000	\$410,000	\$630,000
8/01/2020	225,000	430,000	655,000
8/01/2021	230,000	445,000	675,000
8/01/2022	240,000	455,000	695,000
8/01/2023	245,000	470,000	715,000
8/01/2024	250,000	485,000	735,000
8/01/2025	255,000	500,000	755,000
8/01/2026	265,000	515,000	780,000
8/01/2027	270,000	535,000	805,000
8/01/2028	<u>280,000</u>	555,000	835,000
8/01/2029		<u>575,000</u>	<u>575,000</u>
Total	\$2,480,000	\$5,375,000	\$7,855,000

*Preliminary, subject to change

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. Principal and interest on the Bonds will be paid entirely from net revenues of the utility systems which are owned and operated by the City. Should the revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy a tax for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

CONCURRENT FINANCING

By means of a separate Preliminary Official Statement, the City will be offering for sale its General Obligation Improvement Refunding Bonds, Series 2018C (the "Concurrent Obligations" or the "Series 2018C Bonds") on June 11, 2018.

RATING

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

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

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

CONTINUING DISCLOSURE

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

Except to the extent that the following are deemed to be material, the City believes it has not failed to comply in all material respects with its prior undertakings under the rule. In the interest of full disclosure, the City notes the following: Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements and operating data would be filed "as soon as available." Although the City did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. The City has reviewed its continuing disclosure responsibilities to help ensure compliance in the future.

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

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

LEGAL OPINION

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

TAX EXEMPTION

On the date of issuance of the Bonds, Briggs and Morgan, Professional Association, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal 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). 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. The opinions are subject to the condition that the City complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

Other Federal and State Tax Considerations

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisers.

Original Issue Discount

Some of the Bonds ("the OID Bonds) may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds are sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holders' tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2017 have been audited by Bergan KDV, Ltd., St. Cloud, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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

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

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

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

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

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

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

Type of Property	2015/16	2016/17	2017/18
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,140,000 - 0.50% ² Over \$2,140,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,050,000 - 0.50% ² Over \$2,050,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% ² Over \$1,940,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$106,000 - .75% Over \$106,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$115,000 - .75% Over \$115,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$121,000 - .75% Over \$121,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

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

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2016/17 Economic Market Value¹ \$1,361,868,388²

2017/18 Assessor's Estimated Market Value

	Stearns County	Benton County	Total
Real Estate	\$ 1,247,653,400	\$ 111,501,700	\$1,359,155,100
Personal Property	<u>6,893,600</u>	<u>1,574,000</u>	<u>8,467,600</u>
Total Valuation	<u>\$ 1,254,547,000</u>	<u>\$ 113,075,700</u>	<u>\$1,367,622,700</u>

2017/18 Net Tax Capacity

	Stearns County	Benton County	Total
Real Estate	\$13,853,039	\$ 1,357,118	\$ 15,210,157
Personal Property	<u>137,343</u>	<u>31,455</u>	<u>168,798</u>
Net Tax Capacity	\$13,990,382	\$ 1,388,573	\$ 15,378,955
Less: Captured Tax Increment Tax Capacity ³	<u>(123,748)</u>	<u>0</u>	<u>(123,748)</u>
Taxable Net Tax Capacity	<u>\$13,866,634</u>	<u>\$ 1,388,573</u>	<u>\$ 15,255,207</u>

¹ Most recent value available from the Minnesota Department of Revenue.

² According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City of Sartell is about 94.53% of the actual selling prices of property most recently sold in the portion of the City located in Stearns County and about 93.12% of the actual selling prices of property most recently sold is the portion of the City located within Benton County. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$1,361,868,388.

³ The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

2017/18 NET TAX CAPACITY BY CLASSIFICATION

	2017/18 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$ 7,932,804	51.58%
Agricultural	48,484	0.32%
Commercial/industrial	4,293,934	27.92%
Public utility	134,250	0.87%
Railroad operating property	45,610	0.30%
Non-homestead residential	2,706,077	17.60%
Commercial & residential seasonal/rec.	48,998	0.32%
Personal property	168,798	1.10%
Total	<u>\$15,378,955</u>	<u>100.00%</u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Taxable Net Tax Capacity²	Percent +/- in Estimated Market Value
2013/14	\$1,110,731,500	\$1,011,450,400	\$ 12,552,193	\$12,438,668	+0.22%
2014/15	1,173,002,100	1,078,251,600	13,238,451	13,121,326	+5.61%
2015/16	1,227,171,700	1,132,364,500	13,902,836	13,780,999	+4.62%
2016/17	1,286,967,700	1,193,442,900	14,570,583	14,448,104	+4.87%
2017/18	1,367,622,700	1,271,703,300	15,378,955	15,255,207	+6.27%

¹ Net Tax Capacity and includes tax increment values.

² Taxable Net Tax Capacity does not include tax increment values.

LARGER TAXPAYERS

Taxpayer	Type of Property	2017/18 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Centracare Health System	Commercial/Industrial/Utility	\$ 311,408	2.02%
Walmart	Commercial/Industrial/Utility	262,282	1.71%
Grandview Estates LLC	Residential/Non-Homestead	241,494	1.57%
Sam's	Commercial/Industrial/Utility	220,946	1.44%
Four Points Development, Inc.	Commercial/Industrial/Utility	162,327	1.06%
Country Manor Campus LLC	Commercial/Residential	156,985	1.02%
St. Cloud Mob LLC	Commercial/Industrial/Utility	148,744	0.97%
Sartell Parners LLC	Commercial/Industrial/Utility	146,342	0.95%
SCOA LLC	Commercial/Industrial/Utility	140,278	0.91%
Northwest Professional Center LLC	Commercial/Industrial/Utility	129,550	0.84%
Total		<u><u>\$ 1,920,356</u></u>	<u><u>12.49%</u></u>

City's Total 2017/18 Net Tax Capacity \$15,378,955

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Stearns and Benton Counties.

DEBT

DIRECT DEBT¹ (includes the Bonds and the Concurrent Obligations, as defined herein)*

General Obligation Debt (see schedules following)

Total g.o. debt being paid from revenues (includes the Bonds)*	\$ 10,155,000
Total g.o. debt being paid from taxes	425,000
Total g.o. debt being paid from special assessments and taxes (includes the 2018C Bonds)*	3,525,000
Total g.o. debt being paid from tax abatement revenues and taxes	14,550,000
Total g.o. debt being paid from revenues, special assessments and taxes	21,320,000
Total g.o. debt being paid from tax abatement revenues, special assessments, and taxes	8,520,000
Total General Obligation Debt*	<u><u>\$ 58,495,000</u></u>

*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds.

CITY OF SARTELL, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues
(As of 6/28/18)

Fiscal Year Ending	Water Series 2008B		Water & Sewer Series 2009A		Refunding 1) Series 2010B		Refunding 2) Series 2018B		Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest				
2018	10/02/08	8/01	0	55,138	0	34,369	0	0	198,844	10,155,000	0.00%	2018
2019	\$4,090,000		555,000	61,106	555,000	61,106	630,000	201,334	262,441	8,970,000	11.67%	2019
2020			565,000	45,000	565,000	45,000	655,000	176,410	221,410	7,750,000	23.68%	2020
2021			515,000	28,800	515,000	28,800	675,000	164,293	193,093	6,560,000	35.40%	2021
2022			215,000	17,850	215,000	17,850	695,000	150,793	168,643	5,650,000	44.36%	2022
2023			220,000	11,050	220,000	11,050	715,000	135,850	146,900	4,715,000	53.57%	2023
2024					230,000	3,738	735,000	119,405	123,143	3,750,000	63.07%	2024
2025							755,000	101,765	101,765	2,995,000	70.51%	2025
2026							780,000	82,890	82,890	2,215,000	78.19%	2026
2027							805,000	62,610	62,610	1,410,000	86.12%	2027
2028							835,000	40,473	40,473	575,000	94.34%	2028
2029							575,000	16,675	16,675	0	100.00%	2029
			0	55,138	0	109,338	7,855,000	1,252,497	1,618,885	11,773,885		

*Preliminary, subject to change.

1) This issue refunded (i) the 2011 through 2020 maturities of the City's \$1,650,000 General Obligation State Aid Street Bonds, Series 2000C, dated August 1, 2000; (ii) the 2012 through 2021 maturities of the \$4,190,000 General Obligation Water Revenue Bonds, Series 20001B, dated May 1, 2001; and (iii) the 2012 through 2024 maturities of the \$3,345,000 General Obligation Sewer Revenue Bonds, Series 2003A, dated September 18, 2003.

2) This issue is refunding the 2019 through 2028 maturities of the City's \$4,090,000 General Obligation Water Revenue Bonds, Series 2008B, dated October 2, 2008 and the 2019 through 2029 maturities of the \$9,205,000 General Obligation Water and Sewer Revenue Bonds, Series 2009A, dated February 4, 2009. The refunded maturities will be called for prior redemption on August 1, 2018 (the "Call Date") and have not been included in the calculation of debt ratios.

CITY OF SARTELL, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes
(As of 6/28/18)

CIP 1)
Series 2009B

Dated Amount	6/10/09 \$2,090,000	Maturity	2/01					
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2018	0	7,306	0	7,306	7,306	425,000	0.00%	2018
2019	210,000	11,069	210,000	11,069	221,069	215,000	49.41%	2019
2020	215,000	3,763	215,000	3,763	218,763	0	100.00%	2020
	425,000	22,138	425,000	22,138	447,138			

1) This issue refunded the 2010 through 2021 maturities of the EDA's \$3,160,000 Public Project Revenue Bonds, Series 2001A, dated April 1, 2001.

CITY OF SARTELL, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Special Assessments and Taxes
(As of 6/28/18)

Fiscal Year Ending	Improvement Series 2010A		Improv. Refunding 1 Series 2018C		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Principal	Interest						
2018	3/04/10 \$5,865,000	2/01	0	57,751	0	57,751	3,525,000	0.00%	2018	
2019			365,000	88,266	365,000	88,266	3,160,000	10.35%	2019	
2020			355,000	75,384	355,000	75,384	2,805,000	20.43%	2020	
2021			240,000	69,700	240,000	69,700	2,565,000	27.23%	2021	
2022			260,000	64,505	260,000	64,505	2,305,000	34.61%	2022	
2023			260,000	58,720	260,000	58,720	2,045,000	41.99%	2023	
2024			270,000	52,490	270,000	52,490	1,775,000	49.65%	2024	
2025			275,000	45,813	275,000	45,813	1,500,000	57.45%	2025	
2026			285,000	38,670	285,000	38,670	1,215,000	65.53%	2026	
2027			290,000	30,978	290,000	30,978	925,000	73.76%	2027	
2028			300,000	22,715	300,000	22,715	625,000	82.27%	2028	
2029			310,000	13,945	310,000	13,945	315,000	91.06%	2029	
2030			315,000	4,725	315,000	4,725	0	100.00%	2030	
			0	57,751	3,525,000	623,661	4,148,661			

*Preliminary, subject to change. *Preliminary, subject to change.

1) This issue is refunding the 2019 through 2030 maturities of the City's \$5,865,000 General Obligation Improvement Bonds, Series 2010A, dated March 4, 2010. The refunded maturities will be called for prior redemption on August 1, 2018 (the "Call Date") and have not been included in the calculation of debt ratios.

CITY OF SARTELL, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Tax Abatement Revenues and Taxes
(As of 6/28/18)

Fiscal Year Ending	GO Tax Abatement Series 2015A				G.O. Tax Abatement Series 2016A				Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Total Principal	Total Interest				
	8/06/15	2/01			8/04/16	2/01						
	\$5,370,000				\$9,950,000							
2018	0	60,925	0	119,297	0	119,297	0	180,222	14,550,000	0.00%	2018	
2019	320,000	118,650	335,000	233,569	335,000	233,569	655,000	352,219	13,895,000	4.50%	2019	
2020	330,000	112,150	345,000	223,369	345,000	223,369	675,000	1,007,219	13,220,000	9.14%	2020	
2021	335,000	105,500	355,000	212,869	355,000	212,869	690,000	1,008,369	12,530,000	13.88%	2021	
2022	340,000	98,750	365,000	202,069	365,000	202,069	705,000	300,819	11,825,000	18.73%	2022	
2023	350,000	90,975	375,000	190,969	375,000	190,969	725,000	281,944	11,100,000	23.71%	2023	
2024	360,000	82,100	390,000	177,994	490,000	177,994	850,000	260,094	10,250,000	29.55%	2024	
2025	365,000	73,038	505,000	163,069	505,000	163,069	870,000	236,106	9,380,000	35.53%	2025	
2026	375,000	63,788	515,000	150,344	515,000	150,344	890,000	214,131	8,490,000	41.65%	2026	
2027	385,000	53,806	530,000	139,894	530,000	139,894	915,000	193,700	7,575,000	47.94%	2027	
2028	395,000	43,081	540,000	129,194	540,000	129,194	935,000	172,275	6,640,000	54.36%	2028	
2029	405,000	31,575	550,000	118,294	550,000	118,294	955,000	149,869	5,685,000	60.93%	2029	
2030	420,000	19,200	560,000	107,194	560,000	107,194	980,000	126,394	4,705,000	67.66%	2030	
2031	430,000	6,450	570,000	95,894	570,000	95,894	1,000,000	102,344	3,705,000	74.54%	2031	
2032			580,000	83,669	580,000	83,669	580,000	83,669	3,125,000	78.52%	2032	
2033			595,000	70,078	595,000	70,078	595,000	70,078	2,530,000	82.61%	2033	
2034			610,000	55,693	610,000	55,693	610,000	55,693	1,920,000	86.80%	2034	
2035			625,000	40,873	625,000	40,873	625,000	40,873	1,295,000	91.10%	2035	
2036			640,000	25,693	640,000	25,693	640,000	25,693	655,000	95.50%	2036	
2037			655,000	9,006	655,000	9,006	655,000	9,006	0	100.00%	2037	
	4,810,000	959,988	9,740,000	2,549,026	9,740,000	2,549,026	14,550,000	3,509,014	18,059,014			

CITY OF SARTELL, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues, Special Assessments, and Taxes
(As of 6/28/18)

Fiscal Year Ending	Abatement and Ref 1) Series 2012A		Refunding 2) Series 2014A		GO Bonds 3) Series 2018A		Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity				
2018							45,984	21,320,000	0.00%	2018
2019	7/10/12	2/01	1/02/14	2/01	5/31/18	2/01	907,102	19,725,000	7.48%	2019
2020	\$7,315,000		\$6,135,000		\$17,580,000		2,502,102	18,635,000	12.59%	2020
2021							1,830,306	17,510,000	17.87%	2021
2022							693,631	16,325,000	23.43%	2022
2023							644,656	15,095,000	29.20%	2023
2024							593,091	13,810,000	35.23%	2024
2025							538,931	12,465,000	41.53%	2025
2026							481,713	11,060,000	48.12%	2026
2027							421,288	9,930,000	53.42%	2027
2028							362,038	8,745,000	58.98%	2028
2029							304,163	7,500,000	64.82%	2029
2030							255,863	6,650,000	68.81%	2030
2031							224,438	5,775,000	72.91%	2031
2032							198,563	4,875,000	77.13%	2032
2033							171,938	3,950,000	81.47%	2033
2034							144,563	2,990,000	85.96%	2034
2035							115,088	2,430,000	88.60%	2035
2036							90,388	1,850,000	91.32%	2036
2037							71,863	1,255,000	94.11%	2037
2038							52,397	640,000	97.00%	2038
2039							31,978	0	100.00%	2039
							10,800	0		
							646,978	640,000		
							651,863	1,255,000		
							650,388	2,430,000		
							1,075,088	2,990,000		
							1,069,563	3,950,000		
							1,073,563	4,875,000		
							1,074,438	5,775,000		
							1,500,863	7,500,000		
							1,492,038	9,930,000		
							1,489,163	11,060,000		
							1,245,000	12,465,000		
							850,000	13,810,000		
							224,438	15,095,000		
							198,563	16,325,000		
							171,938	17,510,000		
							144,563	18,635,000		
							115,088	19,725,000		
							90,388	21,320,000		
							71,863			
							52,397			
							31,978			
							10,800			
							39,450			
							252,331			
							1,315,000			
							17,580,000			
							6,808,996			
							7,100,777			
							15,326,702			

- 1) A portion of this issue refunded (i) the 2015 through 2026 maturities of the City's \$5,120,000 General Obligation Bonds, Series 2006A, dated April 19, 2006; (ii) the 2015 through 2018 maturities of the City's \$8,010,000 General Obligation Improvement Bonds, Series 2007A, dated October 11, 2007; and (iii) the 2015 through 2018 maturities of the City's \$3,570,000 General Obligation Bonds, Series 2008A, dated October 2, 2008.
- 2) The Series 2006A CIP Refunding portion is subject to the debt limit (\$1,115,000 current principal outstanding). The Series 2006A Refunding Sewer portion is payable entirely from revenues (\$1,305,000 current principal outstanding).
- 3) This issue refunded the 2015 through 2019 maturities of the City's \$10,905,000 General Obligation Bonds, Series 2009C, dated June 10, 2009. The revenue portion is payable entirely from revenues (\$30,000 current principal outstanding). The CIP - Public Safety and Pinecone Road North portions of this issue are subject to the City's statutory debt limit and are payable entirely from taxes (\$14,195,000 current principal outstanding). The Utilities and Water Tower portions of this issue are payable entirely from revenues (\$3,385,000 current principal outstanding).

CITY OF SARTELL, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Special Assessments, Tax Abatement Revenues and Taxes
(As of 6/28/18)

G.O. Bonds 1)
Series 2017A

Fiscal Year Ending	Dated Amount	Maturity	9/07/17		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest						
	\$8,520,000	2/01	0	220,050	0	220,050	8,520,000	0.00%	2018	
2019			485,000	237,225	485,000	237,225	8,035,000	5.69%	2019	
2020			600,000	220,950	600,000	220,950	7,435,000	12.73%	2020	
2021			620,000	202,650	620,000	202,650	6,815,000	20.01%	2021	
2022			630,000	183,900	630,000	183,900	6,185,000	27.41%	2022	
2023			650,000	164,700	650,000	164,700	5,535,000	35.04%	2023	
2024			670,000	144,900	670,000	144,900	4,865,000	42.90%	2024	
2025			695,000	124,425	695,000	124,425	4,170,000	51.06%	2025	
2026			715,000	103,275	715,000	103,275	3,455,000	59.45%	2026	
2027			735,000	85,200	735,000	85,200	2,720,000	68.08%	2027	
2028			750,000	68,475	750,000	68,475	1,970,000	76.88%	2028	
2029			170,000	56,550	170,000	56,550	1,800,000	76.87%	2029	
2030			175,000	51,375	175,000	51,375	1,625,000	80.93%	2030	
2031			180,000	46,050	180,000	46,050	1,445,000	83.04%	2031	
2032			190,000	40,500	190,000	40,500	1,255,000	85.27%	2032	
2033			195,000	34,725	195,000	34,725	1,060,000	87.56%	2033	
2034			200,000	28,800	200,000	28,800	860,000	89.91%	2034	
2035			205,000	22,725	205,000	22,725	655,000	92.31%	2035	
2036			210,000	16,500	210,000	16,500	445,000	94.78%	2036	
2037			220,000	10,050	220,000	10,050	225,000	97.36%	2037	
2038			225,000	3,375	225,000	3,375	0	100.00%	2038	
			8,520,000	2,066,400	8,520,000	2,066,400	10,586,400			

1) The Street Reconstruction Portion of this issue is subject to the debt limit (\$1,270,000 current principal outstanding).

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt: (1) obligations payable wholly or partly from special assessments levied against benefitted property (includes the Series 2018C Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations issued to finance any public revenue producing convenience (includes the Bonds); (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) funds held as sinking funds for payment of principal and interest on debt other than those deductible under 1-4 above; and (6) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2017/18 Assessor's Estimated Market Value	\$1,367,622,700
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 41,028,681
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes ¹	<u>(15,740,000)</u>
Unused Debt Limit	<u><u>\$ 25,288,681</u></u>

¹ Also includes the capital improvement portion of the City's General Obligation Bonds, Series 2012A (\$1,120,000 principal currently outstanding), and the Public Safety Facility and Pinecone Road North Portions of the General Obligation Bonds, Series 2018A (\$14,195,000 current principal amount), which are payable entirely from taxes.

OVERLAPPING DEBT¹

Taxing District	2017/18 Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
Stearns County	\$ 147,731,473	9.3864%	\$ 23,535,000	\$ 2,209,089
Benton County	30,414,097	4.5656%	6,665,000	304,297
I.S.D. No. 47 (Sauk Rapids-Rice)	18,393,868	5.9129%	32,395,000 ³	1,915,484
I.S.D. No. 742 (St. Cloud)	66,037,727	2.5391%	162,590,000 ⁴	4,128,323
I.S.D. No. 748 (Sartell-St. Stephen)	16,137,930	77.4005%	110,199,048 ⁵	85,294,614
City's Share of Total Overlapping Debt				<u><u>\$93,851,807</u></u>

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

² Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

³ Currently, the State of Minnesota is paying approximately 6.34% of the principal and interest on the Sauk Rapids-Rice School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is \$2,053,063.79.

⁴ Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

⁵ Currently, the State of Minnesota is paying approximately 27.14% of the principal and interest on the Sartell-St. Stephen School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is \$29,904,862.59.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$1,361,868,388)	Debt/ Current Population Estimate (16,442)
Direct G.O. Debt Being Paid From:			
Revenues*	\$ 10,155,000		
Taxes	425,000		
Special Assessments & Taxes*	3,525,000		
Tax Abatement Revenues & Taxes	14,550,000		
Revenues, Special Assessments & Taxes	21,320,000		
Tax Abatement Revenues, Special Assessments & Taxes	<u>8,520,000</u>		
Total General Obligation Debt (includes the Bonds and Concurrent Obligations)*	\$ 58,495,000		
Less: G.O. Debt Paid Entirely from Revenues ¹	(15,385,000)		
Tax Supported General Obligation Debt*	\$ 43,110,000	3.17%	\$2,621.94
 City's Share of Total Overlapping Debt ²	 <u>\$ 93,851,807</u>	 <u>6.89%</u>	 <u>\$5,708.05</u>
 Total*	 <u>\$ 136,961,807</u>	 <u>10.06%</u>	 <u>\$8,330.00</u>

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

In addition to the Concurrent Obligations, the City plans to issue approximately \$9.7M in General Obligation debt for the remainder of public safety facility and East Side streets in the next 12 months.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt. Includes the sewer revenue portion of the City's General Obligation Bonds, Series 2012A (\$1,305,000 current principal outstanding), the revenue portion of the City's General Obligation Refunding Bonds, Series 2014A (\$30,000 current principal outstanding), and the CR 29/East Side Utilities and Water Tower Rehab portions of the Bonds (\$3,385,000 current principal outstanding).

² After deducting the City's proportionate share of State Equalization Aid applicable to the overlapping school districts of \$6,108,389, the City's net overlapping debt is \$87,743,418, which results in a net overlapping debt/market value ratio of 6.44% and net overlapping debt/current population ratio of \$5,336.54.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2013/14	\$4,685,834	\$4,658,549	\$4,684,965	99.98%
2014/15	5,105,653	5,077,498	5,105,505	100.00%
2015/16	5,573,683	5,567,178	5,572,732	99.98%
2016/17	5,895,531	5,881,125	5,881,125	99.76%
2017/18	6,313,573	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

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

² Collections are through December 31, 2018 for Stearns County and through January 1, 2018 for Benton County.

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

TAX CAPACITY RATES¹

	2013/14	2014/15	2015/16	2016/17	2017/18
Stearns County	54.791%	53.368%	51.673%	52.337%	52.488%
Benton County	77.569%	70.590%	67.102%	65.979%	64.331%
City of Sartell	37.868%	38.973%	40.609%	40.808%	41.387%
I.S.D. No. 47 (Sauk Rapids-Rice)	40.777%	39.139%	35.318%	30.505%	34.315%
I.S.D. No. 742 (St. Cloud)	20.098%	24.280%	23.688%	30.505%	28.967%
I.S.D. No. 748 (Sartell-St. Stephen)	40.992%	38.096%	34.684%	49.453%	46.578%
Regional Rail Authority	0.185%	0.177%	0.166%	0.106%	0.105%
Sauk River WD	0.881%	0.842%	0.786%	0.803%	0.841%
St. Cloud Metro Transit	1.560%	3.457%	3.288%	3.194%	3.052%
Stearns County HRA	0.450%	0.427%	0.397%	0.390%	0.371%

Referendum Market Value Rates:

I.S.D. No. 47 (Sauk Rapids-Rice)	0.11200%	0.16430%	0.15360%	0.15920%	0.16216%
I.S.D. No. 742 (St. Cloud)	0.14558%	0.14276%	0.13144%	0.11610%	0.10679%
I.S.D. No. 748 (Sartell-St. Stephen)	0.14554%	0.13675%	0.14188%	0.14248%	0.14223%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Stearns and Benton Counties.

LEVY LIMITS

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

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

THE ISSUER

CITY GOVERNMENT

The City of Sartell was organized as a municipality in 1907. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Administrator and City Clerk are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 48 full-time, 1 part-time, and 13 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Minnesota Teamsters	December 31, 2020
Law Enforcement Labor Services	December 31, 2020

POST EMPLOYMENT BENEFITS

The City does not have Other Post Employment Benefits.

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

FUNDS ON HAND (As of March 31, 2018)

Fund	Total Cash and Investments
General	\$ 2,482,861
Special Revenue	8,067,324
Debt Service	536,287
Capital Projects	5,577,596
Enterprise Funds	1,045,723
Total Funds on Hand	<u>\$17,709,792</u>

ENTERPRISE FUNDS

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

	2015	2016	2017
Water			
Total Operating Revenues	\$ 1,624,006	\$ 1,719,472	\$ 1,855,932
Less: Operating Expenses	<u>(1,941,186)</u>	<u>(2,104,715)</u>	<u>(2,135,016)</u>
Operating Income	\$ (317,180)	\$ (385,243)	\$ (279,084)
Plus: Depreciation	<u>923,331</u>	<u>928,858</u>	<u>930,256</u>
Revenues Available for Debt Service	<u><u>\$ 606,151</u></u>	<u><u>\$ 543,615</u></u>	<u><u>\$ 651,172</u></u>
Sewer			
Total Operating Revenues	\$ 1,877,453	\$ 1,984,454	\$ 2,087,236
Less: Operating Expenses	<u>(1,948,788)</u>	<u>(2,347,976)</u>	<u>(2,312,269)</u>
Operating Income	\$ (71,335)	\$ (363,522)	\$ (225,033)
Plus: Depreciation	<u>951,581</u>	<u>951,581</u>	<u>999,059</u>
Revenues Available for Debt Service	<u><u>\$ 880,246</u></u>	<u><u>\$ 588,059</u></u>	<u><u>\$ 774,026</u></u>
Stormwater			
Total Operating Revenues	\$ 378,842	\$ 384,462	\$ 419,666
Less: Operating Expenses	<u>(490,269)</u>	<u>(573,218)</u>	<u>(519,231)</u>
Operating Income	\$ (111,427)	\$ (188,756)	\$ (99,565)
Plus: Depreciation	<u>413,103</u>	<u>407,489</u>	<u>440,170</u>
Revenues Available for Debt Service	<u><u>\$ 301,676</u></u>	<u><u>\$ 218,733</u></u>	<u><u>\$ 340,605</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2017 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				2018
	2014 Audited	2015 Audited	2016 Audited	2017 Audited	Adopted Budget ¹
Revenues					
Property taxes	\$ 3,877,969	\$ 4,351,804	\$ 4,331,813	\$ 4,603,980	\$ 5,102,882
Licenses and permits	924,109	1,075,459	1,092,384	939,131	594,500
Intergovernmental	411,133	377,977	394,209	425,969	442,458
Charges for services	259,689	373,888	412,883	532,440	506,618
Fines and forfeitures	74,296	60,426	62,732	52,348	62,500
Investment Earnings	0	0	0	0	18,000
Miscellaneous	22,291	29,509	95,178	80,009	1,500
Total Revenues	<u>\$ 5,569,487</u>	<u>\$ 6,269,063</u>	<u>\$ 6,389,199</u>	<u>\$ 6,633,877</u>	<u>\$ 6,728,458</u>
Expenditures					
Current:					
General government	\$ 581,169	\$ 576,224	\$ 576,704	\$ 597,540	\$ 646,801
Public safety	2,503,742	2,661,200	2,867,697	3,083,498	3,436,389
Public works	1,311,123	1,186,428	1,212,662	1,112,887	1,181,660
Community and economic development	207,986	210,139	223,658	226,619	246,750
Parks and recreation	219,769	259,176	311,891	481,957	790,350
Capital outlay	(2,836)	10,705	50,732	13,800	0
Total Expenditures	<u>\$ 4,820,953</u>	<u>\$ 4,903,872</u>	<u>\$ 5,243,344</u>	<u>\$ 5,516,301</u>	<u>\$ 6,301,950</u>
Excess of revenues over (under) expenditures	\$ 748,534	\$ 1,365,191	\$ 1,145,855	\$ 1,117,576	\$ 426,508
Other Financing Sources (Uses)					
Sale of property	\$ 0	\$ 81	\$ 0	\$ 0	\$ 0
Operating transfers in	180,984	96,335	98,743	101,211	267,492
Operating transfers out	(897,368)	(1,079,245)	(771,500)	(878,500)	(694,000)
Total Other Financing Sources (Uses)	<u>\$ (716,384)</u>	<u>\$ (982,910)</u>	<u>\$ (672,757)</u>	<u>\$ (777,289)</u>	<u>\$ (426,508)</u>
Net Changes in Fund Balances	\$ 32,150	\$ 382,362	\$ 473,098	\$ 340,287	\$ 0
General Fund Balance January 1	2,923,889	2,956,039	3,338,401	3,811,499	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$ 2,956,039	\$ 3,338,401	\$ 3,811,499	\$ 4,151,786	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$ 153,602	\$ 148,327	\$ 148,578	\$ 100,838	
Unassigned	2,802,437	3,190,074	3,662,921	4,050,948	
Total	<u>\$ 2,956,039</u>	<u>\$ 3,338,401</u>	<u>\$ 3,811,499</u>	<u>\$ 4,151,786</u>	

¹ The 2018 budget was adopted on December 11, 2017.

GENERAL INFORMATION

LOCATION

The City of Sartell, with a 2010 U.S. Census population of 15,876 and a current population estimate of 16,442, and comprising an area of 10.22 square miles, is located approximately 85 miles northwest of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS¹

Larger employers in the City of Sartell include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 748 (Sartell-St. Stephen)	Elementary and secondary education	514
Country Manor Campus	Assisted living and nursing facility	500
Array Service	Billing and collection agency	500
DeZURIK	Industrial valve manufacturer	350
Merrill Corporation	Information and document service provider	212
HealthPartners Central Minnesota Clinic	Hospital and clinic	203
St. Cloud Orthopedics	Orthopedic physicians	150
Prairie River Home Care, Inc.	Assisted living and nursing facility	140
Corborn's	Grocery store	85
City of Sartell	Municipal government and services	62

Source: *ReferenceUSA, written and telephone survey (April 2018), and the Minnesota Department of Employment and Economic Development.*

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

BUILDING PERMITS

	2014	2015	2016	2017	2018 ¹
<u>New Single Family Homes</u>					
No. of building permits	73	62	81	52	5
Valuation	\$17,215,700	\$13,850,350	\$20,217,270	\$13,325,918	\$1,242,500
<u>New Multiple Family Buildings</u>					
No. of building permits	0	2	2	5	0
Valuation	\$0	\$28,367,400	\$13,325,918	\$20,092,140	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	19	1	4	7	0
Valuation	\$4,910,421	\$25,000	\$9,923,000	\$68,145,200	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	1,197	1,036	1,059	1,126	255
Valuation	\$27,550,056	\$45,577,179	\$57,266,555	\$113,621,967	\$8,531,741

Source: The City.

¹ As of March 31, 2018.

U.S. CENSUS DATA

Population Trend: City of Sartell, Minnesota

2000 U.S. Census population	9,641
2010 U.S. Census population	15,876
2016 State Demographer's Estimate	16,442
Percent of Change 2000 - 2010	+ 64.67%

Income and Age Statistics

	City of Sartell	Stearns County	State of Minnesota	United States
2016 per capita income	\$33,270	\$27,792	\$33,225	\$29,826
2016 median household income	\$71,959	\$56,977	\$63,217	\$55,322
2016 median family income	\$90,424	\$70,906	\$79,595	\$67,871
2016 median gross rent	\$885	\$754	\$873	\$928
2016 median value owner occupied units	\$180,300	\$168,200	\$191,500	\$184,700
2016 median age	33.0 yrs.	34.1 yrs.	37.8 yrs.	37.7 yrs.

	State of Minnesota	United States
City % of 2016 per capita income	100.14%	111.55%
City % of 2016 median family income	113.61%	133.23%

Housing Statistics

	<u>City of Sartell</u>		
	2000	2016	Percent of Change
All Housing Units	3,531	6,506	84.25%

Source: 2000 and 2010 Census of Population and Housing, and 2016 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Stearns County	Stearns County	State of Minnesota	State of Minnesota
2014	83,808	4.1%	4.2%	
2015	84,285	3.6%	3.7%	
2016	84,696	3.8%	3.8%	
2017	85,963	3.5%	3.5%	
2018, April	89,030	3.2%	3.1%	

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

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

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



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sartell, Minnesota, as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



Auditor's Responsibility (Continued)

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

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sartell, Minnesota, as of and for the year ended December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and Sewer Capacity and Water Capacity Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sartell's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the financial statements.



Other Matters (Continued)

Other Information (Continued)

The combining nonmajor fund financial statements, individual schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards 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 March 29, 2018, on our consideration of the City of Sartell's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sartell's internal control over financial reporting and compliance.

Bergan KDV, Ltd.

St. Cloud, Minnesota
March 29, 2018

As management of the City of Sartell (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2017.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent year by \$104,982,759 (net position). Of this amount, \$7,503,376 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The City's total net position increased by \$10,291,730.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$21,303,234 an increase of \$2,290,342. Of the total amount of fund balances, \$100,838 are nonspendable; \$10,734,731 are restricted; \$7,293,907 are committed; and \$3,173,758 are unassigned.
- At the end of the current year, unassigned fund balance for the General Fund was \$4,050,948, or 73.44% of General Fund expenditures for 2017 and 57.90% of budgeted 2018 General Fund expenditures and transfers. This is within the City's financial policy guidelines for maintenance of operating reserves.
- The City issued \$8,520,000 in General Obligation bonds in 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

Government-Wide Financial Statements (Continued)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, economic development, interest on long-term debt and culture and recreation. The business-type activities of the City include the water, sewer and storm water utilities.

The government-wide financial statements can be found on pages 16-17 of this report.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government-wide financial information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 58 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Sewer Capacity Fund, Water Capacity Fund, 2017A Bond Fund, Public Improvement Revolving Fund, 4th/50th Road Project Fund, and Community Center Project Fund, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18 and 23 of this report.

**City of Sartell
Management's Discussion and Analysis**

Net Position

	Governmental Activities		Business-Type Activities		Total
	2017	2016	2017	2016	
Assets					
Current and other assets	\$ 23,687,876	\$ 23,773,863	\$ 6,614,129	\$ 1,525,905	\$ 30,301,955
Capital assets	66,843,594	57,033,480	77,131,091	77,406,320	143,974,685
Total assets	\$ 90,531,420	\$ 80,807,343	\$ 83,745,220	\$ 78,932,225	\$ 174,276,640
Deferred Outflows of Resources	\$ 3,162,001	\$ 4,269,648	\$ 123,630	\$ 248,028	\$ 3,285,631
Liabilities					
Long-term liabilities	\$ 35,691,371	\$ 34,930,481	\$ 21,714,749	\$ 23,212,186	\$ 57,406,120
Other liabilities	9,417,450	8,216,669	2,996,554	2,442,340	11,914,004
Total liabilities	\$ 45,108,821	\$ 43,147,150	\$ 24,211,303	\$ 25,654,526	\$ 69,320,124
Deferred Inflows of Resources	\$ 3,183,304	\$ 706,208	\$ 76,084	\$ 58,331	\$ 3,259,388
Net Position					
Investment in capital assets	\$ 40,813,014	\$ 39,964,433	\$ 53,823,458	\$ 52,813,343	\$ 89,187,462
Restricted for:					
Debt service	7,358,819	6,816,881	-	-	7,358,819
Capital project funds	5,654,411	198,278	-	-	5,852,689
Sales	377,893	165,366	-	-	377,893
Sales tax	161,979	108,915	-	-	161,979
Other special revenue	(3,703,639)	(5,970,680)	5,758,005	654,053	7,203,376
Unrestricted	\$ 45,401,296	\$ 41,223,633	\$ 59,381,463	\$ 53,467,396	\$ 104,982,759
Total net position	\$ 45,401,296	\$ 41,223,633	\$ 59,381,463	\$ 53,467,396	\$ 104,982,759

Of the City's net position, \$89,187,462 is invested in capital assets. \$7,358,819 is restricted for debt service, \$35,541 is restricted for capital acquisition, \$357,893 is restricted as parkland dedication, \$377,689 for purposes defined by the local area sales tax, and \$161,979 is restricted as other special revenue funds. The balance of unrestricted net position \$7,503,376 may be used to meet the government's ongoing obligations to citizens and creditors.

Proprietary Funds
The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and storm water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and storm water operations, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 30-32 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 33-67 of this report.

Required Supplementary and Other Information

The required supplementary information and combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 70-101 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, net position was \$104,982,759 at the close of the most recent year.

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

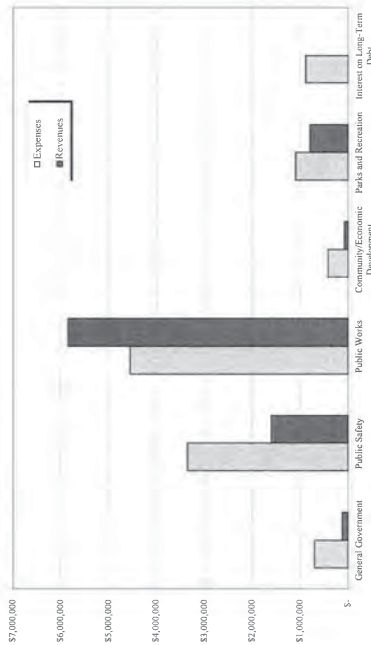
City of Sartell
Management's Discussion and Analysis

Governmental Activities

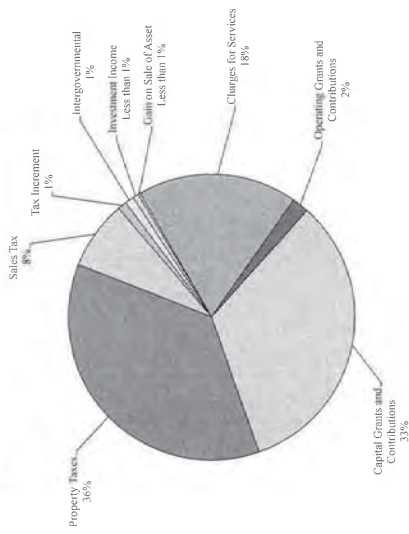
Governmental activities increased the City's net position by \$4,177,663.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Charges for services						
Operating grants and contributions						
Capital grants and contributions						
General revenues						
Property taxes	5,794,826	5,510,649	-	-	5,794,826	5,510,649
Sales tax	1,241,230	1,222,404	-	-	1,241,230	1,222,404
Tax increment	157,234	153,929	-	-	157,234	153,929
Intergovernmental	161,740	160,197	156	2,208	161,896	162,405
Investment income	105,897	79,334	27,884	10,634	133,781	89,968
Gain on sale of asset	37,822	76,245	-	-	37,822	76,245
Total revenues	15,942,463	12,223,449	11,227,868	6,338,944	27,170,331	18,582,393
Expenses						
Governmental activities						
General government	695,860	698,198	-	-	695,860	698,198
Public safety	3,353,366	3,809,315	-	-	3,353,366	3,809,315
Parks and recreation	4,547,478	6,192,267	-	-	4,547,478	6,192,267
Community/economic development	1,098,854	726,471	-	-	1,098,854	726,471
Development	424,365	582,753	-	-	424,365	582,753
Interest on long-term debt	887,115	726,502	-	-	887,115	726,502
Business-type activities						
Water	-	-	2,510,708	2,598,641	2,510,708	2,598,641
Sewer	-	-	2,399,386	2,632,338	2,399,386	2,632,338
Stormwater	-	-	1,639,532	301,641	1,639,532	301,641
Total expenses	11,007,038	12,735,506	5,029,326	5,062,640	16,036,364	18,398,140
Increase in net position before transfers	4,935,425	(512,057)	5,598,542	696,304	10,533,967	184,247
Transfers	(515,525)	411,044	515,525	(411,044)	-	-
Increase (decrease) in net position	4,419,900	(101,013)	6,114,067	285,260	10,533,967	184,247
Net Position						
Beginning	41,225,633	41,324,646	53,467,396	53,182,136	94,693,029	94,506,782
Special item (Note 12)	(242,237)	-	-	-	(242,237)	-
Beginning, restated	40,983,396	41,324,646	53,467,396	53,182,136	94,450,792	94,506,782
Ending	45,401,296	41,223,633	59,581,463	53,467,396	104,982,759	94,691,029

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



City of Sartell
Management's Discussion and Analysis

City of Sartell
Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$21,303,234, an increase of \$2,290,342 in comparison with the prior year. Of the total amount of fund balance, \$3,173,758 constitutes unassigned fund balance, which is available for spending at the government's discretion. The General Fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General Fund was \$4,050,948 and \$100,838 was nonspendable as prepaid items. This General Fund reserve is held for operating cash since the City receives its major revenue sources only twice per year in the form of property taxes and assessments.

The fund balance of the City's General Fund increased by \$340,287 during the current year.

The debt service funds have a total fund balance of \$5,522,771 and that entire amount is restricted for the payment of debt service, representing a total debt service fund balance decrease of \$615,168 compared to prior year.

Proprietary Funds

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

The unrestricted net position in the respective proprietary funds are water utility \$913,447, sewer utility \$221,093, and stormwater utility \$236,035.

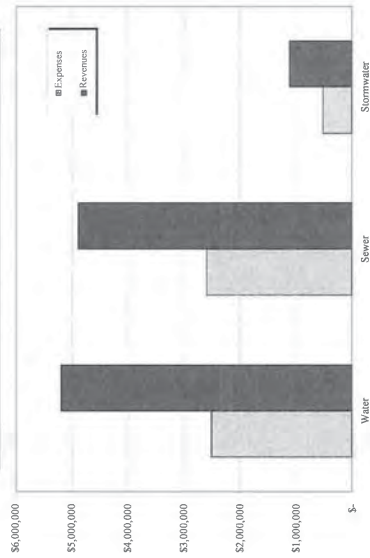
GENERAL FUND BUDGETARY HIGHLIGHTS

The City's revenues in 2017 were higher than projected due to major development and construction activity generating permit revenues in 2017 that weren't budgeted. The City's operations were under budget for expenditures as well in 2017 largely due to the timing of filling budgeted staff positions during the year. The fund balance of the City's General Fund increased by \$340,287 in 2017.

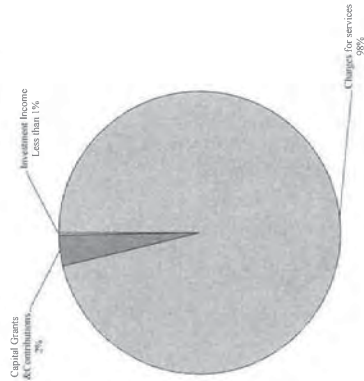
Business-Type Activities

Business-type activities increased the City's net position by \$6,114,067.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



**City of Sartell
Management's Discussion and Analysis**

**City of Sartell
Management's Discussion and Analysis**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2017 amounted to \$143,974,685 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, furniture and office equipment, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current year was \$9,534,885, or about 7.09%. The increase is a result of added infrastructure from new development, less ongoing depreciation of existing assets.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 11,083,786	\$ 11,083,786	\$ 1,253,387	\$ 1,253,387	\$ 12,337,173	\$ 12,337,173
Right of ways and easements	1,443,452	1,443,452	-	-	1,443,452	1,443,452
Sewer rights	-	-	15,046,507	14,342,041	15,046,507	14,342,041
Buildings	15,195,007	4,694,813	11,433,165	11,896,765	26,628,172	16,531,578
Infrastructure-improvements other than buildings	31,307,022	32,095,124	48,011,967	49,522,022	79,318,989	81,618,016
Machinery and equipment	2,999,926	3,100,000	410,163	449,205	3,410,089	3,549,205
Construction in progress	4,723,032	4,716,276	964,902	-	5,687,934	4,716,276
Total	\$ 66,843,594	\$ 57,033,480	\$ 77,131,091	\$ 77,406,320	\$ 143,974,685	\$ 134,439,800

Additional information on the City's capital assets can be found in Note 5 on pages 46-47 of this report.

Long-Term Debt

At the end of the current year, the City had total bonded debt outstanding of \$47,190,000, all of which comprises debt backed by the full faith and credit of the city. The City also had principal outstanding on notes payable of \$12,467,633 representing the City's share of expenses related to sewer conveyance infrastructure and upgrade and expansion of the St. Cloud Wastewater Treatment Plant and the Stearns County Road 1 improvement project.

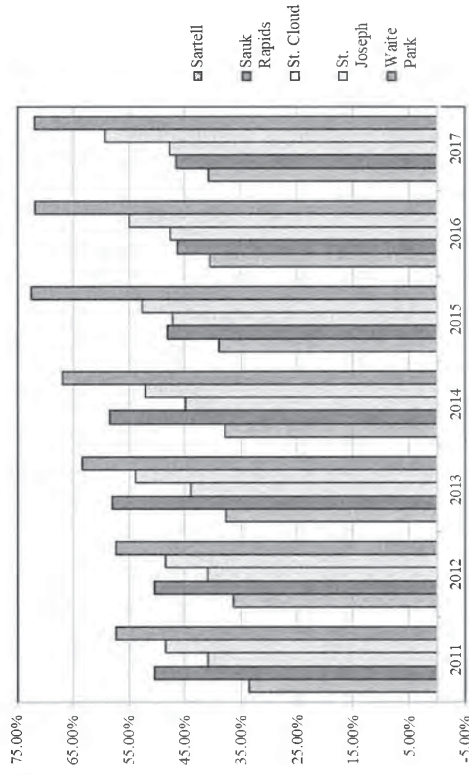
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
G.O. bonds	\$ 35,758,448	\$ 30,873,860	\$ -	\$ -	\$ 35,758,448	\$ 30,873,860
G.O. revenue	-	-	12,440,000	13,695,000	12,440,000	13,695,000
Notes payable	1,600,000	2,000,000	10,867,633	10,897,977	12,467,633	12,897,977
Total	\$ 37,358,448	\$ 32,873,860	\$ 23,307,633	\$ 24,592,977	\$ 60,666,081	\$ 57,466,837

The City's total bonded debt increased by \$3,315,000, or about 7.56%, during the current year due to issuance of general obligation bonds and regular debt principal payments during 2017.

Additional information on the City's long-term debt can be found in Note 6 on pages 48-51.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The 2017 annual average unemployment rate for the St. Cloud metropolitan area was 3.6%, which is slightly higher than the Minnesota average of 3.5% and significantly lower than the 4.4% national average for 2017.
- The City increased general fund reserves during 2017 through strong construction and development activity, combined with staying below budgeted expenditures.
- The City increased its tax levy and tax rate for 2017, but continues to have one of the lowest city tax rates in the area.



REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director at 125 Pinecone Road North, Sartell, Minnesota 56377.

**City of Sartell
Statement of Net Position
December 31, 2017**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 17,243,768	\$ 7,174,011	\$ 24,417,779
Taxes receivable - delinquent	26,963	-	26,963
Special assessments receivable			
Delinquent	1,863	-	1,863
Deferred	2,263,582	54,562	2,318,144
Interest receivable	23,361	8,967	32,328
Accounts receivable	175,961	1,092,366	1,268,327
Internal balances	1,740,000	(1,740,000)	-
Due from other governments	1,958,441	-	1,958,441
Prepaid items	100,838	24,223	125,061
Net pension asset	153,049	-	153,049
Capital assets not being depreciated			
Land	11,083,786	1,255,387	12,339,173
Rights of ways and easements	1,443,452	-	1,443,452
Construction in progress	4,723,032	964,902	5,687,934
Capital assets, net of accumulated depreciation			
Buildings	15,195,607	11,433,165	26,628,772
Infrastructure	31,397,922	-	31,397,922
Sewer and water improvements	-	48,011,967	48,011,967
Sewer rights	-	15,046,507	15,046,507
Machinery and equipment	2,999,795	419,163	3,418,958
Total assets	<u>90,531,420</u>	<u>83,745,220</u>	<u>174,276,640</u>
Deferred Outflows of Resources			
Deferred gain on refunding of bonds	20,414	-	20,414
Deferred outflows of resources related to pensions	3,141,587	123,630	3,265,217
Total deferred outflows of resources	<u>3,162,001</u>	<u>123,630</u>	<u>3,285,631</u>
Total assets and deferred outflows of resources	<u>\$ 93,693,421</u>	<u>\$ 83,868,850</u>	<u>\$ 177,562,271</u>
Liabilities			
Accounts and contracts payable	\$ 601,063	\$ 96,111	\$ 697,174
Due to other governments	38,307	140,209	178,516
Salaries and benefits payable	78,606	2,090	80,696
Unearned revenue	3,554,027	1,375	3,555,402
Interest payable	397,400	182,342	579,742
Compensated absences payable			
Payable within one year	8,047	2,496	10,543
Payable after one year	152,885	47,417	200,302
Bond principal payable (net)			
Payable within one year	4,340,000	1,285,000	5,625,000
Payable after one year	31,438,862	11,155,000	42,593,862
Notes payable			
Payable within one year	400,000	786,931	1,186,931
Payable after one year	1,200,000	10,080,702	11,280,702
Net pension liability	2,899,624	431,630	3,331,254
Total liabilities	<u>45,108,821</u>	<u>24,211,303</u>	<u>69,320,124</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	3,183,304	76,084	3,259,388
Net Position			
Net investment in capital assets	40,813,014	53,823,458	89,187,462
Restricted for			
Debt service	7,358,819	-	7,358,819
Capital project funds	35,541	-	35,541
Parks	357,893	-	357,893
Sales tax	377,689	-	377,689
Other special revenue funds	161,979	-	161,979
Unrestricted	(3,703,639)	5,758,005	7,503,376
Total net position	<u>45,401,296</u>	<u>59,581,463</u>	<u>104,982,759</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 93,693,421</u>	<u>\$ 83,868,850</u>	<u>\$ 177,562,271</u>

See notes to financial statements.

**City of Sartell
Statement of Activities
Year Ended December 31, 2017**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 695,860	\$ 124,421	\$ -	\$ -	\$ (571,439)	\$ -	\$ (571,439)
Public safety	3,353,366	1,295,999	291,270	14,624	(1,751,473)	-	(1,751,473)
Public works	4,547,478	790,169	3,000	5,066,682	1,312,373	-	1,312,373
Community and economic development	424,365	66,407	1,500	-	(356,458)	-	(356,458)
Parks and recreation	1,098,854	597,175	6,023	186,444	(309,212)	-	(309,212)
Interest on long-term debt	887,115	-	-	-	(887,115)	-	(887,115)
Total governmental activities	<u>11,007,038</u>	<u>2,874,171</u>	<u>301,793</u>	<u>5,267,750</u>	<u>(2,563,324)</u>	<u>-</u>	<u>(2,563,324)</u>
Business-type activities							
Water	2,510,708	5,102,743	-	94,476	-	2,686,511	2,686,511
Sewer	2,599,386	4,734,418	-	154,581	-	2,289,613	2,289,613
Stormwater	519,232	965,485	-	148,125	-	594,378	594,378
Total business-type activities	<u>5,629,326</u>	<u>10,802,646</u>	<u>-</u>	<u>397,182</u>	<u>-</u>	<u>5,570,502</u>	<u>5,570,502</u>
Total governmental and business-type activities	<u>\$ 16,636,364</u>	<u>\$ 13,676,817</u>	<u>\$ 301,793</u>	<u>\$ 5,664,932</u>	<u>(2,563,324)</u>	<u>5,570,502</u>	<u>3,007,178</u>
General revenues							
Property taxes					5,794,826	-	5,794,826
Sales tax					1,241,230	-	1,241,230
Tax increments					157,234	-	157,234
Intergovernmental					161,740	156	161,896
Unrestricted investment earnings					105,897	27,884	133,781
Gain on sale of asset					37,822	-	37,822
Transfers					(515,525)	515,525	-
Total general revenues and transfers					<u>6,983,224</u>	<u>543,565</u>	<u>7,526,789</u>
Change in net position					4,419,900	6,114,067	10,533,967
Special Item (Note 12)					(242,237)	-	(242,237)
Net position - beginning					<u>41,223,633</u>	<u>53,467,396</u>	<u>94,691,029</u>
Net position - ending					<u>\$ 45,401,296</u>	<u>\$ 59,581,463</u>	<u>\$ 104,982,759</u>

See notes to financial statements.

City of Sartell
Balance Sheet - Governmental Funds
December 31, 2017

	General Fund (101, 102)	Special Revenue	
		Sewer Capacity (225)	Water Capacity (226)
Assets			
Cash and investments	\$ 3,645,888	\$ 1,791,166	\$ 2,090,769
Taxes receivable - delinquent	21,710	-	-
Special assessments receivable			
Delinquent	-	-	-
Deferred	-	-	-
Interest receivable	4,514	2,202	2,571
Accounts receivable	2,297	-	-
Due from other governments	66,342	-	-
Prepaid items	100,838	-	-
Due from other funds	-	-	-
Advances due from other funds	655,000	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,496,589</u>	<u>\$ 1,793,368</u>	<u>\$ 2,093,340</u>
Liabilities			
Accounts and contracts payable	\$ 134,462	\$ 871	\$ 3
Due to other governments	37,598	-	-
Salaries and benefits payable	78,606	-	-
Unearned revenue	72,427	-	-
Due to other funds	-	-	-
Advances due to other funds	-	870,000	870,000
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>323,093</u>	<u>870,871</u>	<u>870,003</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	21,710	-	-
Unavailable revenue - special assessments	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>21,710</u>	<u>-</u>	<u>-</u>
Fund Balances			
Nonspendable	100,838	-	-
Restricted	-	-	-
Committed	-	922,497	1,223,337
Unassigned	4,050,948	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>4,151,786</u>	<u>922,497</u>	<u>1,223,337</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,496,589</u>	<u>\$ 1,793,368</u>	<u>\$ 2,093,340</u>

See notes to financial statements.

Debt Service	Capital Project			Other Governmental Funds	Total Governmental Funds
	Public Improvement Revolving (402)	4th/50th Road Project (429)	Community Center Project (430)		
2017A Bonds (337)					
\$ -	\$ 1,062,888	\$ 1,123,988	\$ 305,834	\$ 13,289,518	\$ 23,310,051
-	-	-	-	5,253	26,963
-	-	-	-	1,863	1,863
1,828,100	37,141	-	-	452,903	2,318,144
-	1,801	2,571	-	17,161	30,820
-	-	-	33,045	140,619	175,961
-	5,000	1,650,748	-	236,351	1,958,441
-	-	-	-	-	100,838
-	403,798	-	-	-	403,798
-	1,085,000	-	-	923,469	2,663,469
<u>\$ 1,828,100</u>	<u>\$ 2,595,628</u>	<u>\$ 2,777,307</u>	<u>\$ 338,879</u>	<u>\$ 15,067,137</u>	<u>\$ 30,990,348</u>
\$ -	\$ 4,707	\$ 331,091	\$ 1,310	\$ 129,493	\$ 601,937
-	-	709	-	-	38,307
-	-	-	-	-	78,606
-	1,745,839	-	-	1,735,761	3,554,027
-	-	-	-	403,798	403,798
-	-	-	-	923,469	2,663,469
-	1,750,546	331,800	1,310	3,192,521	7,340,144
-	-	-	-	5,253	26,963
1,828,100	37,141	-	-	454,766	2,320,007
<u>1,828,100</u>	<u>37,141</u>	<u>-</u>	<u>-</u>	<u>460,019</u>	<u>2,346,970</u>
-	-	-	-	-	100,838
-	-	2,445,507	337,569	7,951,655	10,734,731
-	807,941	-	-	4,340,132	7,293,907
-	-	-	-	(877,190)	3,173,758
-	807,941	2,445,507	337,569	11,414,597	21,303,234
<u>\$ 1,828,100</u>	<u>\$ 2,595,628</u>	<u>\$ 2,777,307</u>	<u>\$ 338,879</u>	<u>\$ 15,067,137</u>	<u>\$ 30,990,348</u>

City of Sartell
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2017

Total fund balances - governmental funds \$ 21,303,234

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

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

Cost of capital assets	116,634,302
Less accumulated depreciation	(49,790,708)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond principal payable	(34,750,000)
Notes payable	(1,600,000)
Compensated absences payable	(160,932)
Net pension liability	(2,899,624)
Unamortized gain on bond refunding	20,414
Bond premium	(1,028,862)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred inflows of resources related to pensions	(3,183,304)
Deferred outflows of resources related to pensions	3,141,587

Fire Relief Association net pension asset created through contributions to a defined benefit pension plan which is not recognized in the governmental funds.

153,049

Governmental funds do not report a liability for accrued interest until due and payable.

(397,400)

Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Property taxes	26,963
Special assessments	1,863

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

Deferred special assessments	2,263,582
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Certain funds are proprietary in nature and, therefore, need to be reported in the business-type activities in the Statement of Net Position.

Sewer Capacity Fund	(922,497)
Water Capacity Fund	(1,223,337)
Trunk Water Fund	(614,442)
Trunk Stormwater Fund	(976,501)
Trunk Sanitary Sewer Fund	(596,091)

Total net position - governmental activities \$ 45,401,296

See notes to financial statements.

City of Sartell
Reconciliation of the Statement
of Net Position - Business-Type Activities
December 31, 2017

Total fund net position - proprietary funds \$ 55,194,033

Amounts reported for business-type activities in the Statement of Net Position are different because

Sewer Capacity Special Revenue Fund is proprietary in nature and relates to the sewer access charges for the Sanitary Sewer Fund. Therefore, it is included as a business-type activity. 922,497

Water Capacity Special Revenue Fund is proprietary in nature and relates to the water access charges for the Water Fund. Therefore, it is included as a business-type activity. 1,223,337

Trunk Water Special Revenue Fund is proprietary in nature and relates to water and sewer trunk improvements for the applicable funds. Therefore, it is included as a business-type activity. 614,442

Trunk Stormwater Special Revenue Fund is proprietary in nature and relates to the trunk charges for the Stormwater Fund. Therefore, it is included as a business-type activity. 976,501

Trunk Sanitary Sewer Special Revenue Fund is proprietary in nature and relates to the trunk charges for the Sewer Fund. Therefore, it is included as a business-type activity. 596,091

Trunk Water, Trunk Stormwater, and Trunk Sanitary Sewer Special Revenue Funds recorded delinquent and deferred special assessments receivables. In the governmental fund statements, delinquent and deferred special assessments are not available in the current period and, therefore, are deferred in the funds. This revenue is recognized when earned as a business-type activity. 54,562

Total net position - business-type activities \$ 59,581,463

See notes to financial statements.

City of Sartell
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2017

	General Fund (101, 102)	Special Revenue		Capital Project
		Sewer Capacity (225)	Water Capacity (226)	Public Improvement Revolving (402)
Revenues				
Taxes				
Property taxes	\$ 4,603,980	\$ -	\$ -	\$ -
Sales	-	-	-	-
Tax increment	-	-	-	-
Special assessments	-	-	-	61,690
Licenses and permits	939,131	-	-	-
Intergovernmental	425,969	-	-	-
Charges for services	532,440	2,265,684	2,822,917	20,000
Fines and forfeitures	52,348	-	-	-
Miscellaneous				
Investment income	30,579	7,571	8,517	8,691
Contributions and donations	-	-	-	-
Refunds and reimbursements	46,787	-	-	-
Miscellaneous	2,643	31	-	-
Total revenues	<u>6,633,877</u>	<u>2,273,286</u>	<u>2,831,434</u>	<u>90,381</u>
Expenditures				
Current				
General government	597,540	-	-	-
Public safety	3,083,498	-	-	-
Public works	1,112,887	-	-	-
Community and economic development	226,619	-	-	78,837
Parks and recreation	481,957	-	-	-
Debt service				
Principal	-	-	-	400,000
Interest and other charges	-	-	-	42,204
Capital outlay				
General government	-	-	-	-
Public safety	13,800	-	-	-
Public works	-	-	-	83,418
Park and recreation	-	-	-	-
Total expenditures	<u>5,516,301</u>	<u>-</u>	<u>-</u>	<u>604,459</u>
Excess of revenues over (under) expenditures	1,117,576	2,273,286	2,831,434	(514,078)
Other Financing Sources (Uses)				
Sale of property	-	-	-	-
Issuance of debt	-	-	-	-
Bond premium	-	-	-	-
Transfers in	101,211	46,870	46,964	-
Transfers out	(878,500)	(690,000)	(850,000)	(594,111)
Total other financing sources (uses)	<u>(777,289)</u>	<u>(643,130)</u>	<u>(803,036)</u>	<u>(594,111)</u>
Net change in fund balances	340,287	1,630,156	2,028,398	(1,108,189)
Special Item (Note 12)	-	-	-	-
Fund Balances				
Beginning of year	<u>3,811,499</u>	<u>(707,659)</u>	<u>(805,061)</u>	<u>1,916,130</u>
End of year	<u>\$ 4,151,786</u>	<u>\$ 922,497</u>	<u>\$ 1,223,337</u>	<u>\$ 807,941</u>

See notes to financial statements.

<u>Capital Project</u>			
<u>4th/50th Road Project (429)</u>	<u>Community Center Project (430)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,198,997	\$ 5,802,977
-	-	1,241,230	1,241,230
-	-	157,234	157,234
-	-	155,295	216,985
-	-	595,335	1,534,466
1,900,709	-	809,209	3,135,887
-	-	1,887,779	7,528,820
-	-	3,978	56,326
7,196	10,671	58,961	132,186
-	114,750	100,475	215,225
-	33,045	212	80,044
-	9,314	66,267	78,255
<u>1,907,905</u>	<u>167,780</u>	<u>6,274,972</u>	<u>20,179,635</u>
-	-	13,256	610,796
-	-	24,049	3,107,547
16,288	-	5,560	1,134,735
-	-	109,255	414,711
-	8,435	164,245	654,637
-	-	3,950,000	4,350,000
65,087	-	849,207	956,498
-	-	35,795	35,795
-	-	139,606	153,406
2,720,935	-	2,194,610	4,998,963
-	7,999,192	1,229,356	9,228,548
<u>2,802,310</u>	<u>8,007,627</u>	<u>8,714,939</u>	<u>25,645,636</u>
(894,405)	(7,839,847)	(2,439,967)	(5,466,001)
-	-	37,822	37,822
3,866,282	-	4,653,718	8,520,000
198,554	-	238,993	437,547
-	1,000,000	4,791,764	5,986,809
(100,000)	-	(3,870,987)	(6,983,598)
<u>3,964,836</u>	<u>1,000,000</u>	<u>5,851,310</u>	<u>7,998,580</u>
3,070,431	(6,839,847)	3,411,343	2,532,579
-	-	(242,237)	(242,237)
<u>(624,924)</u>	<u>7,177,416</u>	<u>8,245,491</u>	<u>19,012,892</u>
<u>\$ 2,445,507</u>	<u>\$ 337,569</u>	<u>\$ 11,414,597</u>	<u>\$ 21,303,234</u>

**City of Sartell
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended December 31, 2017**

Net change in fund balances - governmental funds \$ 2,532,579

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

Capital outlay is reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	13,963,022
Depreciation expense	(3,545,689)
Remaining book value of disposed assets	(87,410)
Transferred to enterprise funds	(964,902)
Donated Assets	445,093

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (13,650)

Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective. (85,029)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities. 4,350,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (53,576)

The issuance of long-term debt provides current financial resources to governmental funds and has no effect on net position. Some of the outstanding debts were refunded during the year. These amounts are reported in the governmental funds as a source of funds. These amounts are not shown as revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. (8,520,000)

The governmental funds report the effect of bond premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Premium on new bond issuances	(437,547)
Amortization of gain on bond refunding	(9,798)
Amortization of bond premiums	132,757

Delinquent receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are not revenues in the funds.

Special assessments delinquent	669
Property taxes delinquent	(8,151)

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

Special assessments deferred	1,699,040
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Certain funds are proprietary in nature and, therefore, current year activities are reported in in the business-type activities.

Sewer Capacity Fund	(1,630,156)
Water Capacity Fund	(2,028,398)
Trunk Water Fund	(384,272)
Trunk Stormwater Fund	(550,524)
Trunk Sanitary Sewer Fund	(384,158)

Change in net position - governmental activities \$ 4,419,900

See notes to financial statements.

City of Sartell
Reconciliation of the Revenues, Expenses, and
Changes in Net Position - Business-Type Activities
Year Ended December 31, 2017

Total change in net position - proprietary funds	\$ 1,136,559
Amounts reported for governmental activities in the Statement of Activities are different because:	
Recognized current year activity from the Sewer Capacity Special Revenue Fund with the business-type activities.	1,630,156
Recognized current year activity from the Water Capacity Special Revenue Fund with the business-type activities.	2,028,398
Recognized current year activity from the Trunk Water Special Revenue Fund with the business-type activities.	384,272
Recognized current year activity from the Trunk Stormwater Special Revenue Fund with the business-type activities.	550,524
Recognized current year activity from the Trunk Sanitary Sewer Special Revenue Fund with the business-type activities.	384,158
Capital contributions were recorded for capital assets contributed from governmental activities.	(964,902)
Capital assets transferred from governmental activities.	<u>964,902</u>
Change in net position - business-type activities	<u><u>\$ 6,114,067</u></u>

See notes to financial statements.

City of Sartell
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2017

	Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Revenues			
Taxes			
Property taxes	\$ 4,694,946	\$ 4,603,980	\$ (90,966)
Licenses and permits	604,700	939,131	334,431
Intergovernmental revenue	363,895	425,969	62,074
Charges for services	370,150	532,440	162,290
Fines and forfeitures	67,750	52,348	(15,402)
Miscellaneous	72,375	80,009	7,634
Total revenues	<u>6,173,816</u>	<u>6,633,877</u>	<u>460,061</u>
Expenditures			
Current			
General government	567,043	597,540	30,497
Public safety	3,139,300	3,083,498	(55,802)
Public works	1,117,185	1,112,887	(4,298)
Community and economic development	267,300	226,619	(40,681)
Park and recreation	528,400	481,957	(46,443)
Capital outlay			
Public safety	22,800	13,800	(9,000)
Public works	1,000	-	(1,000)
Total expenditures	<u>5,643,028</u>	<u>5,516,301</u>	<u>(126,727)</u>
Excess of revenues over expenditures	530,788	1,117,576	586,788
Other Financing Sources (Uses)			
Transfers in	101,212	101,211	(1)
Transfers out	(632,000)	(878,500)	(246,500)
Total other financing sources (uses)	<u>(530,788)</u>	<u>(777,289)</u>	<u>(246,501)</u>
Net change in fund balances	<u>\$ -</u>	<u>340,287</u>	<u>\$ 340,287</u>
Fund Balances			
Beginning of year		<u>3,811,499</u>	
End of year		<u>\$ 4,151,786</u>	

See notes to financial statements.

City of Sartell
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Sewer Capacity Special Revenue Fund
Year Ended December 31, 2017

	Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Revenues			
Charges for services	\$ 869,400	\$ 2,265,684	\$ 1,396,284
Investment income	-	7,571	7,571
Miscellaneous	-	31	31
Total revenues	<u>869,400</u>	<u>2,273,286</u>	<u>1,403,886</u>
Other Financing Sources (Uses)			
Transfers in	47,500	46,870	(630)
Transfers out	<u>(690,000)</u>	<u>(690,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(642,500)</u>	<u>(643,130)</u>	<u>(630)</u>
Net change in fund balances	<u>\$ 226,900</u>	1,630,156	<u>\$ 1,403,256</u>
Fund Balances			
Beginning of year		<u>(707,659)</u>	
End of year		<u>\$ 922,497</u>	

See notes to financial statements.

City of Sartell
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Water Capacity Special Revenue Fund
Year Ended December 31, 2017

	Amounts		Variance with Final Budget - Over (Under)
	Original and Final	Actual Amounts	
Revenues			
Charges for services	\$ 1,037,988	\$ 2,822,917	\$ 1,784,929
Investment income	-	8,517	8,517
Total revenues	<u>1,037,988</u>	<u>2,831,434</u>	<u>1,793,446</u>
Other Financing Sources (Uses)			
Transfers in	47,500	46,964	(536)
Transfers out	(850,000)	(850,000)	-
Total other financing sources (uses)	<u>(802,500)</u>	<u>(803,036)</u>	<u>(536)</u>
Net change in fund balances	<u>\$ 235,488</u>	2,028,398	<u>\$ 1,792,910</u>
Fund Balances			
Beginning of year		<u>(805,061)</u>	
End of year		<u>\$ 1,223,337</u>	

See notes to financial statements.

City of Sartell
Statement of Net Position - Proprietary Funds
December 31, 2017

	Water (319, 320, 328, 601)	Sewer (315, 326, 331, 602)	Stormwater (603)	Total
Assets				
Current assets				
Cash and investments	\$ 978,446	\$ -	\$ 129,282	\$ 1,107,728
Interest receivable	1,355	(47)	200	1,508
Accounts receivable	425,854	552,099	114,413	1,092,366
Due from other funds	72,087	-	-	72,087
Prepaid expenses	12,347	11,876	-	24,223
Total current assets	<u>1,490,089</u>	<u>563,928</u>	<u>243,895</u>	<u>2,297,912</u>
Noncurrent assets				
Capital assets				
Land	1,148,901	91,486	15,000	1,255,387
Construction in progress	390,692	133,878	440,332	964,902
Sewer rights	-	15,046,507	-	15,046,507
Buildings	16,127,082	-	-	16,127,082
Improvements	25,636,884	29,932,457	21,642,379	77,211,720
Machinery and equipment	202,178	501,789	5,000	708,967
Total capital assets	<u>43,505,737</u>	<u>45,706,117</u>	<u>22,102,711</u>	<u>111,314,565</u>
Less accumulated depreciation	<u>(15,160,942)</u>	<u>(12,545,116)</u>	<u>(6,477,416)</u>	<u>(34,183,474)</u>
Net capital assets	<u>28,344,795</u>	<u>33,161,001</u>	<u>15,625,295</u>	<u>77,131,091</u>
Total assets	<u>29,834,884</u>	<u>33,724,929</u>	<u>15,869,190</u>	<u>79,429,003</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	<u>103,066</u>	<u>20,564</u>	<u>-</u>	<u>123,630</u>
Total assets and deferred outflows of resources	<u>\$ 29,937,950</u>	<u>\$ 33,745,493</u>	<u>\$ 15,869,190</u>	<u>\$ 79,552,633</u>
Liabilities				
Current liabilities				
Accounts and contracts payable	\$ 59,320	\$ 28,057	\$ 7,860	\$ 95,237
Salaries and benefits payable	1,554	536	-	2,090
Interest payable	150,980	31,362	-	182,342
Due to other funds	-	72,087	-	72,087
Due to other governments	1,760	138,449	-	140,209
Unearned revenue	1,375	-	-	1,375
Long-term liabilities due within one year	<u>952,073</u>	<u>1,122,354</u>	<u>-</u>	<u>2,074,427</u>
Total current liabilities	<u>1,167,062</u>	<u>1,392,845</u>	<u>7,860</u>	<u>2,567,767</u>
Noncurrent liabilities				
Compensated absences	41,454	8,459	-	49,913
Notes payable	-	10,867,633	-	10,867,633
Bonds payable	9,525,000	2,915,000	-	12,440,000
Net pension liability	359,836	71,794	-	431,630
Less amount due within one year	<u>(952,073)</u>	<u>(1,122,354)</u>	<u>-</u>	<u>(2,074,427)</u>
Total noncurrent liabilities	<u>8,974,217</u>	<u>12,740,532</u>	<u>-</u>	<u>21,714,749</u>
Total liabilities	<u>10,141,279</u>	<u>14,133,377</u>	<u>7,860</u>	<u>24,282,516</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	<u>63,429</u>	<u>12,655</u>	<u>-</u>	<u>76,084</u>
Net Position				
Net investment in capital assets	18,819,795	19,378,368	15,625,295	53,823,458
Unrestricted	<u>913,447</u>	<u>221,093</u>	<u>236,035</u>	<u>1,370,575</u>
Total net position	<u>19,733,242</u>	<u>19,599,461</u>	<u>15,861,330</u>	<u>55,194,033</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 29,937,950</u>	<u>\$ 33,745,493</u>	<u>\$ 15,869,190</u>	<u>\$ 79,552,633</u>

See notes to financial statements.

City of Sartell
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2017

	Water (319, 320, 328, 601)	Sewer (315, 326, 331, 602)	Stormwater (603)	Total
Operating revenues				
Charges for services	\$ 1,855,932	\$ 2,087,136	\$ 419,666	\$ 4,362,734
Permits, hookup fees, and penalties	-	100	-	100
Total operating revenues	<u>1,855,932</u>	<u>2,087,236</u>	<u>419,666</u>	<u>4,362,834</u>
Operating expenses				
Salaries and benefits	486,319	138,851	-	625,170
Supplies and maintenance	296,804	311,491	36,619	644,914
Utilities and telephone	196,609	51,776	-	248,385
Professional services	120,528	54,694	38,888	214,110
Sewer treatment	-	702,335	-	702,335
Depreciation	930,256	999,059	440,170	2,369,485
Other services and charges	104,500	54,063	3,554	162,117
Total operating expenses	<u>2,135,016</u>	<u>2,312,269</u>	<u>519,231</u>	<u>4,966,516</u>
Operating loss	(279,084)	(225,033)	(99,565)	(603,682)
Nonoperating revenues (expenses)				
Investment income	3,016	(2,220)	799	1,595
Intergovernmental	130	26	-	156
Refunds and reimbursements	42,426	-	-	42,426
Interest expense	(375,692)	(287,117)	-	(662,809)
Total nonoperating revenues (expenses)	<u>(330,120)</u>	<u>(289,311)</u>	<u>799</u>	<u>(618,632)</u>
Loss before capital contributions and transfers	(609,204)	(514,344)	(98,766)	(1,222,314)
Capital contributions	485,168	288,459	588,457	1,362,084
Transfers in	934,578	745,000	-	1,679,578
Transfers out	<u>(300,737)</u>	<u>(183,737)</u>	<u>(198,315)</u>	<u>(682,789)</u>
Change in net position	509,805	335,378	291,376	1,136,559
Net position				
Beginning of year	<u>19,223,437</u>	<u>19,264,083</u>	<u>15,569,954</u>	<u>54,057,474</u>
End of year	<u>\$ 19,733,242</u>	<u>\$ 19,599,461</u>	<u>\$ 15,861,330</u>	<u>\$ 55,194,033</u>

See notes to financial statements.

City of Sartell
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2017

	Water (319, 320, 328, 601)	Sewer (315, 326, 331, 602)	Stormwater (603)	Total
Cash Flows - Operating Activities				
Receipts from customers and users	\$ 1,765,997	\$ 2,014,893	\$ 406,184	\$ 4,187,074
Payments to suppliers	(702,597)	(1,199,881)	(73,476)	(1,975,954)
Payments to employees	(453,463)	(159,108)	-	(612,571)
Other receipts	42,556	26	-	42,582
Net cash flows - operating activities	<u>652,493</u>	<u>655,930</u>	<u>332,708</u>	<u>1,641,131</u>
Cash Flows - Noncapital Financing Activities				
Interfund loan payments made	5,705	-	(5,705)	-
Interfund loan amounts borrowed	(72,087)	72,087	-	-
Transfer from other funds	934,578	745,000	-	1,679,578
Transfer to other funds	(300,737)	(183,737)	(198,315)	(682,789)
Net cash flows - noncapital financing activities	<u>567,459</u>	<u>633,350</u>	<u>(204,020)</u>	<u>996,789</u>
Cash Flows - Capital and Related Financing Activities				
Principal paid on debt	(925,000)	(1,064,810)	-	(1,989,810)
Interest paid on debt	(387,551)	(290,461)	(5)	(678,017)
Acquisition of capital assets	-	(27,706)	-	(27,706)
Net cash flows - capital and related financing activities	<u>(1,312,551)</u>	<u>(1,382,977)</u>	<u>(5)</u>	<u>(2,695,533)</u>
Cash Flows - Investing Activities				
Interest and dividends received	2,674	(2,074)	599	1,199
Net change in cash and cash equivalents	(89,925)	(95,771)	129,282	(56,414)
Cash and Cash Equivalents				
Beginning of year	<u>1,068,371</u>	<u>95,771</u>	<u>-</u>	<u>1,164,142</u>
End of year	<u>\$ 978,446</u>	<u>\$ -</u>	<u>\$ 129,282</u>	<u>\$ 1,107,728</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities				
Operating loss	\$ (279,084)	\$ (225,033)	\$ (99,565)	\$ (603,682)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities				
Depreciation expense	930,256	999,059	440,170	2,369,485
Other receipts	42,556	26	-	42,582
Accounts receivable	(91,310)	(72,343)	(13,482)	(177,135)
Prepaid items	8,433	2,190	-	10,623
Accounts payable	5,651	(166,161)	5,585	(154,925)
Due to other governmental units	1,760	138,449	-	140,209
Salaries payable	251	(136)	-	115
Unearned revenues	1,375	-	-	1,375
Pension related items	28,209	(21,826)	-	6,383
Compensated absences payable	4,396	1,705	-	6,101
Total adjustments	<u>931,577</u>	<u>880,963</u>	<u>432,273</u>	<u>2,244,813</u>
Net cash flows - operating activities	<u>\$ 652,493</u>	<u>\$ 655,930</u>	<u>\$ 332,708</u>	<u>\$ 1,641,131</u>
Noncash Capital and Related Financing Activities				
Capital contributions	\$ 485,168	\$ 288,459	\$ 588,457	\$ 1,362,084
Sewer rights acquisition	-	704,466	-	-
Note payable to City of St. Cloud	-	(704,466)	-	-

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Sartell is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

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 basic financial statements of the City because of the significance of their operational or financial relationships with the City.

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

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

Blended Component Units – Reported as if they were part of the City.

Joint Ventures and Jointly Governed Organizations – The relationship of the City with the entity is disclosed.

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

1. Blended Component Unit

The Sartell Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Sartell EDA is reported as if it were part of the primary government because the City Council makes up the Sartell EDA Governing Board. Separate financial statements are not prepared for the Sartell EDA.

2. Joint Ventures and Jointly Governed Organizations

In 1981, the City entered into a joint venture with LeSauk Township for the purpose of building a fire and township hall. The governments created the Sartell/LeSauk Government Center, Inc., for this purpose, which included borrowing funds for the fire and township hall project. The joint venture agreement states the City's financial interest in the Corporation to be 60% financial responsibility in the debt payments. As of December 31, 2017, the building and underlying land were the only remaining assets of the joint venture. The City's investment in the joint venture, the building, and land, as of December 31, 2017, amounted to \$30,449 and \$100,000, respectively, and is reflected in the Statement of Net Position within the building capital asset line. Separate financial statements for the year ended December 31, 2017, were not prepared.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period, except for tax forfeitures and grant receipts, which are considered revenue if collected within six months of year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Description of 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.

Sewer Capacity Fund – This Fund accounts for sewer connection fees,

Water Capacity Fund – This Fund accounts for water connection fees.

Public Improvement Revolving Fund – This Fund accounts for various road construction costs.

4th/50th Road Project Fund – This Fund accounts for bond proceeds and construction costs for the 4th/50th road project.

Community Center Project Fund – This Fund accounts for bond proceeds and construction costs for the Community Center project.

Proprietary Funds:

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

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

Stormwater Fund – This Fund accounts for the operations of the City's stormwater system.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Description of Funds (Continued):

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.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits 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 investments 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, share 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.

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

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn.

2. Receivables and Payables

All trade and property taxes receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

2. Receivables and Payables (Continued)

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 Auditors 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. Stearns County and Benton County are the collecting agencies for the levy and remit 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 Auditors prepare 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 Auditors also collect all special assessments, except for certain prepayments paid directly to the City.

The County Auditors submit the list of taxes and special assessments to be collected on each parcel of property to the County Treasurers in January of each year.

3. Prepaid Items

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, water, and sewer lines, and similar items), and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost as indicated on the table below and an estimated useful life in excess of three years. Such assets that also meet the capitalization thresholds defined in the table below are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Property, plant, equipment, and intangibles of the City meeting the capitalization threshold are depreciated using the straight-line method over the following estimated useful lives as listed on the following page.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

4. Capital Assets (Continued)

Assets	Years	Capitalization Threshold
Buildings; treatment plants, towers	40	\$ 5,000
Building improvements, playgrounds, shelters, docks, sirens	20	5,000
Fire trucks	30	5,000
General equipment	5-15	5,000
Heavy trucks	15	5,000
Light vehicles	10	5,000
Office equipment and furniture	3-30	5,000
Right of ways and easements	Indefinite	10,000
Signs, banners, traffic signals	25	5,000
Software	5	10,000
Streets, alleys, sidewalks, street lights	20	5,000
Water and sewer infrastructure, bridges	50	5,000

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has two items that qualify for reporting in this category. The City presents deferred outflows of resources on the Statement of Net Position for the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City presents deferred outflows of resources on the Statements of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

6. **Compensated Absences**

Vacation time is earned at various rates dependent upon length of service with the City as well as employment contract. Vacation accrual carryovers also vary depending upon the employment contract. Employees earn eight hours of sick leave per month to a maximum of 600 hours. Employees are not paid for accumulated sick leave when they leave the City. All unused vacation balances will be deposited into the employee's health care savings plan. This is a plan allowing employees to save money in an account for medical expenses and health premiums after termination. Vacation benefits are recorded as expenditures in governmental funds when the obligation is expected to be liquidated with expendable financial resources. Vacation benefits are recorded as an expense in proprietary funds when earned.

7. **Other Post Employment Benefits**

The City was required to implement GASB Statement No. 45 in 2009. Per *Minnesota Statutes*, they do allow all retired employees to stay on their health care plan; however, due to the fact the City has less than 50 employees, the City is allowed to charge the actual costs of the plan rather than the standard premium amount; therefore, there is no implicit rate subsidy liability.

8. **Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position.

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

9. **Pensions**

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

10. **Fund Equity**

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

- **Nonspendable Fund Balance** – These are amounts that cannot be spent because they are not in spendable form.
- **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.
- **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) by resolution. Commitments can also only be removed via 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 Finance Director or City Administrator 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.
- **Minimum Fund Balance Policy** – The City's target General Fund balance is to maintain a minimum of 40% of the operating budget.

11. **Net Position**

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. A reclassification of \$5,449,010 was made between this net position class and unrestricted net position in the total column of the Statement of Net Position to recognize the portion of debt attributable to capital assets donated from governmental activities to business-type activities. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- D. Assets, Liabilities, and Net Position or Equity (Continued)**
- E. Use of Estimates**
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

- F. Budgetary Information**
- In August of each year, City staff submit 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.
 - A public hearing is conducted to obtain taxpayer comments.
 - The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
 - Budgets for the General, certain Special Revenue, Debt Service, certain Capital Project Funds, and the Utility Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
 - Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfers of budgeted amounts between departments within any fund.
 - Annual appropriated budgets are adopted during the year for the General, Debt Service and certain Special Revenue and Capital Projects Funds. For the Capital Projects Funds without adopted budgets, budgetary control is accomplished through the use of project controls.
 - Budgeted amounts are as originally adopted by the City Council. Budgeted expenditure appropriations lapse at year-end.

Encumbrances outstanding at year-end expire and outstanding purchase orders are canceled and not reported in the financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances

The following Funds had deficit fund balances at December 31, 2017:

Nonmajor governmental funds	
Special revenue funds	
Regional Park Fund	\$ 432,028
Capital projects funds	
City Buildings Improvement Projects	5,693
Pinecone Road Project 2017	278,228
CR29 & East Side Streets	152,486
Municipal Development District TIF 5-5	8,755

NOTE 3 – DEPOSITS AND INVESTMENTS

- A. Deposits**
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's policy states all deposits must be collateralized in compliance with *Minnesota Statutes* 118A. As of December 31, 2017, the City's bank balance was not exposed to custodial credit risk because it was fully insured with FDIC with the remaining deposits being fully collateralized with securities held by the pledging financial institution's trust department or agency in the City's name. The City's deposits had a book balance as follows:

Certificates of deposit	\$ 248,000
Savings account	4,334,594
Money markets	243,533
Total deposits	<u>\$ 4,826,127</u>

B. Investments

As of December 31, 2017, the City had the following investments:

Investment Type	Rating	Fair Value	Investment Maturities	
			Less than One Year	1-5 Years
Brokered certificates of deposit	N/A	\$ 7,704,067	\$ 5,433,379	\$ 2,270,688
Federal Home Loan Bank Note	AA+	892,145	892,145	-
4M Fund	AAA/m	3,864,124	3,864,124	-
4M Fund Plus	AAA/m	6,029,783	6,029,783	-
Governmental Securities	AA+	1,101,033	1,101,033	-
Total investments		<u>\$ 19,591,152</u>	<u>\$ 17,320,464</u>	<u>\$ 2,270,688</u>
Allocation			88%	12%

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy states the City will attempt to diversify its investments according to type and maturity. Extended maturities may be utilized to take advantages of higher yield; however, no more than 30% of the total should extend beyond five years and the City shall not invest in investments with a maturity exceeding ten years. In following the City's investment policy, the City does not have more than 30% of its investments invested in securities with a maturity greater than five years and no maturities are greater than ten years.

City of Sartell
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy states the list of instruments includes only those allowed by law and those that local investment managers are trained and competent to handle. The City follows *Minnesota Statutes* Section 118A for the list of all permissible investments for municipalities. The City's investments were rated as disclosed in the above table.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City should manage its interest rates based on liquidity, safety, and the overall return on the investment. The investment policy also states interest rate risk will be mitigated by diversifying the portfolio as the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states when a broker dealer holds investments purchased by the City in safekeeping, the broker/dealer must provide asset protection of \$500,000 through the Securities Investor Protector Corporation (SIPC) and at least another \$49.5 million supplemental insurance protection.

The City has the following recurring fair value measurements as of December 31, 2017:

- \$4,089,591 of investments are valued using a quoted market prices (Level 1 inputs)
- \$9,942,248 are valued using a matrix pricing model (Level 2 inputs)

C. Balances

Summary of total deposits and investments as of December 31, 2017, were as follows:

Deposits (Note 3.A.)	\$ 4,826,127
Petty Cash	500
Investments (Note 3.B.)	<u>19,591,152</u>
Total deposits and investments	<u>\$ 24,417,779</u>

Deposits and investments are presented in the December 31, 2017, basic financial statements as follows:

Statement of Net Position	<u>\$ 24,417,779</u>
Cash and investments	<u>\$ 24,417,779</u>

City of Sartell
Notes to Financial Statements

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

The composition of interfund balances as of December 31, 2017, is as follows:

	Due from Other Funds		
	Public Improvement Revolving Fund	Water	Total
Due to other funds			
Other governmental funds	\$ 403,798	\$ -	\$ 403,798
Sewer fund	-	72,087	72,087
Total due to other funds	<u>\$ 403,798</u>	<u>\$ 72,087</u>	<u>\$ 475,885</u>
Advances Due from Other Funds			
Public			
Improvement Revolving Fund	General	Governmental Funds	Total
Advances due to other funds			
Sewer Capacity	\$ 327,500	\$ -	\$ 870,000
Water Capacity	327,500	-	870,000
Other governmental funds	-	923,469	923,469
Total Advances due to other funds	<u>\$ 655,000</u>	<u>\$ 923,469</u>	<u>\$ 2,663,469</u>

The \$475,885 amount due between funds is a short-term loan to cover cash deficits. The remaining interfund balances totaling \$2,663,469 exist due to interfund borrowing for a Tax Increment Financing (TIF) administration loan, which will be repaid as cash is available. Amounts were also loaned to the City's WAC and SAC Funds to cover decreases in access charges received during years of decreased construction activity. Borrowing for the repayment of bonds with future local option sales tax proceeds was started in 2016. Repayment is expected starting in 2019.

City of Sartell
Notes to Financial Statements

NOTE 4 – INTERFUND BALANCES AND TRANSFERS (CONTINUED)

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2017, follows:

Transfers To:	Transfers In					Total
	General	Sewer Capacity	Water Capacity	Community Center Project	Other governmental funds	
Transfers Out:						
Water Capacity	\$ -	\$ -	\$ -	\$ -	\$ 878,500	\$ 878,500
Sewer Capacity	-	-	-	-	690,000	690,000
Public Improvement Revolving	-	-	-	-	594,111	594,111
4th-50th Road Project	-	-	-	1,000,000	2,777,153	3,870,887
Other governmental funds	33,737	46,870	46,964	-	100,000	100,000
Water	33,737	-	-	-	100,000	166,737
Sewer	33,737	-	-	-	75,000	183,737
Storm	-	-	-	-	34,578	55,000
Total Transfers	\$ 101,211	\$ 46,870	\$ 46,964	\$ 1,000,000	\$ 3,291,761	\$ 7,666,887

The above transfers were made for debt service payments, future capital improvement projects, future equipment purchases, and an administrative expenditure subsidy.

City of Sartell
Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 11,083,786	\$ -	\$ -	\$ 11,083,786
Right of ways and easements	1,443,452	-	-	1,443,452
Construction in progress	4,716,276	12,055,949	12,049,193	4,723,032
Total capital assets not being depreciated	17,243,514	12,055,949	12,049,193	17,250,270
Capital assets being depreciated				
Buildings	7,586,619	10,792,271	-	18,378,890
Infrastructure	72,299,663	2,178,591	-	74,478,254
Machinery and equipment	6,306,308	465,595	245,015	6,526,888
Total capital assets being depreciated	86,192,590	13,436,457	245,015	99,384,032
Less accumulated depreciation for				
Buildings	2,891,806	291,477	-	3,183,283
Infrastructure	40,204,539	2,875,793	-	43,080,332
Machinery and equipment	3,306,279	378,419	157,605	3,527,093
Total accumulated depreciation	46,402,624	3,545,689	157,605	49,790,708
Total capital assets being depreciated, net	39,789,966	9,890,768	87,410	49,593,324
Governmental activities capital position, net	\$ 57,033,480	\$ 21,946,717	\$ 12,136,603	\$ 66,843,594

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

Governmental activities	
General government	\$ 76,935
Public safety	129,204
Public works	3,046,713
Parks and recreation	292,837
Total depreciation expense - governmental activities	\$ 3,545,689

City of Sartell
Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 1,255,387	\$ -	\$ -	\$ 1,255,387
Construction in progress	-	964,902	-	964,902
Total capital assets not being depreciated	1,255,387	964,902	-	2,220,289
Capital assets being depreciated				
Buildings	16,127,082	-	-	16,127,082
Sewer and water improvements	76,814,538	397,182	-	77,211,720
Sewer rights	14,342,041	704,466	-	15,046,507
Machinery and equipment	681,261	27,706	-	708,967
Total capital assets being depreciated	107,964,922	1,129,354	-	109,094,276
Less accumulated depreciation for				
Buildings	4,290,317	403,600	-	4,693,917
Sewer and water improvements	26,620,718	1,555,585	-	28,176,303
Sewer rights	670,898	352,552	-	1,023,450
Machinery and equipment	232,056	57,748	-	289,804
Total accumulated depreciation	31,813,989	2,369,485	-	34,183,474
Total capital assets being depreciated, net	76,150,933	(1,240,131)	-	74,910,802
Business-type activities capital assets, net	\$ 77,406,320	\$ (275,229)	\$ -	\$ 77,131,091
Depreciation expense was charged to functions/programs of the City as follows:				
Business-type activities				
Water			\$ 930,256	
Sewer			999,059	
Stormwater			440,170	
Total depreciation expense - business-type activities			\$ 2,369,485	

City of Sartell
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT

A. General Obligation Bonds
The City issues General Obligation (G.O.) bonds to provide for financing and street and other capital improvement projects. Debt service is covered by special assessments against benefited properties, SAC and WAC fees, property tax levies, and any shortfalls thereafter are covered by property taxes.

G.O. bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as 10-20 year serial bonds with equal debt service payments each year.

B. Components of Long-Term Liabilities

Long-term liabilities	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Governmental activities						
G.O. Bonds, including refunding bonds			\$ 2,090,000	02/11/19	\$ 625,000	\$ 200,000
Series 2009B	06/10/09	2.00%-3.50%	6,155,000	02/01/20	1,635,000	745,000
Series 2009E	06/10/09	2.50%-4.00%	5,865,000	02/01/30	3,810,000	360,000
Series 2010A	03/04/10	2.00%-3.80%	800,000	02/01/20	215,000	75,000
Series 2010B	03/04/10	2.00%-3.25%	5,450,000	02/01/26	2,280,000	1,160,000
Series 2012	07/10/12	3.00%-2.50%	6,135,000	02/01/19	2,590,000	1,275,000
Series 2014	01/02/14	2.00%-4.00%	8,060,000	02/01/19	1,950,000	750,000
Series 2016A	08/06/15	2.00%-3.00%	9,850,000	02/01/21	9,850,000	210,000
Series 2016B	08/06/15	2.00%-3.00%	8,520,000	02/01/21	8,520,000	-
Series 2017A	09/07/17	2.00%-3.00%	-	-	-	-
Series 2017B	09/07/17	2.00%-3.00%	-	-	-	-
Total governmental bonds			34,750,000		34,750,000	4,340,000
Business-type activities						
Unamortized premium			1,028,862		(20,414)	-
Unamortized gain on bond refunding			(20,414)		1,600,000	400,000
Note payable			-		160,932	8,047
Compensated absences			-		-	-
Total governmental activities			-		37,519,380	4,748,047
Business-type activities						
G.O. Utility Revenue Bonds, including refunding bonds						
Series 2008B	10/02/08	3.25%-4.50%	4,090,000	08/01/28	2,615,000	190,000
Series 2009A	04/04/09	2.50%-4.15%	9,205,000	08/01/29	5,750,000	485,000
Series 2010B	03/04/10	2.00%-3.25%	5,215,000	02/01/24	2,625,000	465,000
Series 2012	07/10/12	2.00%-2.50%	1,865,000	02/01/26	1,450,000	145,000
Total business-type bonds			20,375,000		12,440,000	1,285,000
Notes payable			-		10,867,633	786,931
Compensated absences			-		49,913	2,496
Total business-type activities			-		23,357,546	2,074,427
Total long-term liabilities					\$ 60,876,926	\$ 6,822,474

City of Sartell
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Bonds payable				
G.O. Improvement Bonds	\$ 30,180,000	\$ 8,520,000	\$ 3,950,000	\$ 34,750,000
Unamortized gain on refunding	(30,212)	-	(9,798)	(20,414)
Unamortized premium	724,072	437,547	132,757	1,028,862
Total bonds payable	30,873,860	8,957,547	4,072,959	35,758,448
Note payable	2,000,000	-	400,000	1,600,000
Compensated absences	147,282	151,995	138,345	160,932
Total governmental activities	33,021,142	9,109,542	4,611,304	37,519,380
Business-type activities				
Bonds payable				
G.O. Utility Revenue Bonds	13,695,000	-	1,255,000	12,440,000
Notes payable	10,897,977	704,466	734,810	10,867,633
Compensated absences	43,812	29,308	23,207	49,913
Total business-type activities	24,636,789	733,774	2,013,017	23,357,546
Total long-term liabilities	\$ 57,657,931	\$ 9,843,316	\$ 6,624,321	\$ 60,876,926

The General Fund typically liquidates the liability related to compensated absences. Debt Service Funds and the Water and Sewer Funds are the Funds that make principal and interest payments on the City's bonds.

City of Sartell
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments

Minimum annual principal and interest payments required to retire bonded long-term liabilities:

Year Ending December 31,	G.O. Bonds			Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 4,340,000	\$ 871,277	\$ 5,211,277	\$ 400,000	\$ 48,000	\$ 448,000	\$ 1,285,000	\$ 429,776	\$ 1,714,776
2019	4,010,000	775,759	4,785,759	400,000	48,000	448,000	1,215,000	390,875	1,605,875
2020	2,140,000	684,222	2,824,222	400,000	48,000	448,000	1,250,000	352,433	1,602,433
2021	1,670,000	630,659	2,300,659	400,000	48,000	448,000	1,300,000	312,158	1,612,158
2022	1,715,000	584,609	2,299,609	-	-	-	1,030,000	274,933	1,304,933
2023-2027	9,650,000	2,133,925	11,783,925	-	-	-	4,895,000	834,596	5,729,596
2028-2032	6,845,000	951,271	7,796,271	-	-	-	1,465,000	86,445	1,551,445
2033-2037	4,155,000	314,140	4,469,140	-	-	-	-	-	-
2038	225,000	3,375	228,375	-	-	-	-	-	-
Total	\$ 34,750,000	\$ 6,949,237	\$ 41,699,237	\$ 1,600,000	\$ 120,000	\$ 1,720,000	\$ 12,440,000	\$ 2,681,216	\$ 15,121,216

*The 2017 note payable addition of \$704,466 is related to an uncompleted project. The amortization for this note will be included once the project is completed and the payment schedule is finalized.

E. Notes Payable

The City is obligated to pay the City of Saint Cloud for debt service payments relating to the wastewater expansion rights and the City of Saint Cloud's wastewater facility expansion project. The City of Saint Cloud issued three bonds and one Public Facilities Authority (PFA) note to finance the expansion project. The City pays the City of Saint Cloud monthly for these debt service payments. Terms of the bonds require annual payment totaling \$75,000 to \$155,000 of principal payments with interest rates of 2.0% to 4.0% until February 1, 2029. The PFA note requires annual total principal payments from the City of \$15,209 to \$723,694. Interest on the PFA note is 1.771% and principal and interest payments are due through August 20, 2030.

An additional PFA was issued in 2016 for the main lift station rehabilitation. The PFA note requires annual total principal payments from the City of \$18,724 to \$60,321. Interest on the PFA note is 1.0% and principal and interest payments are due through August 20, 2026.

City of Sartell
Notes to Financial Statements

City of Sartell
Notes to Financial Statements

NOTE 6 – LONG-TERM DEBT (CONTINUED)

E. Notes Payable (Continued)

The City is obligated to pay Stearns County for debt service payments related to CSAH 1 improvements. The County financed \$2,000,000 of the City's project costs. The City is required to make annual payments of \$400,000 plus 3% interest on June 1 for five consecutive years.

F. Conduit Debt

Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued various revenue bonds to provide funding to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

At December 31, 2017, the City's outstanding conduit debt balances consisted of the following:

\$944,000 Minnesota Health Care Facilities Revenue Refunding Note (Opportunity Matters), Series 2013	\$ 533,101
\$13,445,000 Minnesota Health Care and Housing Facilities Revenue Refunding Note (Country Manor), Series 2013	13,445,000
\$20,195,000 Healthcare and Housing Facilities Revenue Bonds (The Foundation for Healthcare Continuums Project), Series 2012A	16,200,000
\$1,879,000 Educational Facilities Revenue Note, (Opportunity Manor), Series 2011	1,211,298
\$11,445,000 Healthcare Facilities Revenue Refunding Bonds (Country Manor), Series 2017	11,445,000
	<u>\$ 42,834,399</u>

NOTE 7 – FUND BALANCE DETAIL

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds:

	General	Sewer Capacity	Water Capacity	Public Improvement Revolving	4th/5th Road Project	Community Center Project	Other Governmental Funds	Total
Nonspendable								
Prudential items	\$ 100,838							\$ 100,838
Restricted for								
Debt service							\$ 5,522,771	5,522,771
Police							22,857	22,857
Special initiatives							3,712	3,712
Community development							19,416	19,416
Small cities revolving loans							10,464	10,464
Local sales tax projects							13,450	13,450
Parks							377,689	377,689
Capital projects					2,445,507	337,569	357,893	4,286,809
Tax increment districts							27,590	27,590
Total for					2,445,507	337,569	795,165	10,234,731
Committed for		922,497	1,223,337	807,941				2,148,834
Public improvements							112,855	112,855
Police							51,137	51,137
Civil defense							7,846	7,846
Fire equipment							254,949	254,949
Public works equipment							390,688	390,688
Technology equipment							997,859	997,859
Street lighting							27,215	27,215
Park improvements							10,421	10,421
Youth programs							189,264	189,264
City beautification							38,442	38,442
Economic development							2,187,044	2,187,044
Trunk fees							10,416	10,416
Community		922,497	1,223,337	807,941			4,343,137	7,298,809
Unassigned	4,050,948						(877,190)	3,173,758
Total	\$ 4,151,786	\$ 922,497	\$ 1,223,337	\$ 807,941	\$ 2,445,507	\$ 337,569	\$ 11,414,997	\$ 21,303,334

NOTE 8 – 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.

NOTE 8 – RISK MANAGEMENT (CONTINUED)

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 2017 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2017, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 9 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2017 was \$701,698. The components of pension expense are noted in the following plan summaries.

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Fund Plan (General Employees Plan (accounted for in the General Employees Fund)).

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Plan (Police and Fire Plan (accounted for in the Police and Fire Fund)).

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided

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

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

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

General Employees Plan Benefits

General Employees Plan 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. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Police and Fire Plan Benefits

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

C. Contributions

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

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in calendar year 2017. The City was required to contribute 7.50% for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017, were \$120,409. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The City was required to contribute 16.2% of pay for members in calendar year 2017. The City's contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$214,926. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$1,589,600 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$19,949. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion share was 0.0249%, which was an increase of 0.0010% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$243,704 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$576 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2017, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 52,389	\$ 97,198
Changes in actuarial assumptions	253,308	159,357
Difference between projected and actual investment earnings	-	3,683
Changes in proportion	89,401	19,964
Contributions paid to PERA subsequent to the measurement date	<u>60,205</u>	<u>-</u>
	<u>\$ 455,303</u>	<u>\$ 280,202</u>

\$60,205 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2018	\$ 77,642
2019	117,465
2020	(12,736)
2021	<u>(67,475)</u>
Total	<u>\$ 114,896</u>

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$1,741,654 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was 0.1290%, which was an increase of 0.0110% from its proportion measured as of June 30, 2016. The City also recognized \$11,610 for the year ended December 31, 2017 as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017, the City recognized pension expense of \$436,541 for its proportionate share of the Police and Fire Fund pension expense.

At December 31, 2017, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the sources below and on the following page.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 40,088	\$ 424,802
Changes in actuarial assumptions	2,084,944	2,472,715
Difference between projected and actual investment earnings	-	26,234
Changes in proportion	375,451	16,200
Contributions paid to PERA subsequent to the measurement date	107,463	-
	<u>\$ 2,607,946</u>	<u>\$ 2,939,951</u>

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

\$107,463 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2018	\$ 44,411
2019	44,412
2020	(13,496)
2021	(101,845)
2022	(412,950)
Total	<u>\$ (439,468)</u>

E. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 %	Per year
Active member payroll growth	3.25 %	Per year
Investment rate of return	7.50 %	

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilities were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees plan through 2044 and the Police and Fire Plan through 2064 and then 2.5% thereafter for both plans.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for Police and Fire Plan was completed in 2016.

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability, and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1% per year for all years to 1% per year through 2044 and 2.5% per year thereafter.

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be 3 years younger) and female members (husbands assumed to be 4 years older) to the assumption that mates are 2 years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39 %	5.10 %
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00
Total	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on those assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 2,465,587	\$ 1,589,600	\$ 872,445
	1% Decrease in Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 3,280,042	\$ 1,741,654	\$ 471,629

H. Pension Plan Fiduciary Net Position

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

Public Employees Defined Contribution Plan (Defined Contribution Plan)

Four Council members of the City of Sartell are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

NOTE 9 – PENSION PLANS (CONTINUED)

Public Employees Defined Contribution Plan (Defined Contribution Plan) (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2017 were:

	Contribution Amount		Percentage of Covered Payroll		Required Rate
	Employee	Employer	Employee	Employer	
\$	1,155	\$ 1,155	5%	5%	5%

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association

A. Plan Description

The Sartell Fire Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Sartell Fire Department per Minnesota State Statutes.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Sartell Firefighter's Association, 220 4th Avenue South, PO Box 5, Sartell, MN 56377 or by calling (320) 253-2171.

B. Benefits Provided

Volunteer firefighters of the City are members of the Sartell Fire Fighter's Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 20 years of service. Partial benefits are payable to members who have reached 50 and have completed at least ten years of service. Disability benefits and widow and children's survivor benefits are also payable to members or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

NOTE 9 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter’s Relief Association

C. Employees Covered by Benefit Terms

At the January 1, 2017, actuarial study date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>26</u>
Total	<u>26</u>

D. Contributions.

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City’s obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$96,967 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City’s net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions.

The total pension liability in the January 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Cost of living increase	0.00 %
Salary increase	2.50 % average, including inflation
Investment rate of return	4.75 % net of pensions plan investment expense; including inflation

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

NOTE 9 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter’s Relief Association (Continued)

E. Net Pension Liability (Continued)

The long-term return on assets has been set based on the plan’s target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of the measurement date are summarized in the table on the below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	29.0 %	2.25 %
Fixed Income	42.0	4.40
Equities	26.0	7.50
Other	3.0	6.00
Total	<u>100 %</u>	

The discount rate used to measure the total pension liability was 4.75%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

NOTE 9 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter’s Relief Association (Continued)

F. Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2017, Restated	\$ 848,801	\$ 940,877	\$ (92,076)
Changes for the year			
Service cost	40,833	-	40,833
Interest	55,518	-	55,518
Assumption changes	35,451	-	35,451
Plan changes	30,147	-	30,147
Municipal contributions	-	10,200	(10,200)
State contributions	-	96,179	(96,179)
Projected investment return	-	62,567	(62,567)
Gain or loss	(42,802)	11,174	(53,976)
Benefit payments, including refunds of employee contributions	(134,296)	(134,296)	-
Net changes	(15,149)	45,824	(60,973)
Balances at December 31, 2017	\$ 833,652	\$ 986,701	\$ (153,049)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 4.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 3.75% or 1-percentage-point higher 5.75% than the current rate:

	Discount Rate Decrease 3.75%	Discount Rate 4.75%	Discount Rate Increase 5.75%
Association’s net pension asset	\$ 134,436	\$ 153,049	\$ 171,092

NOTE 9 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter’s Relief Association (Continued)

F. Changes in the Net Pension Liability (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued relief association financial report.

G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the City recognized pension expense of \$21,453. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption changes	\$ 32,496	\$ -
Investment losses	61,905	-
Liability gains	-	39,235
Contributions paid to Relief subsequent to the measurement date	107,567	-
Total	\$ 201,968	\$ 39,235

\$107,567 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 23,094
2019	23,094
2020	16,111
2021	(2,846)
2022	(612)
Thereafter	(3,675)
Total	\$ 55,166

City of Sartell
Notes to Financial Statements

NOTE 10 – CONSTRUCTION COMMITMENTS

The City had the following construction commitment at December 31, 2017:

Project	Contract Amount	Work Completed (Expended)	12/31/17 Commitment
4th Avenue South	\$ 2,510,671	\$ 2,232,298	\$ 278,373
2017 Overlay Project	813,590	797,679	15,911
27th Street North	374,006	290,713	83,293
Total	<u>\$ 3,698,267</u>	<u>\$ 3,320,690</u>	<u>\$ 377,577</u>

NOTE 11 – TAX INCREMENT FINANCING

The City has entered into three Tax Increment Financing agreements which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures*. The City's authority to enter into these agreements comes from *Minnesota Statute 469*. The City entered into these agreements for the purpose of economic development and affordable housing.

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

During the year ended December 31, 2017, the City generated \$157,234 in tax increment revenue and made \$141,484 in payments to developers.

NOTE 12 – SPECIAL ITEM

At December 31, 2016, the City recorded a receivable for tax forfeiture property sales based on the total sales price of the properties. Actual receipts in 2017 from the County were much less than anticipated due to the County deducting its expenses from the proceeds submitted to the City. This resulted in an adjustment to decrease fund balance in the amount of \$242,237.

NOTE 13 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB has issued GASB statement 75 relating to accounting and financial reporting for postemployment benefits other than pensions. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities. This Statement will be effective for the year ending December 31, 2018.

**City of Sartell
Schedule of City Contributions -
General Employees Retirement Fund
Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 110,362	\$ 110,362	\$ -	\$ 1,471,493	7.5%
2016	113,908	113,908	-	1,518,773	7.5%
2017	120,409	120,409	-	1,605,453	7.5%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**City of Sartell
Schedule of City's Proportionate Share
of Net Pension Liability
General Employees Retirement Fund
Last Ten Years**

For Fiscal Year Ended June 30,	City's Proportionate Share of the Net Pension Liability (Percentage of the Net Pension Liability)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of the Total Pension Liability
2015	0.0228%	1,181,614	\$ 1,338,035	78.17%
2016	0.0249%	1,469,549	1,562,113	79.98%
2017	0.0249%	1,589,600	1,562,113	79.98%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of City's Proportionate Share
of Net Pension Liability
Public Employees Police and Fire Retirement Fund
Last Ten Years**

For Fiscal Year Ended June 30,	City's Proportionate Share of the Net Pension Liability (Percentage of the Net Pension Liability)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of the Total Pension Liability
2015	0.1159%	1,329,284	\$ 1,669,095	124.26%
2016	0.1189%	4,735,445	1,972,716	403.86%
2017	0.1289%	1,741,654	1,271,531	137.00%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of City Contributions -
Public Employees Police and Fire Retirement Fund
Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 182,910	\$ 182,910	\$ -	\$ 1,129,074	16.2%
2016	197,050	197,050	-	1,216,358	16.2%
2017	214,926	214,926	-	1,326,704	16.2%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

City of Sartell
Schedule of Employer Contributions
and Non-Employer Contributing
Entities - Fire Relief Association

	2015	2016	2017
Employer			
Statutorily determined contribution (SDC)	\$ 9,800	\$ 10,200	\$ 10,600
Contribution deficiency SDC	\$ (9,800)	\$ (10,200)	\$ (10,600)
Contribution deficiency (excess)	<u>\$ 91,717</u>	<u>\$ 26,179</u>	<u>\$ 96,967</u>
Non-employer			
2% aid			

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten year presentation, but does not required retroactive reporting. Information prior to 2014 is not available.

City of Sartell
Schedule of Changes in Net Pension Liability
and Related Ratios - Fire Relief Association

	2015	2016, Restated	2017
Total Pension Liability (TPL)			
Service cost	\$ 40,236	\$ 41,242	\$ 40,833
Interest	57,469	54,423	55,518
Assumption changes	-	-	35,451
Plan changes	-	30,638	30,147
Gain or loss	-	-	(42,802)
Benefit payments, including refunds or member contributions	-	(167,532)	(134,296)
Net change in total pension liability	<u>97,705</u>	<u>(41,229)</u>	<u>(151,149)</u>
Beginning of year	792,325	890,030	848,801
End of year	<u>\$ 890,030</u>	<u>\$ 848,801</u>	<u>\$ 833,652</u>
Plan Fiduciary Net Pension (FNP)			
Contributions - employer	\$ 9,800	\$ 9,800	\$ 10,200
Contributions - employee	87,045	98,717	96,179
Net investment income	64,107	67,353	62,567
Gain/(loss) on investments	(34,931)	(94,790)	11,174
Benefit payments, including refunds of member contributions	-	(167,532)	(134,296)
Net change in plan fiduciary net position	<u>126,021</u>	<u>(86,452)</u>	<u>45,824</u>
Beginning of year	901,308	1,027,329	940,877
End of year	<u>\$ 1,027,329</u>	<u>\$ 940,877</u>	<u>\$ 986,701</u>
Net Pension Liability (NPL)	<u>\$ (137,299)</u>	<u>\$ (92,076)</u>	<u>\$ (153,049)</u>

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten year presentation, but does not required retroactive reporting. Information prior to 2014 is not available.

GENERAL EMPLOYEES FUND

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

POLICE AND FIRE FUND

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

POLICE AND FIRE FUND (CONTINUED)

2017 Changes (Continued)

- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be 3 years younger) and female members (husbands assumed to be 4 years older) to the assumption that males are 2 years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes in Plan Provisions

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

Changes in Actuarial Assumptions

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

FIRE RELIEF ASSOCIATION

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 6.75% to 4.75%.

City of Sartell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2017

City of Sartell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2017

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 4,694,946	\$ 4,603,980	\$ (90,966)
Licenses and permits	604,700	939,131	334,431
Intergovernmental revenue	144,495	146,956	2,461
Local government aid	-	352	352
Market value credit	2,400	2,402	2
PERA Aid	91,000	96,967	5,967
Fire Aid	126,000	162,702	36,702
Police Aid	-	16,590	16,590
Other grants and aids	363,895	425,969	62,074
Total intergovernmental revenue	466,290	608,648	142,358
Charges for services	46,450	70,369	23,919
General government	295,000	370,917	75,917
Public safety	25,500	52,442	26,942
Public works	3,200	38,712	35,512
Culture and recreation	370,150	532,440	162,290
Total charges for services	671,200	1,064,886	393,686
Fines and forfeitures	67,750	52,348	(15,402)
Miscellaneous revenues	12,000	30,579	18,579
Investment income	9,000	46,787	37,787
Refunds and reimbursements	51,375	2,643	(48,732)
Miscellaneous	72,375	80,009	7,634
Total miscellaneous revenues	144,750	160,026	15,276
Total revenues	6,173,816	6,633,877	460,061

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures			
General government	\$ 98,593	\$ 88,053	\$ (10,540)
Mayor and council	465,450	486,565	21,115
Administrative and finance	3,000	22,922	19,922
Other general government	567,043	597,540	30,497
Total general government	1,034,086	1,115,080	80,994
Public safety	2,463,400	2,380,588	(82,812)
Police	10,800	13,800	3,000
Current	370,500	326,577	(43,923)
Capital outlay	12,000	-	(12,000)
Fire	294,350	367,198	72,848
Current	11,050	9,135	(1,915)
Capital outlay	3,162,100	3,097,298	(64,802)
Building inspections			
Current			
Other			
Current			
Total public safety			
Public works	1,095,060	1,098,962	3,902
Streets, roadways, and maintenance	1,000	-	(1,000)
Current	22,125	13,925	(8,200)
Capital outlay	1,118,185	1,112,887	(5,298)
Compost facility			
Current			
Total public works			
Community and economic development	267,300	226,619	(40,681)
Current			

City of Sartell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended December 31, 2017

City of Sartell
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2017

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
Park and recreation			
Current	\$ 528,400	\$ 481,957	\$ (46,443)
Total expenditures	<u>5,643,028</u>	<u>5,516,301</u>	<u>(126,727)</u>
Excess of revenues over expenditures	530,788	1,117,576	586,788
Other Financing Sources (Uses)			
Transfers in	101,212	101,211	(1)
Transfers out	(632,000)	(878,500)	(246,500)
Total other financing sources (uses)	<u>(530,788)</u>	<u>(777,289)</u>	<u>(246,501)</u>
Net change in fund balances	\$ -	340,287	\$ 340,287
Fund Balances		<u>3,811,499</u>	
Beginning of year			
End of year		<u>\$ 4,151,786</u>	

	Park Improvement (211)	Youth Programs (212)	DUI Forfeiture (214)	Special Initiatives (215)
Assets				
Cash and investments	\$ 12,284	\$ 9,310	\$ 23,367	\$ 3,707
Taxes receivable - delinquent	-	-	-	-
Special assessments receivable	-	-	-	-
Delinquent Deferred	-	-	-	-
Interest receivable	15	11	29	5
Accounts receivable	690	1,100	-	-
Due from other governments	-	-	-	-
Advances due from other funds	-	-	-	-
Total assets	<u>\$ 12,989</u>	<u>\$ 10,421</u>	<u>\$ 23,396</u>	<u>\$ 3,712</u>
Liabilities				
Accounts and contracts payable	-	-	\$ 1,375	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Advances due to other funds	-	-	1,375	-
Total liabilities	-	-	<u>1,375</u>	-
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances				
Restricted	12,989	10,421	22,021	3,712
Committed	-	-	-	-
Unassigned	<u>12,989</u>	<u>10,421</u>	<u>22,021</u>	<u>3,712</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,989</u>	<u>\$ 10,421</u>	<u>\$ 23,396</u>	<u>\$ 3,712</u>

City of Sartell
 Combining Balance Sheet -
 Nonmajor Governmental Funds
 December 31, 2017

	Debt Service					Capital Projects					
	G.O. Improvement Bonds, Series 2010A (325)	G.O. Refunding Bonds, Series 2010B (327)	G.O. Improvement Bonds, Series 2012 (329)	G.O. Tax Abatement Bonds, Series 2015A (335)	G.O. Tax Abatement Bonds, Series 2016A (336)	Municipal State Aid Maintenance (405)	City Buildings Improvement Projects (410)	Police Department Equipment (412)	Fire Department Equipment (413)	Public Works Equipment (414)	Technology (415)
Cash and investments	\$ 946,952	\$ 147,162	\$ 126,644	\$ 381,319	\$ 21	\$ 7,941	\$ -	\$ 42,939	\$ 254,636	\$ 358,811	\$ 39,354
Taxes receivable - delinquent	-	-	-	1,540	-	-	-	-	-	-	-
Special assessments receivable	-	-	-	-	-	-	-	-	-	-	-
Delinquent	-	-	-	-	-	-	-	-	-	-	-
Deferred	-	-	-	469	-	10	(7)	53	313	257	48
Interest receivable	1,164	181	156	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	1,525	-	-	-	-	-	-	-
Due from other governments	-	-	-	507,702	-	-	-	-	-	-	-
Advances due from other funds	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 948,116	\$ 147,343	\$ 126,800	\$ 892,555	\$ 21	\$ 7,951	\$ (7)	\$ 42,992	\$ 254,949	\$ 359,068	\$ 39,402
Liabilities											
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenue	804,938	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	5,686	-	-	-	-
Advances due to other funds	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	\$ 804,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,686	\$ -	\$ -	\$ -	\$ -
Deferred Inflows of Resources											
Unavailable revenue - property taxes	-	-	-	1,540	-	-	-	-	-	-	-
Unavailable revenue - special assessments	-	-	-	1,540	-	-	-	-	-	-	-
Total deferred inflows of resources	\$ -	\$ -	\$ -	\$ 3,080	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances											
Restricted	143,178	147,343	126,800	891,015	21	7,951	-	42,992	254,949	359,068	39,402
Committed	-	-	-	-	-	-	(5,693)	-	-	-	-
Unassigned	-	-	-	-	-	-	(5,693)	-	-	-	-
Total fund balances	\$ 143,178	\$ 147,343	\$ 126,800	\$ 891,015	\$ 21	\$ 7,951	\$ (5,693)	\$ 42,992	\$ 254,949	\$ 359,068	\$ 39,402
Total liabilities, deferred inflows of resources and fund balances	\$ 948,116	\$ 147,343	\$ 126,800	\$ 892,555	\$ 21	\$ 7,951	\$ (7)	\$ 42,992	\$ 254,949	\$ 359,068	\$ 39,402

City of Sacreel
 Combining Balance Sheet -
 Nonmajor Governmental Funds
 December 31, 2017

		Capital Projects					Capital Projects		Total
		Town Square Project (431)	Pinecone Road Project 2017 (433)	CR 29 & East Side Streets (434)	2017A Sales Tax Abatement (435)	Municipal Development District TIF 5-2 (441)	TIF District 5-4 (444)	TIF District 5-5 (445)	Governmental Funds
Assets									
Cash and investments									
Taxes receivable - delinquent									
Special assessments receivable									
Delinquent Deferred									1,863
Interest receivable						15			17,161
Accounts receivable									140,619
Due from other governments									236,351
Advances due from other funds									923,469
Total assets									\$ 15,093
Liabilities									
Accounts and contracts payable									
Unearned revenue									
Due to other funds									8,767
Advances due to other funds									8,767
Total liabilities									\$ 15,093
Deferred Inflows of Resources									
Unavailable revenue - property taxes									
Unavailable revenue - special assessments									
Total deferred inflows of resources									\$ 5,253
Fund Balances									
Restricted									
Committed									
Unassigned									
Total fund balances									\$ 7,951,655
Total liabilities, deferred inflows of resources and fund balances									\$ 15,067,137

**City of Sartell
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2017**

	Special Revenue					Special Revenue					
	Park Improvement (211)	Youth Programs (212)	DUI Forfeiture (214)	Special Initiatives (215)		Police Reserves (217)	City Beautification (221)	Forfeiture (222)	Lodging Tax (223)	Economic Development (224)	Public Education and Government Access Fee (227)
Revenues											
Taxes											
Property											
Sales											
Tax increment											
Special assessments											
Licenses and permits											
Intergovernmental	6,023						153,127	1,574			32,039
Charges for services											
Fines and forfeitures			2,064								
Miscellaneous											
Investment income	70	46	149	25		43	1,063	(1)	83	596	533
Contributions and donations	2,644	7,782		14,624		5,400	7,000	212			
Refunds and reimbursements								112			
Miscellaneous			2,343								
Total revenues	8,737	7,828	4,556	14,649		5,443	161,190	1,897	31,942	23,137	32,572
Expenditures											
Current											
General government											1,133
Public safety			8,772			4,436		873			
Public works											
Community and economic development				16,171					17,799	23,523	
Parks and recreation	26,616						85,244				
Debt service											
Principal											
Interest and other charges											
Capital outlay											4,094
General government											
Public safety											
Public works	15,615						519				
Parks and recreation	42,231	8,772	5,844	16,171		4,436	85,763	873	17,799	23,523	5,227
Total expenditures	(33,494)	(944)	(1,288)	(1,522)		1,007	75,427	1,024	14,143	(386)	27,345
Excess of revenues over (under) expenditures	12,000										
Other Financing Sources (Uses)											
Sale of property											
Issuance of debt											
Bond premium	18,000	6,000				1,500	(20,000)				
Transfers in											
Transfers out	30,000	6,000				1,500	(20,000)				
Total other financing sources (uses)	(3,494)	5,056	(1,288)	(1,522)		2,507	55,427	1,024	14,143	(386)	27,345
Net change in fund balances											
Special Item (Note 12)											
Fund Balances											
Beginning of year	16,483	5,365	23,309	5,234		5,638	133,837	(88)	5,303	58,828	75,069
End of year	12,989	10,421	22,021	3,712		8,145	189,264	936	19,446	58,442	102,414

**City of Sartell
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2017**

	Debt Service		Debt Service		Debt Service		Debt Service		Capital Projects	
	GO Improvement Bonds, Series 2007A/2012A (316,332)	GO Bonds of 2008A/2012A (318,333)	GO Refunding Bonds, Series 2009B (321)	GO Refunding Bonds, Series 2009E (324)	GO Improvement Bonds, Series 2010A (335)	GO Refunding Bonds, Series 2010B (327)	GO Improvement Bonds, Series 2012 (329)	GO Tax Abatement Bonds, Series 2015A (335)	GO Tax Abatement Bonds, Series 2016A (336)	CR/L/Leasak Improvement Project (432)
Revenues										
Taxes										
Property	\$ 310,191	\$ 189,946	\$ 231,106	\$			\$ 445,213	\$		
Sales										
Tax increment										
Special assessments	43,360	95,928		16,007						
Licenses and permits										
Intergovernmental						6,087				
Charges for services										
Fees and forfeitures										
Miscellaneous	4,216	1,510	(14)	7,451		863	467	970		(1,215)
Contributions and donations										
Refunds and reimbursements										
Miscellaneous										
Total revenues	357,767	287,384	231,092	23,458	774,366	6,950	467	446,183		(1,215)
Expenditures										
Current										
General government										
Public safety										
Public works										80
Community and economic development										
Parks and recreation										
Debt service										
Principal	640,000	250,000	200,000	720,000		75,000	115,000			
Interest and other charges	19,500	7,700	24,563	72,775		7,118	4,000		243,303	
Capital outlay										
General government										
Public safety										
Public works										267,811
Culture and recreation										267,891
Total expenditures	659,500	257,700	224,563	792,775	475,397	82,118	119,000		243,303	267,891
Excess of revenues over (under) expenditures	(301,733)	29,684	6,529	(769,317)	298,769	(75,168)	(118,533)	446,183	(243,303)	(269,106)
Other Financing Sources (Uses)										
Sale of property										
Issuance of debt										
Bond premium	117,000			700,000					243,500	534,111
Transfers in	(309,102)	(189,279)		700,000					243,500	534,111
Transfers out	(192,102)	(189,279)		700,000					243,500	534,111
Total other financing sources (uses)	(493,835)	(159,595)	6,529	(69,317)	623,769	(75,168)	(8,533)	446,183	197	265,005
Net change in fund balances					(242,237)					
Special Item (Note 12)										
Fund Balances										
Beginning of year	1,202,318	448,602	120,889	1,853,562	(480,591)	222,511	135,333	444,832	(176)	(265,005)
End of year	708,483	289,007	127,418	1,814,245	143,178	147,343	126,800	891,015	21	

City of Sarrell
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2017

	Capital Projects										
	Municipal State Aid Maintenance (405)	City Buildings Improvement Projects (410)	Police Department Equipment (412)	Fire Department Equipment (413)	Public Works Equipment (414)	Technology (415)	Civil Defense (416)	Street (417)	Pine Cone Road Project (428)	Town Square Project (431)	Pinecone Road Project 2017 (433)
Revenues											
Taxes											
Property											
Sale											
Income											
Special assessments											
Licenses and permits											
Intergovernmental	27,779							595,335			
Charges for services											
Fines and forfeitures			340								
Miscellaneous											
Investment income	720	7	7	1,230	421	202	49	8,451	468	461	(798)
Contributions and donations					1,000					16,900	
Refunds and reimbursements				125							
Miscellaneous								50,000		150	
Total revenues	28,499	7	347	1,655	1,421	202	49	653,786	468	17,511	(798)
Expenditures											
Current											
General government											
Public safety											
Public works		3,948	176								5,115
Community and economic development											
Parks and recreation										10,221	
Debt service											
Principal											
Interest and other charges											
Capital outlay											
General government											
Public safety		12,077	127,529			31,701					
Public works					121,776			1,308,208	82,172		262,793
Culture and recreation										121,345	
Total expenditures		16,025	127,705		121,776	31,701		1,329,994	82,172	133,466	267,908
Excess of revenues over (under) expenditures	28,499	(16,018)	(127,358)	1,655	(120,354)	(43,622)	49	(676,208)	(81,704)	(115,955)	(268,706)
Other Financing Sources (Uses)											
Sale of property					4,085						
Issuance of debt											
Bond premium											
Transfers in		145,000	100,000					1,284,218			
Transfers out	(142,000)	(145,000)			545,000	50,000	8,000	65,951			
Total other financing sources (uses)					545,085	50,000	8,000	(3,100,000)			
Net change in fund balances	(113,501)	(16,018)	(6,568)	66,851	428,731	6,378	8,049	706,349	(182,092)	(115,955)	(268,706)
Special Item (Note 12)											
Fund Balances											
Beginning of year	121,452	10,325	49,560	188,098	(69,663)	33,024	(203)	291,510	182,092	128,098	(9,522)
End of year	7,951	(5,693)	42,992	254,949	359,068	39,402	7,846	997,859	182,092	12,143	(278,228)

**City of Sartell
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2017**

	Capital Projects				Total Nonmajor Governmental Funds
	CR, 29 & East Side Streets (434)	2017A Sales Tax Abatement (435)	Municipal Development District TIF S-2 (441)	TIF District S-4 (444)	
Revenues					
Taxes					
Property					
Sales					\$ 1,198,997
Special assessments			23,216	104,260	1,241,230
Licenses and permits					157,234
Intergovernmental					155,295
Charges for services					595,335
Fines and forfeitures					809,209
Miscellaneous					1,887,779
Investment income	(371)	5,139	76	96	3,978
Contributions and donations		45,000			58,961
Refunds and reimbursements					100,475
Miscellaneous					212
Total revenues	(371)	50,139	23,292	104,356	6,274,972
Expenditures					
Current					
General government					13,256
Public safety					24,049
Public works	265				5,560
Community and economic development			22,070	1,280	109,255
Parks and recreation					164,245
Debt service					3,950,000
Principal					849,207
Interest and other charges		56,515			35,795
Capital outlay					139,606
General government					2,194,610
Public safety	151,850				1,229,356
Public works		422,500			28,412
Culture and recreation		479,015	22,070	1,280	8,714,939
Total expenditures	152,115	479,015	22,070	1,280	28,412
Excess of revenues over (under) expenditures	(152,486)	(428,876)	1,222	103,076	1,361
Other Financing Sources (Uses)					
Sale of property					37,822
Issuance of debt		3,369,500			4,653,718
Bond premium		173,042			238,993
Transfers in					4,791,764
Transfers out		(1,617,884)			(3,870,987)
Total other financing sources (uses)		1,924,658			5,851,310
Net change in fund balances	(152,486)	1,495,782	1,222	9,242	1,361
Special Item (Note 12)					(242,237)
Fund Balances					
Beginning of year			11,275	5,851	8,245,491
End of year	(152,486)	1,495,782	12,497	15,093	11,414,597

City of Sartell
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2017



Federal Agency/Pass Through Agency/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Transportation		
Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 1,650,748
U.S. Department of Homeland Security		
Direct award Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	155
Total Federal Expenditures		\$ 1,650,903

**Report on Internal Control over Financial Reporting
 and on Compliance and Other Matters Based on an Audit of
 Financial Statements Performed in Accordance with
 Government Auditing Standards**

Independent Auditor's Report

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sartell, Minnesota, as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

See notes to schedule of expenditures and federal awards



Internal Control over Financial Reporting (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness, listed as Audit Finding 2017-002.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies, listed as Audit Finding 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses on Internal Control. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bergank DV, Ltd.

St. Cloud, Minnesota
March 29, 2018



Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.



Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report on Internal Control over Compliance (Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bergankov, CPA

St. Cloud, Minnesota
March 29, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements	Type of auditor's report issued:	Unmodified	Audit Finding 2017-001 - Lack of Segregation of Accounting Duties
Internal control over financial reporting:			<i>Criteria or Specific Requirement:</i> Internal control that supports the City's ability to initiate record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.
<ul style="list-style-type: none"> Material weakness(es) identified? Significant deficiency(ies) identified? 	Yes	Audit Finding 2017-002	
Noncompliance material to financial statements noted?	Yes	Audit Finding 2017-001	<i>Condition:</i> The City had a lack of segregation of accounting duties in the cash disbursements, receipts, and payroll processes due to a limited number of office employees. Although this meets the definition of a "significant deficiency," it may not be practical to correct since the costs of obtaining desirable segregation of accounting duties may exceed benefits that could be derived.
Federal Awards		No	<i>Context:</i> This finding impacts the internal control for all significant accounting functions.
Type of auditor's report issued on compliance for major programs:		Unmodified	<i>Effect:</i> The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.
Internal control over major programs:		No	<i>Cause:</i> There are a limited number of office employees.
<ul style="list-style-type: none"> Material weakness(es) identified? Significant deficiency(ies) identified? 	No	No	<i>Recommendation:</i> Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No	No	<i>Management's Response:</i>
Identification of Major Programs		20,205	CORRECTIVE ACTION PLAN (CAP):
CFDA No.:		Highway Planning and Construction	1. Explanation of Disagreement with Audit Finding There is no disagreement with the audit finding.
Name of Federal Program or Cluster:		\$750,000	2. Actions Planned in Response to Finding The City plans to review opportunities for further segregation of duties and assignment of duties during 2018 and continually moving forward.
Dollar threshold used to distinguish between type A and type B programs:		No	
Auditee qualified as low risk auditee?		No	

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2017-001 - Lack of Segregation of Accounting Duties (Continued)

CORRECTIVE ACTION PLAN (CAP): (CONTINUED)

3. **Official Responsible for Ensuring CAP**
Heidi Ostlie, Finance Director, is the official responsible for ensuring corrective action of the deficiency.
4. **Planned Completion Date for CAP**
The planned completion date for the CAP is ongoing.
5. **Plan to Monitor Completion of CAP**
The City Administrator and City Council will be monitoring this CAP.

Audit Finding 2017-002 – Material Audit Adjustment

Criteria or Specific Requirement:

Internal control that supports the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires all material closing entries be posted prior to the audit.

Condition:

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal control and, therefore, could have resulted in a material misstatement of the City's financial statements.

In order to ensure financial statements were free from material misstatement, audit adjustments were required to record federal revenue due from the State of Minnesota and increase intangible sewer rights asset and notes payable to the City of St. Cloud.

Context:

This finding impacts the internal control for all significant accounting functions.

Effect:

The closing entries not being completed could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2017-002 – Material Audit Adjustment (Continued)

Cause:

The City was unaware of proper recording of these items.

Recommendation:

Ensure that all adjusting entries are properly recorded.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. **Explanation of Disagreement with Audit Finding**
There is no disagreement with the audit finding.
2. **Actions Planned in Response to Finding**
The City will ensure that all material adjustments are recorded.
3. **Official Responsible for Ensuring CAP**
Heidi Ostlie, Finance Director, is the official responsible for ensuring corrective action of the deficiency.
4. **Planned Completion Date for CAP**
The planned completion date for the CAP is December 31, 2018.
5. **Plan to Monitor Completion of CAP**
The City Administrator and City Council will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no questioned costs.

City of Sartell
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION IV – PRIOR YEAR FINDINGS

Audit Finding 2016-001 - Lack of Segregation of Accounting Duties

Criteria or Specific Requirement:

Internal control that supports the City's ability to initiate record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:

The City had a lack of segregation of accounting duties in the cash disbursements, receipts, and payroll processes due to a limited number of office employees. Although this meets the definition of a "significant deficiency," it may not be practical to correct since the costs of obtaining desirable segregation of accounting duties may exceed benefits that could be derived.

Context:

This finding impacts the internal control for all significant accounting functions.

Effect:

The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Cause:

There are a limited number of office employees.

Recommendation:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Audit Finding 2016-002 – Preparation of Financial Statements

Criteria or Specific Requirement:

The City does not have a process, including the related internal control, established to provide for the preparation of the financial statements.

Condition:

The City does not have a process, including the related internal control, established to provide for the internal preparation of the financial statements being audited. This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected. Therefore, City management has requested BerganKDV, Ltd. draft the financial statements and accompanying notes to financial statements. It is the responsibility of management to receive and review these financial statements and take responsibility for them. The management of the City has taken such responsibility.

City of Sartell
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION IV – PRIOR YEAR FINDINGS (CONTINUED)

Audit Finding 2016-002 – Preparation of Financial Statements (Continued)

Context:

This finding impacts the internal control for all significant accounting functions.

Effect:

This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Cause:

City Office employees have not had the training necessary to ensure financial statements are prepared in their entirety.

Recommendation:

Continue to train City Office employees on financial statement presentation issues.

Audit Finding 2016-003 – Material Audit Adjustment

Criteria or Specific Requirement:

Internal control that supports the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires all material closing entries be posted prior to the audit.

Condition:

During the course of our engagement, we proposed a material audit adjustment that would not have been identified as a result of the City's existing internal control and, therefore, could have resulted in a material misstatement of the City's financial statements.

In order to ensure financial statements were free from material misstatement, an audit adjustment was required to decrease prepaid items and increase capital outlay expenditures.

Context:

This finding impacts the internal control for all significant accounting functions.

Effect:

The closing entries not being completed could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.



SECTION IV – PRIOR YEAR FINDING (CONTINUED)

Audit Finding 2016-003 – Material Audit Adjustment (Continued)

Cause:

The City believed the asset was not placed into use until after year-end.

Recommendation:

Ensure all closing entries are properly recorded.

Report on Legal Compliance

Independent Auditor's Report

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

We have audited, 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 controller of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sartell, Minnesota as of and for the year ended December 31, 2017, and the related notes to financial statements, and have issued our report thereon dated March 29, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Sartell failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

St. Cloud, Minnesota
March 29, 2018

FORM OF LEGAL OPINION

(See following page)



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

PROPOSED FORM OF LEGAL OPINION

\$ _____
 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2018B
 CITY OF SARTELL
 BENTON AND STEARNS COUNTIES
 MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Sartell, Benton and Stearns Counties, Minnesota (the "Issuer"), of its \$ _____ General Obligation Refunding Bonds, Series 2018B, bearing a date of original issue of June 28, 2018 (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:

(1) 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.

(2) 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

PROPOSED FORM OF LEGAL OPINION

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.

(3) 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

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following page)

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Sartell, Minnesota (the "Issuer"), in connection with the issuance of its \$ _____ General Obligation Refunding Bonds, Series 2018B (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on June 11, 2018 (the "Resolution"). Pursuant to the Resolution and this 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.

"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 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated _____, 2018, 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, 2018, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2019, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report 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. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Current Property Valuations; Direct Debt; Tax Levies and Collections; US Census Data/Population Trend; and Employment/Unemployment Data.

B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 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.

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.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. 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 7. 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 8. 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 9. 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 10. 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 11. 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 12. 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 8 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: _____, 2018.

CITY OF SARTELL, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator-Clerk

APPENDIX E

TERMS OF PROPOSAL

\$7,855,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2018B CITY OF SARTELL, MINNESOTA

Proposals for the purchase of \$7,855,000* General Obligation Refunding Bonds, Series 2018B (the "Bonds") of the City of Sartell, Minnesota (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on June 11, 2018, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 6:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, and Section 475.67, by the City for the purpose of effecting a current refunding of certain outstanding general obligations of the City. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated June 28, 2018, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on August 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$630,000	2023	\$715,000	2027	\$805,000
2020	655,000	2024	735,000	2028	835,000
2021	675,000	2025	755,000	2029	575,000
2022	695,000	2026	780,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on August 1 and February 1 of each year, commencing February 1, 2019, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

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

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

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

DELIVERY

On or about June 28, 2018, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$7,933,550 plus accrued interest on the principal sum of \$7,855,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

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

A good faith deposit ("Deposit") in the amount of \$157,100 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

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.

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the Underwriter. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the Underwriter on its proposal form to determine the issue price for the Bonds. On its proposal form, each Underwriter must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

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

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

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

(e) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the 10% test, the Underwriter agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a certain maturity have been sold.

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

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

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the City Council

City of Sartell, Minnesota

PROPOSAL FORM

The City Council
City of Sartell, Minnesota

June 11, 2018

RE: \$7,855,000* General Obligation Refunding Bonds, Series 2018B
DATED: June 28, 2018

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$ _____ (not less than \$7,933,550) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

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

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

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2019 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$157,100, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers & Associates no later than two hours after the proposal opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. If our proposal is not accepted, said deposit shall be promptly returned to us. If the Deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about June 28, 2018.

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

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

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

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

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from June 28, 2018 of the above proposal is \$ _____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Sartell, Minnesota, on June 11, 2018.

By: _____ By: _____
Title: _____ Title: _____