

# PRELIMINARY OFFICIAL STATEMENT DATED JULY 26, 2018

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations with respect to taxable years beginning before January 1, 2018 and in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. See "TAX EXEMPTION AND RELATED CONSIDERATIONS" herein.

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

## New Issue

**Credit Enhanced Rating: Moody's Investors Service "Aa2"**  
**Underlying Rating: Moody's Investors Service "A3"**

## CITY OF LONG PRAIRIE, MINNESOTA (Todd County)

(Minnesota City Credit Enhancement Program)

### \$11,725,000\* GENERAL OBLIGATION SEWER REVENUE BONDS, SERIES 2018A

**PROPOSAL OPENING:** August 6, 2018, 10:30 A.M., C.T.      **CONSIDERATION:** August 6, 2018, 7:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$11,725,000\* General Obligation Sewer Revenue Bonds, Series 2018A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, by the City of Long Prairie, Minnesota (the "City") for the purpose of financing the construction of various sanitary sewer utility system improvements within the City. 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 Dorsey & Whitney LLP, Minneapolis, Minnesota.

**DATE OF BONDS:** August 30, 2018

**MATURITY:** February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2020	\$270,000	2027	\$530,000	2034	\$670,000
2021	470,000	2028	545,000	2035	695,000
2022	470,000	2029	560,000	2036	725,000
2023	480,000	2030	585,000	2037	745,000
2024	490,000	2031	605,000	2038	780,000
2025	505,000	2032	620,000	2039	810,000
2026	520,000	2033	650,000		

**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:** August 1, 2019 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Bonds maturing February 1, 2028 and thereafter are subject to call for prior redemption on February 1, 2027 and any date thereafter, at a price of par plus accrued interest.

**MINIMUM PROPOSAL:** \$11,607,750

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$234,500 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation

**BOND COUNSEL:** Dorsey & Whitney LLP

**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.

# TABLE OF CONTENTS

INTRODUCTORY STATEMENT .....	1	FINANCIAL STATEMENTS .....	A-1
THE BONDS .....	1	FORM OF LEGAL OPINION .....	B-1
GENERAL .....	1	BOOK-ENTRY-ONLY SYSTEM .....	C-1
OPTIONAL REDEMPTION .....	2	FORM OF CONTINUING DISCLOSURE COVENANTS (EXCERPTS FROM SALE RESOLUTION) .....	D-1
AUTHORITY; PURPOSE .....	2	TERMS OF PROPOSAL .....	E-1
ESTIMATED SOURCES AND USES .....	2		
SECURITY .....	2		
CONCURRENT FINANCING .....	3		
RATING .....	3		
CONTINUING DISCLOSURE .....	4		
LEGAL OPINION .....	4		
TAX EXEMPTION AND RELATED TAX CONSIDERATIONS .....	5		
MUNICIPAL ADVISOR .....	8		
MUNICIPAL ADVISOR AFFILIATED COMPANIES .....	8		
INDEPENDENT AUDITORS .....	8		
RISK FACTORS .....	8		
VALUATIONS .....	10		
OVERVIEW .....	10		
2017/18 NET TAX CAPACITY BY CLASSIFICATION .....	12		
TREND OF VALUATIONS .....	12		
LARGER TAXPAYERS .....	13		
DEBT .....	14		
DIRECT DEBT .....	14		
SCHEDULES OF BONDED INDEBTEDNESS .....	15		
DEBT LIMIT .....	21		
OVERLAPPING DEBT .....	21		
DEBT RATIOS .....	22		
DEBT PAYMENT HISTORY .....	22		
FUTURE FINANCING .....	22		
TAX RATES, LEVIES AND COLLECTIONS .....	23		
TAX LEVIES AND COLLECTIONS .....	23		
TAX CAPACITY RATES .....	23		
LEVY LIMITS .....	24		
THE ISSUER .....	25		
CITY GOVERNMENT .....	25		
EMPLOYEES; PENSIONS; UNIONS .....	25		
POST EMPLOYMENT BENEFITS .....	25		
LITIGATION .....	25		
MUNICIPAL BANKRUPTCY .....	26		
FUNDS ON HAND .....	26		
ENTERPRISE FUNDS .....	27		
SUMMARY GENERAL FUND INFORMATION .....	28		
GENERAL INFORMATION .....	29		
LOCATION .....	29		
LARGER EMPLOYERS .....	29		
BUILDING PERMITS .....	30		
U.S. CENSUS DATA .....	31		
EMPLOYMENT/UNEMPLOYMENT DATA .....	31		

## **CITY OF LONG PRAIRIE CITY COUNCIL**

		<u>Term Expires</u>
Don Rasmussen	Mayor	January 2019
Lilah Gripne	Council Member	January 2021
Devin Hines	Council Member	January 2019
Randy Mechels	Council Member	January 2021
Tony Towle	Council Member	January 2019

## **ADMINISTRATION**

Brenda Thomes, City Administrator/Clerk

## **PROFESSIONAL SERVICES**

Dorsey & Whitney LLP, 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 Long Prairie, Minnesota (the "City") and the issuance of its \$11,725,000\* General Obligation Sewer Revenue Bonds, Series 2018A (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 awarding the sale of the Bonds ("Award Resolution") to be adopted by the City Council on August 6, 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](http://www.ehlers-inc.com) by connecting to the link to the Bond Sales 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 August 30, 2018. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 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 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2020 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

\*Preliminary, subject to change.

## OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2028 shall be subject to optional redemption prior to maturity on February 1, 2027 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, by the City for the purpose of financing the construction of the 2018 Wastewater Treatment Improvements in the City.

## ESTIMATED SOURCES AND USES\*

<b>Sources</b>		
Par Amount of Bonds	\$11,725,000	
Grant Funds	<u>2,500,000</u>	
<b>Total Sources</b>		<b>\$14,225,000</b>
<b>Uses</b>		
Total Underwriter's Discount (1.000%)	\$117,250	
Costs of Issuance	105,000	
Deposit to Project Construction Fund	14,000,000	
Rounding Amount	<u>2,750</u>	
<b>Total Uses</b>		<b>\$14,225,000</b>

\*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 sewer system which is 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.

The City has certain contractual obligations with each private user in the Significant Industrial User Agreements for services at the wastewater treatment plant being financed by the Bonds. The City received a \$12,000,000 allocation of state volume cap on July 2, 2018 and held the required public hearing on July 16, 2018 to qualify the Bonds as "exempt facility" private activity obligations.

## **CONCURRENT FINANCING**

By means of a separate Preliminary Official Statement, the City will be offering for sale its General Obligation Bonds, Series 2018B (the "Concurrent Obligations" or the "Series 2018B Bonds") which are scheduled to close on August 30, 2018.

## **RATING**

The City will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a rating from Moody's Investors Service ("Moody's"). Moody's has a policy which assigns a minimum rating of "Aa2" to issuers participating in the MNCEP. The "Aa2" rating is based on the State of Minnesota's current "Aa1" rating from Moody's. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM" for further details.

The City received an "A3" underlying rating from Moody's on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. 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 judgement 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.

## **STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM**

By resolution adopted for this issue on May 21, 2018 (the "Resolution"), the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086 (the "Act"), which provides for payment by the State of Minnesota in the event of a potential default of certain obligations. The City has entered into a Credit Enhancement Program Agreement (the "Agreement") with the Minnesota Public Facilities Authority (the "Authority"), which is acting on behalf of the State of Minnesota. The provisions of the Agreement shall be binding on the City as long as any obligations of the issue remain outstanding.

The City covenants in the Agreement to deposit with the paying agent for the issue three business days prior to the date on which a payment is due an amount sufficient to make that payment. Under the Agreement, if the City believes it may be unable to make a principal or interest payment for this issue on the due date, it must notify the Authority not less than 15 business days prior to the date a payment is due on the Bonds if the City will be unable to make all or a portion of the payment. The City's agreement with the Paying Agent for the Bonds requires the Paying Agent to immediately inform the Minnesota Commissioner of Management and Budget, with a copy to the Authority, if the Paying Agent becomes aware of a default or potential default in the payment of principal or interest on the Bonds, or if, on the day two business days before the date a payment is due on the Bonds, there are insufficient funds on deposit with the Paying Agent to make the payment.

If the City is unable to make any portion of the payment on the Bonds on or before the date due, the State of Minnesota, acting through the Authority, shall make such payment in its place pursuant to the Act, providing that funds are available in the State General Fund. The obligation to make a payment under the Act is not a general obligation of the State of Minnesota. The Act does not obligate the Minnesota legislature to provide for the availability of funds in the General Fund for this purpose.

## **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.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule.

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

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

## **LEGAL OPINION**

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP, Minneapolis, Minnesota, bond counsel to the City.



## TAX EXEMPTION AND RELATED TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The City has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as "capital assets" (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of the Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies, brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations, subject to the branch profits tax; and S corporations, partnerships, or other pass-through entities or investors therein.

**Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.**

### *Tax Exempt Interest*

In the opinion of Dorsey & Whitney, LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (I) is excluded from gross income for federal income tax purposes (ii) is not an item of tax preference for federal alternative minimum tax purposes; (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations with respect to taxable years beginning before January 1, 2018 and in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Bond proceeds and other amounts. The City has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

### ***Original Issue Discount***

Bonds may be issued at a discount from their principal amount (any such Bonds being "Discount Bonds"). The excess of the principal amount of Bonds of a given maturity over their "issue price" (*i.e.*, the first price at which a substantial amount of the Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) constitutes "original issue discount" ("OID"). OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder's federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

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

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

It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law.

### ***Market Discount***

A holder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium may recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates and trusts.

### ***Bond Premium***

A holder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal and Minnesota tax basis for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium may recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, or trusts.

### ***Related Tax Considerations***

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deductible for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a reduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, no deduction is allowed under Section 265(b) of the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. The Bonds are not "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds, may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

### ***Sale or Other Disposition***

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (I) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder's adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued OID with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

### ***Information Reporting and Backup Withholding***

Payments of interest on the Bonds (including any allocable bond premium or accrued OID) and proceeds from the sale or other disposition of the Bonds generally will be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

## **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 Schlenner Wenner & Co., 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 (sewer 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 bond 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 United States 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.

**Cybersecurity:** Municipalities are dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may be valued for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that they will not experience a breach with financial consequences that could have a material adverse impact.

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

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

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

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

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

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

## CURRENT PROPERTY VALUATIONS

2016/17 Economic Market Value <sup>1</sup>		<u>\$126,996,346<sup>2</sup></u>
	<b>2017/18 Assessor's Estimated Market Value</b>	<b>2017/18 Net Tax Capacity</b>
Real Estate	\$127,356,200	\$ 1,433,895
Personal Property	<u>1,835,800</u>	<u>36,667</u>
Total Valuation	<u>\$129,192,000</u>	\$ 1,470,562
Less: Captured Tax Increment Tax Capacity <sup>3</sup>		<u>(150,615)</u>
Taxable Net Tax Capacity		<u>\$ 1,319,947</u>

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<sup>1</sup> Most recent value available from the Minnesota Department of Revenue.

<sup>2</sup> According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City of Long Prairie is about 93.43% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$126,996,346.

<sup>3</sup> The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City of Long Prairie.

## 2017/18 NET TAX CAPACITY BY CLASSIFICATION

	2017/18 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$ 435,922	29.64%
Agricultural	3,203	0.22%
Commercial/industrial	752,148	51.15%
Public utility	291	0.02%
Non-homestead residential	234,203	15.93%
Commercial & residential seasonal/rec.	8,128	0.55%
Personal property	36,667	2.49%
Total	<u>\$ 1,470,562</u>	<u>100.00%</u>

## TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity <sup>1</sup>	Taxable Net Tax Capacity <sup>2</sup>	Percent +/- in Estimated Market Value
2013/14	\$118,574,100	\$ 98,898,200	\$ 1,244,922	\$ 1,155,453	- 0.24%
2014/15	116,563,300	97,529,000	1,236,189	1,143,279	- 1.70%
2015/16	112,364,400	93,586,867	1,195,737	1,104,292	- 3.60%
2016/17	118,752,400	99,632,613	1,279,221	1,212,518	+ 5.69%
2017/18	129,192,000	109,945,143	1,470,562	1,319,947	+ 8.79%

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<sup>1</sup> Net Tax Capacity includes tax increment values.

<sup>2</sup> Taxable Net Tax Capacity does not include tax increment values.



**LARGER TAXPAYERS<sup>1</sup>**

<b>Taxpayer</b>	<b>Type of Property</b>	<b>2017/18 Net Tax Capacity</b>	<b>Percent of City's Total Net Tax Capacity</b>
Centracare Health System	Commercial	\$107,986	7.34%
LSC Communications MM LLC	Industrial	105,702	7.19%
Long Prairie Packing Co. Inc.	Industrial	101,317	6.89%
Farmers Union Processing	Industrial	65,695	4.47%
Dan's Prize, Inc.	Industrial	42,678	2.90%
Minnesota Power & Light Co.	Utility	36,586	2.49%
Coborn Realty Company	Commercial	31,266	2.13%
Little Falls Courtyard LLC	Apartments	20,383	1.39%
Central Minnesota Credit Union	Commercial	18,600	1.26%
Minnesota National Bank	Commercial	18,278	1.24%
<b>Total</b>		<u><u>\$548,491</u></u>	<u><u>37.30%</u></u>

City's Total 2017/18 Net Tax Capacity      \$1,470,562

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

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<sup>1</sup> In 2018, the estimated median commercial and industrial sales ratio used to equalize utility values in Todd County dropped below 90% to 75.73%, thereby resulting in lower valuations for this classification of property. Depreciation may also have affected the decrease in valuations.

## DEBT

**DIRECT DEBT**<sup>1</sup> (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 Series 2018A Bonds)*	\$ 16,650,000
Total g.o. debt being paid from revenues and taxes (includes the Series 2018B Bonds)*	1,985,000
Total g.o. debt being paid from special assessments and taxes	4,465,000
Total g.o. debt being paid from special assessments and tax increment revenues	870,000
Total g.o. debt being paid from revenues, special assessments, and taxes	1,065,000
Total g.o. debt being paid from tax abatement revenues and taxes	<u>4,000,000</u>
Total General Obligation Debt*	<u><u>\$ 29,035,000</u></u>

\*Preliminary, subject to change.

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

**CITY OF LONG PRAIRIE, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Being Paid From Revenues**  
**(As of 8/30/18)**

Fiscal Year Ending	Drinking Water (MPFA Loan)		Clean Water (MPFA Loan)		Water 1) Series 2015A		Sewer Revenue Series 2018A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest						
2018	4/06/01 \$1,098,586	8/20	74,000	4,516	226,000	40,066	0	0	300,000	44,582	344,582	16,350,000	1.80%	2018
2019			77,000	6,139	231,000	75,183	0	0	443,000	474,366	917,366	15,907,000	4.46%	2019
2020			80,000	3,128	236,000	70,124	135,000	19,665	426,000	475,887	1,201,887	15,181,000	8.82%	2020
2021					241,000	64,955	170,000	13,815	881,000	456,553	1,337,553	14,300,000		2021
2022			247,000	59,678	247,000	59,678	165,000	10,465	882,000	437,350	1,319,350	13,418,000	19.41%	2022
2023			252,000	54,268	252,000	54,268	165,000	7,165	897,000	417,356	1,314,356	12,521,000	24.80%	2023
2024			258,000	48,749	258,000	48,749	170,000	3,815	918,000	396,237	1,314,237	11,603,000	30.31%	2024
2025			263,000	43,099	263,000	43,099	45,000	1,586	813,000	375,170	1,188,170	10,790,000	35.20%	2025
2026			269,000	37,340	269,000	37,340	45,000	529	834,000	354,256	1,188,256	9,956,000	40.20%	2026
2027			275,000	31,448	275,000	31,448	45,000		805,000	332,871	1,137,871	9,151,000	45.04%	2027
2028			281,000	25,426	281,000	25,426			826,000	310,580	1,136,580	8,325,000	50.00%	2028
2029			287,000	19,272	287,000	19,272			847,000	286,742	1,133,742	7,478,000	55.09%	2029
2030			293,000	12,987	293,000	12,987			878,000	261,412	1,139,412	6,600,000	60.36%	2030
2031			300,000	6,570	300,000	6,570			905,000	234,614	1,139,614	5,695,000	65.80%	2031
2032									620,000	206,603	826,603	5,075,000	69.52%	2032
2033									650,000	183,898	833,898	4,425,000	73.42%	2033
2034									670,000	159,803	829,803	3,755,000	77.45%	2034
2035									695,000	134,376	829,376	3,060,000	81.62%	2035
2036									725,000	107,389	832,389	2,335,000	85.98%	2036
2037									745,000	78,719	823,719	1,590,000	90.45%	2037
2038									780,000	48,405	828,405	810,000	95.14%	2038
2039									810,000	16,403	826,403	0	100.00%	2039
			231,000	13,783	3,659,000	589,165	1,035,000	73,955	16,650,000	5,793,568	22,443,568			

\*Preliminary, subject to change.

1) This issue refunded the 2017 through 2024 maturities of the City's \$1,225,000 General Obligation Water Utility Revenue Bonds, Series 2007A, dated December 19, 2007.

**CITY OF LONG PRAIRIE, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Being Paid From Revenues and Taxes**  
**(As of 8/30/18)**

**G.O. Bonds 1)**  
**Series 2018B**

Fiscal Year Ending	Dated Amount	Maturity	8/9/18		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Estimated Interest						
	\$1,985,000*	8/01								
2019			0	54,863	54,863	54,863	1,985,000	0.00%	2019	
2020			135,000	55,699	190,699	190,699	1,850,000	6.80%	2020	
2021			165,000	52,500	217,500	217,500	1,685,000	15.11%	2021	
2022			170,000	48,730	218,730	218,730	1,515,000	23.68%	2022	
2023			170,000	44,693	214,693	214,693	1,345,000	32.24%	2023	
2024			175,000	40,335	215,335	215,335	1,170,000	41.06%	2024	
2025			185,000	35,563	220,563	220,563	985,000	50.38%	2025	
2026			190,000	30,405	220,405	220,405	795,000	59.95%	2026	
2027			190,000	24,990	214,990	214,990	605,000	69.52%	2027	
2028			40,000	21,605	61,605	61,605	565,000	71.54%	2028	
2029			45,000	20,244	65,244	65,244	520,000	73.80%	2029	
2030			45,000	18,748	63,748	63,748	475,000	76.07%	2030	
2031			45,000	17,206	62,206	62,206	430,000	78.34%	2031	
2032			45,000	15,631	60,631	60,631	385,000	80.60%	2032	
2033			50,000	13,933	63,933	63,933	335,000	83.12%	2033	
2034			50,000	12,108	62,108	62,108	285,000	85.64%	2034	
2035			55,000	10,151	65,151	65,151	230,000	88.41%	2035	
2036			55,000	8,061	63,061	63,061	175,000	91.18%	2036	
2037			55,000	5,916	60,916	60,916	120,000	93.95%	2037	
2038			60,000	3,630	63,630	63,630	60,000	96.98%	2038	
2039			60,000	1,215	61,215	61,215	0	100.00%	2039	
			1,985,000	536,224	1,624,740	1,624,740				

\*Preliminary, subject to change.

1) The Water Meter portion of this issue is payable entirely from revenues (\$885,000 estimated principal outstanding).

**CITY OF LONG PRAIRIE, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Being Paid From Special Assessments and Taxes**  
**(As of 8/30/18)**

**Improvement Series 2010A**      **Improvement Series 2016A**

Fiscal Year Ending	7/15/10 \$1,985,000		8/18/16 \$3,610,000		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Principal	Interest	Principal	Interest						
2019	160,000	36,119	340,000	62,900	500,000	99,019	599,019	3,965,000	11.20%	2019
2020	165,000	31,141	350,000	56,000	515,000	87,141	602,141	3,450,000	22.73%	2020
2021	170,000	25,800	355,000	48,950	525,000	74,750	599,750	2,925,000	34.49%	2021
2022	100,000	21,388	360,000	41,800	460,000	63,188	523,188	2,465,000	44.79%	2022
2023	105,000	17,966	360,000	34,600	465,000	52,566	517,566	2,000,000	55.21%	2023
2024	105,000	14,356	375,000	27,250	480,000	41,606	521,606	1,520,000	65.96%	2024
2025	110,000	10,594	385,000	19,650	495,000	30,244	525,244	1,025,000	77.04%	2025
2026	115,000	6,584	390,000	11,900	505,000	18,484	523,484	520,000	88.35%	2026
2027	120,000	2,250	400,000	4,000	520,000	6,250	526,250	0	100.00%	2027
	1,150,000	166,197	3,315,000	307,050	4,465,000	473,247	4,938,247			

**CITY OF LONG PRAIRIE, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Being Paid From Special Assessments & Tax Increment Revenues**  
**(As of 8/30/18)**

**Tax Increment  
Series 2016B**

Fiscal Year Ending	Dated Amount	Maturity	8/18/16		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest						
2019	\$870,000	2/01	35,000	20,281	55,281	835,000	4.02%	2019		
2020			35,000	19,844	54,844	800,000	8.05%	2020		
2021			35,000	19,406	54,406	765,000	12.07%	2021		
2022			40,000	18,838	58,838	725,000	16.67%	2022		
2023			40,000	18,138	58,138	685,000	21.26%	2023		
2024			40,000	17,438	57,438	645,000	25.86%	2024		
2025			40,000	16,738	56,738	605,000	30.46%	2025		
2026			40,000	15,938	55,938	565,000	35.06%	2026		
2027			40,000	15,038	55,038	525,000	39.66%	2027		
2028			40,000	14,138	54,138	485,000	44.25%	2028		
2029			45,000	13,181	58,181	440,000	49.43%	2029		
2030			45,000	12,090	57,090	395,000	54.60%	2030		
2031			45,000	10,920	55,920	350,000	59.77%	2031		
2032			45,000	9,750	54,750	305,000	64.94%	2032		
2033			45,000	8,513	53,513	260,000	70.11%	2033		
2034			50,000	7,135	57,135	210,000	75.86%	2034		
2035			50,000	5,685	55,685	160,000	81.61%	2035		
2036			50,000	4,185	54,185	110,000	87.36%	2036		
2037			55,000	2,558	57,558	55,000	93.68%	2037		
2038			55,000	853	55,853	0	100.00%	2038		
			870,000	250,663	1,120,663					

**CITY OF LONG PRAIRIE, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Being Paid From Revenues, Special Assessments and Taxes**  
**(As of 8/30/18)**

**Refunding 1)**  
**Series 2012A**

Fiscal Year Ending	Dated Amount	Maturity	3/22/12		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			\$2,045,000	2/01						
2019			165,000	16,913	181,913	900,000	15.49%	2019		
2020			160,000	14,680	174,680	740,000	30.52%	2020		
2021			170,000	12,160	182,160	570,000	46.48%	2021		
2022			170,000	9,313	179,313	400,000	62.44%	2022		
2023			175,000	6,163	181,163	225,000	78.87%	2023		
2024			180,000	2,700	182,700	45,000	95.77%	2024		
2025			45,000	450	45,450	0	100.00%	2025		
			1,065,000	62,378	1,127,378					

1) This issue refunded the 2015 through 2024 maturities of the City's \$2,125,000 General Obligation Improvement Bonds, Series 2006A, dated July 18, 2006, and the 2015 through 2025 maturities of the \$2,015,000 General Obligation Sewer Revenue Refunding Bonds, Series 2006B, dated July 18, 2006.

The 2006B refunding portion of this issue is payable entirely from revenues (\$645,000 current principal outstanding).

**CITY OF LONG PRAIRIE, MINNESOTA**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Being Paid From Tax Abatement Revenue and Taxes**  
**(As of 8/30/18)**

**Txbl. Tax Abatement**  
**Series 2016C**

Fiscal Year Ending	Dated Amount	Maturity	12/1/16		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest						
	\$4,000,000	2/01								
2019	155,000	123,700	155,000	123,700	278,700	278,700	3,845,000	3.88%	2019	
2020	155,000	120,600	155,000	120,600	275,600	275,600	3,690,000	7.75%	2020	
2021	160,000	117,450	160,000	117,450	277,450	277,450	3,530,000	11.75%	2021	
2022	165,000	114,200	165,000	114,200	279,200	279,200	3,365,000	15.88%	2022	
2023	165,000	110,075	165,000	110,075	275,075	275,075	3,200,000	20.00%	2023	
2024	170,000	105,050	170,000	105,050	275,050	275,050	3,030,000	24.25%	2024	
2025	175,000	99,875	175,000	99,875	274,875	274,875	2,855,000	28.63%	2025	
2026	180,000	94,955	180,000	94,955	274,955	274,955	2,675,000	33.13%	2026	
2027	185,000	90,163	185,000	90,163	275,163	275,163	2,490,000	37.75%	2027	
2028	190,000	84,958	190,000	84,958	274,958	274,958	2,300,000	42.50%	2028	
2029	195,000	79,203	195,000	79,203	274,203	274,203	2,105,000	47.38%	2029	
2030	205,000	72,953	205,000	72,953	277,953	277,953	1,900,000	52.50%	2030	
2031	210,000	66,206	210,000	66,206	276,206	276,206	1,690,000	57.75%	2031	
2032	215,000	59,034	215,000	59,034	274,034	274,034	1,475,000	63.13%	2032	
2033	225,000	51,328	225,000	51,328	276,328	276,328	1,250,000	68.75%	2033	
2034	230,000	43,081	230,000	43,081	273,081	273,081	1,020,000	74.50%	2034	
2035	240,000	34,413	240,000	34,413	274,413	274,413	780,000	80.50%	2035	
2036	250,000	25,225	250,000	25,225	275,225	275,225	530,000	86.75%	2036	
2037	260,000	15,500	260,000	15,500	275,500	275,500	270,000	93.25%	2037	
2038	270,000	5,231	270,000	5,231	275,231	275,231	0	100.00%	2038	
	4,000,000	1,513,200	4,000,000	1,513,200	5,513,200	5,513,200				



## DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt: (1) obligations payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations issued to finance any public revenue producing convenience (includes the Bonds and Concurrent Obligations); (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	\$129,192,000
Multiply by 3%	0.03
Statutory Debt Limit	<u>\$ 3,875,760</u>
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	0
Unused Debt Limit	<u><u>\$ 3,875,760</u></u>

## OVERLAPPING DEBT<sup>1</sup>

Taxing District	2017/18 Taxable Net Tax Capacity	% In City	Total G.O. Debt <sup>2</sup>	City's Proportionate Share
Todd County	\$20,833,444	6.3357%	\$3,405,000	\$ 215,731
I.S.D. No. 2753 (Long Prairie-Grey Eagle)	6,599,482	20.0008%	8,615,000	1,723,069
City's Share of Total Overlapping Debt				<u><u>\$1,938,800</u></u>

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

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

## DEBT RATIOS

	<b>G.O. Debt</b>	<b>Debt/Economic Market Value (\$126,996,346)</b>	<b>Debt/ Current Population Estimate (3,371)</b>
Direct G.O. Debt Being Paid From:			
Revenues*	\$ 16,650,000		
Revenues & Taxes*	1,985,000		
Special Assessments & Taxes	4,465,000		
Special Assessments & Tax Increment Revenues	870,000		
Revenues, Special Assessments & Taxes	1,065,000		
Tax Abatement Revenues & Taxes	<u>4,000,000</u>		
Total General Obligation Debt (includes the Bonds and the Concurrent Obligations)*	\$ 28,195,000		
Less: G.O. Debt Paid Entirely from Revenues <sup>1</sup>	<u>(18,180,000)</u>		
Tax Supported General Obligation Debt*	\$ 9,755,000	7.68%	\$2,893.80
 City's Share of Total Overlapping Debt	 <u>\$ 1,938,800</u>	 <u>1.53%</u>	 <u>\$575.14</u>
 Total*	 <u><u>\$ 11,693,800</u></u>	 <u><u>9.21%</u></u>	 <u><u>\$3,468.94</u></u>

\*Preliminary, subject to change.

## DEBT PAYMENT HISTORY

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

## FUTURE FINANCING

In addition to the Concurrent Obligations, the City has no current plans for additional financing in the next 12 months.

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<sup>1</sup> Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt. Includes the 2006B refunding portion of the City's General Obligation Refunding Bonds, Series 2012A (\$645,000 current principal outstanding) and the Water Meter portion of the Series 2018B Bonds (\$885,000 estimated principal outstanding).

## TAX RATES, LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy <sup>1</sup>	Total Collected Following Year	Collected to Date <sup>2</sup>	% Collected
2013/14	\$567,284	\$556,514	\$566,863	99.93%
2014/15	604,320	593,192	603,180	99.81%
2015/16	620,519	611,883	617,624	99.53%
2016/17	683,096	671,654	671,654	98.32%
2017/18	703,620	In process of collection		

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

### TAX CAPACITY RATES<sup>4</sup>

	2013/14	2014/15	2015/16	2016/17	2017/18
Todd County	62.822%	65.691%	72.507%	73.842%	74.568%
City of Long Prairie	48.866%	52.637%	55.075%	56.086%	53.245%
I.S.D. No. 2753 (Long Prairie-Grey Eagle)	28.613%	32.534%	34.235%	18.364%	19.390%

#### *Referendum Market Value Rates:*

I.S.D. No. 2753 (Long Prairie-Grey Eagle)	0.16391%	0.15126%	0.16247%	0.16352%	0.17678%
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**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Todd County.

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

<sup>2</sup> Collections are through December 31, 2017.

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

<sup>4</sup> After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

## **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.

## THE ISSUER

### CITY GOVERNMENT

The City of Long Prairie was organized as a municipality in 1883. 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/Clerk is responsible for administrative details and financial records.

### EMPLOYEES; PENSIONS; UNIONS

The City currently has 11 full-time, 28 part-time, and 4 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

#### Recognized and Certified Bargaining Units

<b>Bargaining Unit</b>	<b>Expiration Date of Current Contract</b>
Minnesota Teamsters Public & Law Enforcement-Police	December 31, 2018
Minnesota Teamsters Clerks	December 31, 2018
Minnesota Teamsters Public Works	December 31, 2018

### POST EMPLOYMENT BENEFITS

The City does not pay directly for retirees' post-employment benefits. The City has some obligations for post-employment benefits as mandated by State Statutes. Specifically, the City is required to allow retirees to be covered by the City's health care plan as long as the retiree pays his/her premiums. Retiree membership in a health care plan typically increases costs of the premiums. This increased cost is commonly known as implicit price subsidy.

### 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 or 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 May 31, 2018)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$ 1,277,139
Debt Service	3,689,536
Capital Projects	667,309
Enterprise Funds	2,401,519
Water Fund	1,719,596
Sewer Fund	681,923
Municipal Liquor Fund	757,675
<b>Total Funds on Hand</b>	<b><u><u>\$11,194,697</u></u></b>

## ENTERPRISE FUNDS

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

	2015	2016	2017
<b>Municipal Liquor Store</b>			
Total Operating Revenues	\$ 391,497	\$ 348,366	\$ 370,988
Less: Operating Expenses	<u>(192,978)</u>	<u>(273,481)</u>	<u>(245,435)</u>
Operating Income	\$ 198,519	\$ 74,885	\$ 125,553
Plus: Depreciation	<u>10,966</u>	<u>9,847</u>	<u>10,114</u>
Revenues Available for Debt Service	<u><u>\$ 209,485</u></u>	<u><u>\$ 84,732</u></u>	<u><u>\$ 135,667</u></u>
<b>Water</b>			
Total Operating Revenues	\$ 588,369	\$ 546,956	\$ 616,265
Less: Operating Expenses	<u>(271,786)</u>	<u>(352,176)</u>	<u>(311,628)</u>
Operating Income	\$ 316,583	\$ 194,780	\$ 304,637
Plus: Depreciation	<u>82,050</u>	<u>84,242</u>	<u>84,922</u>
Revenues Available for Debt Service	<u><u>\$ 398,633</u></u>	<u><u>\$ 279,022</u></u>	<u><u>\$ 389,559</u></u>
<b>Sewer</b>			
Total Operating Revenues	\$ 870,240	\$ 730,002	\$1,032,639
Less: Operating Expenses	<u>(904,140)</u>	<u>(1,010,503)</u>	<u>(1,183,104)</u>
Operating Income	\$ (33,900)	\$ (280,501)	\$ (150,465)
Plus: Depreciation	<u>189,071</u>	<u>190,050</u>	<u>189,691</u>
Revenues Available for Debt Service	<u><u>\$ 155,171</u></u>	<u><u>\$ (90,451)</u></u>	<u><u>\$ 39,226</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 Adopted Budget <sup>1</sup>
	2014 Audited	2015 Audited	2016 Audited	2017 Audited	
<b>Revenues</b>					
Taxes	\$ 340,032	\$ 358,656	\$ 297,827	\$ 316,984	\$ 352,775
Special Assessments	0	0	15,164	9,177	95,000
Licenses and permits	27,849	26,183	147,409	39,055	52,850
Intergovernmental revenues	961,511	1,069,363	1,006,356	1,032,722	1,042,452
Franchise fees	0	0	79,546	99,225	95,278
Charges for services	24,195	11,481	17,146	41,976	26,250
Fines and forfeitures	25,867	19,414	30,448	33,049	19,100
Interest on investments	7,047	1,163	0	36,591	32,271
Miscellaneous revenues	33,879	149,969	99,835	44,633	57,000
<b>Total Revenues</b>	<b>\$ 1,420,380</b>	<b>\$ 1,636,229</b>	<b>\$ 1,693,731</b>	<b>\$ 1,653,412</b>	<b>\$ 1,772,976</b>
<b>Expenditures</b>					
Current:					
General government	\$ 383,991	\$ 596,936	\$ 522,082	\$ 418,097	\$ 512,047
Public safety	538,531	514,596	600,082	617,802	624,208
Streets and highways	346,104	325,344	0	0	0
Public works	0	0	310,011	436,312	549,322
Economic development	32,000	32,000	32,367	28,214	32,000
Capital outlay	0	0	196,362	17,101	55,000
<b>Total Expenditures</b>	<b>\$ 1,300,626</b>	<b>\$ 1,468,876</b>	<b>\$ 1,660,904</b>	<b>\$ 1,517,526</b>	<b>\$ 1,772,577</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ 119,754</b>	<b>\$ 167,353</b>	<b>\$ 32,827</b>	<b>\$ 135,886</b>	<b>\$ 399</b>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	\$ 0	\$ 0	\$ 0	\$ 39,277	
Operating transfers in	\$ 120,500	\$ 344,905	\$ 177,060	\$ 156,762	
Operating transfers out	(278,386)	(226,732)	(293,917)	(331,721)	
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (157,886)</b>	<b>\$ 118,173</b>	<b>\$ (116,857)</b>	<b>\$ (174,959)</b>	
<b>Net Changes in Fund Balances</b>	<b>\$ (38,132)</b>	<b>\$ 285,526</b>	<b>\$ (84,030)</b>	<b>\$ 204</b>	
General Fund Balance January 1	835,938	797,805	1,083,330	1,097,285	
Prior Period Adjustment	(1)	(1)	97,985	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$ 797,805	\$ 1,083,330	\$ 1,097,285	\$ 1,097,489	
<b>DETAILS OF DECEMBER 31 FUND BALANCE</b>					
Nonspendable	\$ 0	\$ 0	\$ 7,205	\$ 7,828	
Assigned	508,000	508,000	0	0	
Unassigned	289,805	575,330	1,090,080	1,089,661	
<b>Total</b>	<b>\$ 797,805</b>	<b>\$ 1,083,330</b>	<b>\$ 1,097,285</b>	<b>\$ 1,097,489</b>	

<sup>1</sup> The 2018 budget was adopted on December 4, 2017.



## GENERAL INFORMATION

### LOCATION

The City of Long Prairie, with a 2010 U.S. Census population of 3,458, and a current population estimate of 3,371, and comprising an area of 2.4 square miles, is located approximately 130 miles northwest of the Minneapolis-St. Paul metropolitan area. The City of Long Prairie is the county seat of Todd County.

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

Larger employers in the City of Long Prairie include the following:

Firm	Type of Business/Product	Estimated No. of Employees
CentraCare Health System-Long Prairie	Healthcare	740 <sup>2</sup>
I.S.D. No. 2753 (Long Prairie-Grey Eagle)	Elementary and secondary education	306 <sup>3</sup>
Long Prairie Packing Company	Meat packing	250 <sup>4</sup>
Todd County	County government and services	249
Dan's Prize, Inc.	Deli meat producer	160
Central Bi-Products	Rendering plant	130
RR Donnelley	Printer manufacturer	75
Coborn's Superstore	Retail grocery	65
Daybreak Foods	Poultry-wholesale	50
McDonald's	Restaurant	45

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

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

<sup>2</sup> Previously known as Long Prairie Memorial Hospital and Home.

<sup>3</sup> Reflects employees for entire District, including those outside of City limits.

<sup>4</sup> Part of American Foods Group.

## BUILDING PERMITS

	2014	2015	2016	2017	2018 <sup>1</sup>
<u>New Single Family Homes</u>					
No. of building permits	27	28	40	39	29
Valuation	\$388,609	\$224,212	\$508,089	\$406,481	\$320,404
<u>New Commercial/Industrial</u>					
No. of building permits	9	18	13	20	12
Valuation	\$321,057	\$695,374	\$69,120,656	\$1,030,411	\$7,789,253
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	37	37	45	50	34
Valuation	\$725,675	\$941,157	\$15,920,776	\$1,737,137	\$8,110,657

**Source:** The City of Long Prairie.

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<sup>1</sup> As of July 10, 2018.

## U.S. CENSUS DATA

### Population Trend: City of Long Prairie, Minnesota

2000 U.S. Census population	3,040
2010 U.S. Census population	3,458
2016 State Demographer's Estimate	3,371
Percent of Change 2000 - 2010	+ 13.75%

### Income and Age Statistics

	<b>City of Long Prairie</b>	<b>Todd County</b>	<b>State of Minnesota</b>	<b>United States</b>
2016 per capita income	\$20,773	\$24,410	\$33,225	\$29,826
2016 median household income	\$37,515	\$47,549	\$63,217	\$55,322
2016 median family income	\$50,344	\$57,863	\$79,595	\$67,871
2016 median gross rent	\$592	\$587	\$873	\$928
2016 median value owner occupied units	\$100,700	\$132,100	\$191,500	\$184,700
2016 median age	37.9 yrs.	43.1 yrs.	37.8 yrs.	37.7 yrs.

	<b>State of Minnesota</b>	<b>United States</b>
City % of 2016 per capita income	62.52%	69.65%
City % of 2016 median family income	63.25%	74.18%

### Housing Statistics

	<b><u>City of Long Prairie</u></b>		<b>Percent of Change</b>
	<b>2000</b>	<b>2016</b>	
All Housing Units	1,334	1,505	12.82%

**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](http://www.factfinder2.census.gov)).

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

<b>Year</b>	<b><u>Average Employment</u></b>		<b><u>Average Unemployment</u></b>	
	<b>Todd County</b>	<b>Todd County</b>	<b>State of Minnesota</b>	
2014	12,173	4.7%	4.2%	
2015	12,341	4.4%	3.7%	
2016	12,273	4.7%	3.8%	
2017	12,440	4.3%	3.5%	
2018, May	13,513	3.2%	2.5%	

**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.

**CITY OF LONG PRAIRIE, MINNESOTA**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**SCHLENNER WENNER & CO.**  
**Certified Public Accountants**  
**& Business Consultants**

## INDEPENDENT AUDITORS' REPORT

June 25, 2018

Honorable Mayor and City Council  
City of Long Prairie, 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 Long Prairie, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above 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 Long Prairie, Minnesota, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Prior Period Adjustment*

As discussed in Note 4.G. to the financial statements, the 2016 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedule, Schedule of City's Proportionate Share of the Net Pension Liability, Schedule of City Contributions, and Schedule of Changes in Net Pension Liability (Asset) as shown in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and Schedule of Indebtedness are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section, combining and individual nonmajor fund financial statements, and Schedule of Indebtedness have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018 on our consideration of the City of Long Prairie's internal control of financial reporting and 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 Long Prairie's internal control over financial reporting and compliance.

## **Report on Other Legal and Regulatory Requirements**

In accordance with Minnesota Statutes, we have also issued our report dated June 25, 2018, on our consideration of the City of Long Prairie's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the City has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

*Schlenner Wenner & Co.*

**SCHLENNER WENNER & CO.**  
St. Cloud, Minnesota



**CITY OF LONG PRAIRIE, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash, Cash Equivalents, and Investments	\$ 3,358,618	\$ 3,149,063	\$ 6,507,681
Property Taxes Receivable	22,041	-	22,041
Assessments Receivable	908,827	96,161	1,004,988
Accounts Receivable	25,748	162,572	188,320
Due from Other Governments	36,694	-	36,694
Notes Receivable	100,000	-	100,000
Inventory	-	177,571	177,571
Accrued Interest Receivable	45,140	-	45,140
Prepays	13,622	6,726	20,348
Investments Held For Sale	3,561,063	-	3,561,063
Noncurrent Assets:			
Capital Assets not Being Depreciated	8,781,223	2,061,042	10,842,265
Capital Assets Being Depreciated (Net)	10,189,679	9,121,182	19,310,861
Net Pension Asset	133,816	-	133,816
<b>TOTAL ASSETS</b>	<b>27,176,471</b>	<b>14,774,317</b>	<b>41,950,788</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	800,668	126,964	927,632
<b>LIABILITIES</b>			
Accounts Payable	446,754	114,388	561,142
Retainage Payable	439,283	-	439,283
Accrued Salaries	28,389	20,917	49,306
Due to Other Governments	-	423	423
Accrued Interest	111,955	44,604	156,559
Compensated Absences	19,640	13,107	32,747
Noncurrent Liabilities:			
Bonds Due Within One Year	520,000	530,000	1,050,000
Bonds Due After One Year	9,883,907	5,283,844	15,167,751
Accrued Severance	62,705	44,959	107,664
Net Pension Liability	706,089	451,000	1,157,089
<b>TOTAL LIABILITIES</b>	<b>12,218,722</b>	<b>6,503,242</b>	<b>18,721,964</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	886,449	79,020	965,469
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,566,995	5,368,380	13,935,375
Restricted	834,655	-	834,655
Unrestricted	5,470,318	2,950,639	8,420,957
<b>TOTAL NET POSITION</b>	<b>\$ 14,871,968</b>	<b>\$ 8,319,019</b>	<b>\$ 23,190,987</b>

See accompanying notes.

**CITY OF LONG PRAIRIE, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Governmental Activities:</b>							
General Government	\$ 465,740	\$ 114,080	\$ -	\$ -	\$ (351,660)	\$ -	\$ (351,660)
Public Safety	943,784	85,989	97,702	-	(760,093)	-	(760,093)
Public Works	823,273	-	-	1,151,242	327,969	-	327,969
Parks and Recreation	92,943	1,890	-	1,316	(89,737)	-	(89,737)
Economic Development	58,307	-	-	6,794	(51,513)	-	(51,513)
Airport	125,618	29,778	-	73,680	(22,160)	-	(22,160)
Tourism	16,980	-	-	-	(16,980)	-	(16,980)
Debt Service	240,411	-	-	135,688	(104,723)	-	(104,723)
<b>Total Governmental Activities</b>	<b>2,767,056</b>	<b>231,737</b>	<b>97,702</b>	<b>1,368,720</b>	<b>(1,068,897)</b>	<b>-</b>	<b>(1,068,897)</b>
<b>Business-Type Activities:</b>							
Water	344,923	612,211	-	3,463	-	270,751	270,751
Sewer	1,278,533	1,031,181	-	526,200	-	278,848	278,848
Liquor	1,411,219	1,536,772	-	-	-	125,553	125,553
<b>Total Business-Type Activities</b>	<b>3,034,675</b>	<b>3,180,164</b>	<b>-</b>	<b>529,663</b>	<b>-</b>	<b>675,152</b>	<b>675,152</b>
<b>TOTALS</b>	<b>\$ 5,801,731</b>	<b>\$ 3,411,901</b>	<b>\$ 97,702</b>	<b>\$ 1,898,383</b>	<b>(1,068,897)</b>	<b>675,152</b>	<b>(393,745)</b>
<b>General Revenues:</b>							
Taxes					685,425	-	685,425
Tax Increment Financing					94,843	-	94,843
Intergovernmental					997,227	165	997,392
Franchise Fees					99,225	-	99,225
Investment Income					42,147	8,741	50,888
Miscellaneous					127,910	16,879	144,789
Loss on Disposal of Assets					(28,323)	-	(28,323)
Capital Asset Transfers					9,654	(9,654)	-
Transfers					176,564	(176,564)	-
<b>Total General Revenues and Transfers</b>					<b>2,204,672</b>	<b>(160,433)</b>	<b>2,044,239</b>
<b>CHANGE IN NET POSITION</b>					<b>1,135,775</b>	<b>514,719</b>	<b>1,650,494</b>
<b>NET POSITION - BEGINNING OF YEAR</b>					<b>13,736,193</b>	<b>7,804,300</b>	<b>21,540,493</b>
<b>NET POSITION - END OF YEAR</b>					<b>\$ 14,871,968</b>	<b>\$ 8,319,019</b>	<b>\$ 23,190,987</b>

See accompanying notes.

**CITY OF LONG PRAIRIE, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	General Fund	2016 Street Improvement Fund	Fiber Optic Cable Project Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash, Cash Equivalents, and Investments	\$ 1,072,685	\$ -	\$ 846,968	\$ 1,438,965	\$ 3,358,618
Property Taxes Receivable	10,289	-	-	11,752	22,041
Assessments Receivable	17,139	891,688	-	-	908,827
Accounts Receivable	20,052	-	-	5,696	25,748
Notes Receivable	-	-	-	100,000	100,000
Due from Other Governments	172	-	-	36,522	36,694
Due from Other Funds	59,697	-	-	-	59,697
Prepays	7,828	-	-	5,794	13,622
Investment Held for Sale	-	-	3,561,063	-	3,561,063
<b>TOTAL ASSETS</b>	<b>\$ 1,187,862</b>	<b>\$ 891,688</b>	<b>\$ 4,408,031</b>	<b>\$ 1,598,729</b>	<b>\$ 8,086,310</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 37,094	\$ 24,990	\$ 315,584	\$ 69,086	\$ 446,754
Retainage Payable	-	291,516	127,579	20,188	439,283
Accrued Salaries	28,308	-	-	81	28,389
Unearned Revenue	-	-	7,048	-	7,048
Due to Other Funds	-	22,950	-	36,747	59,697
Total Liabilities	65,402	339,456	450,211	126,102	981,171
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue:					
Property Taxes	7,832	-	-	8,950	16,782
Special Assessments	17,139	891,688	-	-	908,827
Notes Receivable	-	-	-	100,000	100,000
Total Deferred Inflows of Resources	24,971	891,688	-	108,950	1,025,609
<b>FUND BALANCES</b>					
Nonspendable	7,828	-	3,561,063	5,794	3,574,685
Restricted	-	-	396,757	497,665	894,422
Committed	-	-	-	649,003	649,003
Assigned	-	-	-	268,984	268,984
Unassigned	1,089,661	(339,456)	-	(57,769)	692,436
Total Fund Balances	1,097,489	(339,456)	3,957,820	1,363,677	6,079,530
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
	<b>\$ 1,187,862</b>	<b>\$ 891,688</b>	<b>\$ 4,408,031</b>	<b>\$ 1,598,729</b>	<b>\$ 8,086,310</b>

**CITY OF LONG PRAIRIE, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

Total Fund Balance for Governmental Funds \$ 6,079,530

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

Capital assets (net of accumulated depreciation of \$5,759,439) used in governmental activities are not financial resources and, therefore, are not reported in the funds: 18,970,902

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds:

Taxes Receivable	\$ 16,782	
Special Assessments Receivable	908,827	
Notes Receivable	<u>100,000</u>	1,025,609

Revenues corresponding to future interest expenses have been deferred on the fund level, to match the recognition of such revenues with the related interest expenditures to be incurred in the following year. 7,048

Interest receivable on capital lease has been accrued to match the interest payable on the long-term debt (being financed via lease collections) recorded by the City and not reported in the governmental fund Balance Sheet: 45,140

Interest payable on long-term debt does not require current financial resources and, therefore, is not reported as a liability in the governmental funds Balance Sheet: (111,955)

Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds Balance Sheet:

Compensated Absences	(19,640)	
Accrued Severance	(62,705)	
Unamortized Bond Premium and Discounts	(128,907)	
Bonds Due Within One Year	(520,000)	
Bonds Due In More Than One Year	<u>(9,755,000)</u>	(10,486,252)

The net pension liability and related inflows/outflows of resources represent the allocation of pension obligations to the City. Such balances are not reported in the funds:

Net Pension Asset	133,816	
Net Pension Liability	(706,089)	
Deferred Outflows - Pensions	800,668	
Deferred Inflows - Pensions	<u>(886,449)</u>	<u>(658,054)</u>

**TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 14,871,968**

**CITY OF LONG PRAIRIE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	General Fund	2016 Street Improvement Fund	Fiber Optic Cable Project Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 316,984	\$ -	\$ -	\$ 374,702	\$ 691,686
Special Assessments	9,177	106,697	-	-	115,874
Tax Increment Financing	-	-	-	94,843	94,843
Loan Principal Collections	-	-	-	50,000	50,000
Franchise Fees	99,225	-	-	-	99,225
Licenses, Permits and Fees	39,055	-	-	-	39,055
Intergovernmental	1,032,722	138,673	-	130,702	1,302,097
Charges for Services	41,976	-	-	156,755	198,731
Fines	33,049	-	-	-	33,049
Investment Income	36,591	4,439	-	1,060	42,090
Miscellaneous	44,633	-	-	41,410	86,043
<b>TOTAL REVENUES</b>	<u>1,653,412</u>	<u>249,809</u>	<u>-</u>	<u>849,472</u>	<u>2,752,693</u>
<b>EXPENDITURES</b>					
Current:					
General Government	418,097	-	-	-	418,097
Public Safety	617,802	-	-	177,487	795,289
Public Works	436,312	40,758	-	65,534	542,604
Parks and Recreation	-	-	-	77,904	77,904
Economic Development	28,214	-	-	-	28,214
Tourism	-	-	-	16,980	16,980
Airport	-	-	-	50,103	50,103
Debt Service:					
Pay-as-you-go Debt Payments	-	-	-	81,418	81,418
Principal	-	-	-	335,000	335,000
Interest and Other Charges	-	68,791	83,500	75,270	227,561
Capital Outlay	17,101	2,199,475	-	319,233	2,535,809
<b>TOTAL EXPENDITURES</b>	<u>1,517,526</u>	<u>2,309,024</u>	<u>83,500</u>	<u>1,198,929</u>	<u>5,108,979</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	135,886	(2,059,215)	(83,500)	(349,457)	(2,356,286)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Capital Assets	39,277	-	-	-	39,277
Loan Receivable Income	-	-	83,500	-	83,500
Operating Transfers In	156,762	-	-	398,196	554,958
Operating Transfers Out	(331,721)	-	-	(46,673)	(378,394)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(135,682)</u>	<u>-</u>	<u>83,500</u>	<u>351,523</u>	<u>299,341</u>
<b>NET CHANGE IN FUND BALANCES</b>	204	(2,059,215)	-	2,066	(2,056,945)
<b>FUND BALANCE - BEGINNING</b> (As previously reported)	1,097,285	1,719,759	3,895,641	1,361,611	8,074,296
<b>PRIOR PERIOD ADJUSTMENT</b> (See Note 4.G.)	-	-	62,179	-	62,179
<b>FUND BALANCE - BEGINNING</b> (As restated)	<u>1,097,285</u>	<u>1,719,759</u>	<u>3,957,820</u>	<u>1,361,611</u>	<u>8,136,475</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,097,489</u>	<u>\$ (339,456)</u>	<u>\$ 3,957,820</u>	<u>\$ 1,363,677</u>	<u>\$ 6,079,530</u>

See accompanying notes.

**CITY OF LONG PRAIRIE, MINNESOTA  
RECONCILIATION OF CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ (2,056,945)

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital Outlay Capitalized, Net of \$17,345 Trade-in Value	\$ 2,535,809	
Depreciation Expense	(547,845)	
Transfer of Capital Assets	9,654	
Loss on the Disposal of Assets	<u>(67,600)</u>	1,930,018

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

Change in Long-term Receivables	850,370
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Proceeds from the issuance of long-term debt is an other financing source in the governmental funds, while repayment of debt principal is an expenditure in the governmental funds. However, neither transaction has any effect on net position:

Bond Payments	335,000
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Net effect of eliminating unearned revenue from overpayment of capital lease payments, and instead accruing interest receivable on such lease to correspond with the interest payable accrued on the general obligation bonds being financed directly by such lease payments.

52,188

Net change in accrued interest on bonds is not reported as expenses in the funds:

54,662

The effects of bond premiums and discounts are reported in the governmental fund financial statements upon issuance of the debt. These amounts are deferred and amortized in the Statement of Activities:

13,906

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in Accrued Compensated Absences	(1,240)	
Change in Accrued Severance	<u>(1,367)</u>	(2,607)

Net pension liability does not represent the impending use of current resources. Therefore, the change in this liability and the related deferrals is not reported in the governmental funds:

(40,817)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,135,775**

**CITY OF LONG PRAIRIE, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2017**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Liquor Fund</u>	<u>Totals</u>
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 1,072,560	\$ 1,226,203	\$ 850,300	\$ 3,149,063
Assessments Receivable	44,798	51,363	-	96,161
Accounts Receivable	48,503	114,069	-	162,572
Inventory	-	-	177,571	177,571
Prepays	<u>949</u>	<u>4,721</u>	<u>1,056</u>	<u>6,726</u>
Total Current Assets	1,166,810	1,396,356	1,028,927	3,592,093
Noncurrent Assets				
Capital Assets Not Depreciated	28,499	2,032,543	-	2,061,042
Capital Assets Being Depreciated (Net)	<u>1,798,498</u>	<u>7,300,667</u>	<u>22,017</u>	<u>9,121,182</u>
Total Noncurrent Assets	<u>1,826,997</u>	<u>9,333,210</u>	<u>22,017</u>	<u>11,182,224</u>
<b>TOTAL ASSETS</b>	2,993,807	10,729,566	1,050,944	14,774,317
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	53,954	39,808	33,202	126,964
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	10,001	71,004	33,383	114,388
Accrued Salaries	8,984	6,435	5,498	20,917
Due to Other Governments	423	-	-	423
Accrued Interest	12,892	31,712	-	44,604
Compensated Absences	6,153	4,561	2,393	13,107
Bonds Due Within One Year	<u>209,000</u>	<u>321,000</u>	<u>-</u>	<u>530,000</u>
Total Current Liabilities	247,453	434,712	41,274	723,439
Noncurrent Liabilities				
Accrued Severance	25,145	17,491	2,323	44,959
Bonds Due After One Year	1,205,847	4,077,997	-	5,283,844
Net Pension Liability	<u>192,065</u>	<u>141,545</u>	<u>117,390</u>	<u>451,000</u>
Total Noncurrent Liabilities	<u>1,423,057</u>	<u>4,237,033</u>	<u>119,713</u>	<u>5,779,803</u>
<b>TOTAL LIABILITIES</b>	1,670,510	4,671,745	160,987	6,503,242
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions	<u>33,652</u>	<u>24,800</u>	<u>20,568</u>	<u>79,020</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	412,150	4,934,213	22,017	5,368,380
Unrestricted	<u>931,449</u>	<u>1,138,616</u>	<u>880,574</u>	<u>2,950,639</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,343,599</u>	<u>\$ 6,072,829</u>	<u>\$ 902,591</u>	<u>\$ 8,319,019</u>

See accompanying notes.

**CITY OF LONG PRAIRIE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Water Fund	Sewer Fund	Liquor Fund	Totals
<b>SALES AND COSTS OF SALES</b>				
Sales	\$ -	\$ -	\$ 1,536,772	\$ 1,536,772
Cost of Sales	-	-	(1,165,784)	(1,165,784)
<b>GROSS PROFIT</b>	-	-	370,988	370,988
<b>OPERATING REVENUES</b>				
Charges for Services	616,265	1,032,639	-	1,648,904
<b>TOTAL GROSS PROFIT AND OPERATING REVENUES</b>	616,265	1,032,639	370,988	2,019,892
<b>OPERATING EXPENSES</b>				
Wages and Benefits	138,828	230,439	171,607	540,874
Materials and Supplies	44,999	282,794	15,709	343,502
Other Services and Charges	42,879	480,180	48,005	571,064
Depreciation	84,922	189,691	10,114	284,727
<b>TOTAL OPERATING EXPENSES</b>	311,628	1,183,104	245,435	1,740,167
<b>NET OPERATING INCOME (LOSS)</b>	304,637	(150,465)	125,553	279,725
<b>NONOPERATING INCOME (EXPENSE)</b>				
Special Assessment Interest	-	524,742	-	524,742
Intergovernmental	70	52	43	165
Connection Fees	-	600	-	600
Investment Income	3,385	3,246	2,110	8,741
Miscellaneous	10,729	4,788	171	15,688
Interest and Other Charges	(33,295)	(95,429)	-	(128,724)
<b>TOTAL NONOPERATING INCOME (EXPENSE)</b>	(19,111)	437,999	2,324	421,212
<b>CHANGE IN NET POSITION PRIOR TO TRANSFERS</b>	285,526	287,534	127,877	700,937
<b>TRANSFERS</b>				
Interfund Capital Contributions	(699,871)	690,217	-	(9,654)
Operating Transfers Out	(33,665)	(47,907)	(94,992)	(176,564)
<b>NET TRANSFERS</b>	(733,536)	642,310	(94,992)	(186,218)
<b>CHANGE IN NET POSITION</b>	(448,010)	929,844	32,885	514,719
<b>NET POSITION - BEGINNING OF YEAR</b>	1,791,609	5,142,985	869,706	7,804,300
<b>NET POSITION - END OF YEAR</b>	\$ 1,343,599	\$ 6,072,829	\$ 902,591	\$ 8,319,019

See accompanying notes.



**CITY OF LONG PRAIRIE, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Water Fund	Sewer Fund	Liquor Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 613,318	\$ 981,647	\$ 1,536,772	\$ 3,131,737
Cash Paid to Suppliers	(77,958)	(729,636)	(1,233,751)	(2,041,345)
Cash Paid to Employees	(120,188)	(217,579)	(163,738)	(501,505)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>415,172</b>	<b>34,432</b>	<b>139,283</b>	<b>588,887</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Property Taxes, Special Assessments, Intergovernmental, and Other Revenue	33,076	553,325	214	586,615
Net Operating Subsidies and Transfers to Other Funds	(33,665)	(47,907)	(94,992)	(176,564)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(589)</b>	<b>505,418</b>	<b>(94,778)</b>	<b>410,051</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of Capital Assets	(127,556)	(364,792)	(10,500)	(502,848)
Payments on Bond Principal	(206,000)	(311,003)	-	(517,003)
Cash Paid for Interest	(37,323)	(97,380)	-	(134,703)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(370,879)</b>	<b>(773,175)</b>	<b>(10,500)</b>	<b>(1,154,554)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Investment Income	3,385	3,246	2,110	8,741
Net Change in Cash and Cash Equivalents	47,089	(230,079)	36,115	(146,875)
Cash and Cash Equivalents - Beginning of Year	1,025,471	1,456,282	814,185	3,295,938
Cash and Cash Equivalents - End of Year	<u>\$ 1,072,560</u>	<u>\$ 1,226,203</u>	<u>\$ 850,300</u>	<u>\$ 3,149,063</u>
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Net Operating Income (Loss)	\$ 304,637	\$ (150,465)	\$ 125,553	\$ 279,725
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	84,922	189,691	10,114	284,727
Nonoperating Revenue from Customers	-	600	-	600
Change in Assets, Liabilities, and Deferrals:				
Accounts Receivable	(3,047)	(51,592)	-	(54,639)
Inventory	-	-	(5,045)	(5,045)
Prepays	931	812	(457)	1,286
Deferred Outflows of Resources - Pensions	49,073	36,435	31,056	116,564
Accounts Payable	8,989	32,526	1,249	42,764
Accrued Salaries	305	827	(51)	1,081
Due to Other Governments	100	-	-	100
Compensated Absences	2,111	598	173	2,882
Net Pension Liability	(42,678)	(32,171)	(29,019)	(103,868)
Deferred Inflows of Resources - Pensions	9,829	7,171	5,710	22,710
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 415,172</b>	<b>\$ 34,432</b>	<b>\$ 139,283</b>	<b>\$ 588,887</b>
<b>SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Contribution of Capital Assets to Governmental Funds	\$ (4,827)	\$ (4,827)	\$ -	\$ (9,654)
Transfer of Capital Assets between Proprietary Funds	\$ (695,044)	\$ 695,044	\$ -	\$ -

See accompanying notes.

**CITY OF LONG PRAIRIE, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
COMPONENT UNIT  
DECEMBER 31, 2017**

	<u>EDA Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 57,888</u>
 <b>NET POSITION</b>	
Restricted	<u>\$ 57,888</u>

**CITY OF LONG PRAIRIE, MINNESOTA  
STATEMENT CHANGES IN FIDUCIARY NET POSITION  
COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>EDA Fund</u>
<b>REVENUES</b>	
City's Contribution	\$ 31,597
Fee Income	2,255
Interest	92
Miscellaneous	<u>100</u>
<b>TOTAL REVENUES</b>	34,044
<b>EXPENSES</b>	
Contract Labor	1,733
Per Diems	1,055
Utilities	455
Todd County Development SBAC Program	2,500
Office Expenses	1,631
Contract Expenses	<u>3,375</u>
<b>TOTAL EXPENSES</b>	<u>10,749</u>
<b>CHANGE IN NET POSITION</b>	23,295
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>34,593</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 57,888</u>

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Long Prairie (the City), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City has a mayor-council form of government that is governed by an elected mayor and four-member council. The City provides the following services: sanitation, recreation, public improvements, public safety, planning and zoning, and general administrative services.

**1.A. FINANCIAL REPORTING ENTITY**

The City's financial reporting entity is comprised of the primary governmental unit of the City of Long Prairie, Minnesota.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

**Blended Component Units**

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City does not have any blended component units.

**Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

**1.B. BASIS OF PRESENTATION**

**Government-wide Financial Statements**

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The Fiduciary Funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.B. BASIS OF PRESENTATION (Continued)**

**Fund Financial Statements (Continued)**

- Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The City reports the following major governmental funds:

The *General Fund* is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The *2016 Street Improvement Fund* accounts for financial resources to be used for the construction of the 2016 road improvement projects.

The *Fiber Optic Cable Project Fund* accounts for financial resources to be used for the installation of fiber optic cable for internet service.

The City reports the following major proprietary funds:

The *Water, Sewer, and Liquor Funds* are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

The City reports the following nonmajor fund types:

The *Debt Service Funds* account for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by enterprise funds. Ad valorem taxes and special assessments are used for the payment of principal and interest on the City's indebtedness.

The *Debt Service TIF District Fund* accounts for the receipt of tax increment financing dollars and the use of such dollars for pay-as-you-go debt or eligible administrative costs incurred by the City.

The *Special Revenue Funds* account for funds received by the City with a specific purpose.

The *Capital Project Funds* are used to account for financial resources to be used for the acquisition or construction of capital projects (other than those financed by proprietary funds).

The *Component Unit EDA Fund* is a fiduciary fund used to account for the activity of the City's Economic Development Authority. The City acts as a fiscal agent for the entity, but the component unit does not meet the criteria for blending or discreet presentation.

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the "economic resources" measurement focus as defined in the second bullet below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- The government-wide financial statements, proprietary, and fiduciary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the "accrual basis" of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, liabilities, and deferred outflows/inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the "modified accrual" basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary and fiduciary funds utilize the accrual basis of accounting.

**1.D. 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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

**Cash and Cash Equivalents**

For purposes of the Statement of Net Position, "cash and cash equivalents" includes all demand, savings, and certificate of deposit accounts for the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand, savings, and certificate of deposit accounts.

**Investments**

Investments are stated at their fair value as determined by quoted market prices. Short-term investments are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Certificates of deposit are stated at cost, plus accrued interest, which approximates fair market value. Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

See Note 3.A. for additional information related to Cash, Cash Equivalents, and Investments.

**Interfund Receivables and Payables**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "due to and from other fund." Long-term interfund loans are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities, as well as interfund receivables and payables between funds within business-type activities, are eliminated in the Statement of Net Position. See Note 3.D. for details of interfund transactions, including receivables and payables at year-end.

**Prepaid Expenses/Expenses**

Prepays represent expenditures/expenses paid during the current year to be recognized in future periods.

**Inventories**

The Liquor Fund carries inventory that consists of items held for resale. Inventory is recognized on the first in, first out (FIFO) method.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable and not deemed necessary at year end. Major receivable balances for the governmental activities include taxes, special assessments and charges for services. Business-type activities report utility charges and assessments as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, assessments, other intergovernmental revenues, fines and charges for services since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and assessments compose the majority of proprietary fund receivables. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end.

**CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

**Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,000 and must have an estimated useful life in excess of one year.

The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	20-40 years
Infrastructure	20-40 years
Equipment	5-15 years
Vehicles	7-10 years

**Government-wide Statements**

In the government-wide financial statements, capital outlay expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

**Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Investment Held for Sale**

In 2016, the City began constructing a Fiber Optic Cable System (the System) throughout the City. The City issued General Obligation bonds (2016C) to finance the project, and is the sole responsible party under this debt agreement. The construction is being managed by a telecommunications company through its estimated completion in 2018. The System is currently being constructed for the purpose of leasing the System back to the telecommunications company through a capital lease. Therefore, the System is currently considered an Investment Held for Sale on the City's financial statements.

During 2017, a prior period adjustment has been recorded to adjust construction in progress recorded in the City's 2016 financial statements to conform to the aforementioned paragraph. See Note 4.G. to the financial statements for additional detail regarding the prior period adjustment.

**Compensated Absences / Severance**

Vacation Pay – The City compensates all employees upon termination for unused vacation. Employees may carry forward up to 10 days to the subsequent calendar year. Such pay is not accrued as an expense in the governmental fund financial statements since it does not require current available resources. Such pay has been accrued in the government-wide and proprietary fund financial statements as compensated absences.

**CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

**Compensated Absences / Severance (Continued)**

Sick Pay – The City compensates employees with five, ten, and twenty consecutive years, respectively, of uninterrupted service upon termination for unused sick leave. Such employees are compensated for 25 percent, 40 percent, and 50 percent, respectively, of up to 100 days of accrued sick leave. Such pay is not accrued as an expense in the governmental fund financial statements since it does not require current available resources. Such pay has been accrued in the government-wide and proprietary fund financial statements as accrued severance.

**Long-Term Debt**

The accounting treatment of long-term debt depends on whether the related assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of general obligation bonds and revenue bonds.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**Net Pension Asset/Liability**

The net pension asset represents the Long Prairie Fire Relief Association's net pension asset as of the most recent actuarial valuation date. The net pension liability represents the City's allocation of its pro-rata share of the net pension liabilities of the Statewide pension plans administered by the Public Employees Retirement Association.

**PERA**

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statements of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until then. The City reports deferred outflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statements of Net Position and Balance Sheet reports a separate section for deferred inflows of resources. This element represents an acquisition of net position that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports property taxes, special assessments, and notes receivable (for the reimbursement of construction costs) as deferred inflows of resources in the governmental fund financial statements, in accordance with the modified accrual basis of accounting. In addition, the City reports deferred inflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of pension funds in which City employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

**Deferred Outflows/Inflows of Resources (Continued)**

See Note 4 for additional information pertaining to the deferred outflows and deferred inflows of resources recorded to account for pension activities.

**Equity Classifications**

Government-wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – The portion of net position for which use is constrained by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted – Remaining balance of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to consider restricted net position to its depletion before unrestricted net position is applied.

Fund Statements

Governmental Fund Financial Statements – In the fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances at December 31, 2017 consist of prepaid expenditures and investment held for sale.

Restricted – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council, which is the highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The City Administrator/Clerk or his/her designee has the authority to assign fund balance.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The City has not formally adopted a policy regarding the minimum unassigned fund balance to be maintained for the General Fund.

See Note 3.E. for additional disclosures.

Proprietary Fund Financial Statements – Proprietary fund equity is classified the same as in the government-wide statements, as described above.

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.F. REVENUES, EXPENDITURES, AND EXPENSES**

**Property Tax**

Under state law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of December. Todd County is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

The last day the City can certify a tax levy to the County for collection occurs in November. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County collects all taxes and special assessments, except for certain prepayments paid directly to the City. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

Delinquent taxes receivable includes the past six years’ uncollected taxes. Delinquent taxes have been offset by deferred inflows of resources for taxes not received within 60 days after year end in the fund financial statements.

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and noncapital financing, or investing activities.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by Function)
	Debt Service
	Capital Outlay

**Proprietary Fund - By Operating and Nonoperating**

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, as well as all interfund transfers between individual proprietary funds, have been eliminated. See additional information at Note 3.D.

**CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2.A. FUND ACCOUNTING REQUIREMENTS AND DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**  
By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. The City complies with all state and local laws and regulations requiring the use of separate funds.

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral at market value. Minnesota Statutes require that all deposits with financial institutions be collateralized in an amount equal to 110% of deposits in excess of FDIC or FSJLC insurance (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The City complies with such laws.

**2.B. BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and any major special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the City Council so that a budget may be prepared for the following year. Public hearings are conducted to allow for taxpayer comments, and the proposed budget is then reviewed and approved by the Council.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. See original and final General Fund budget presented as Required Supplementary Information.

**2.C. EXPENDITURES IN EXCESS OF BUDGET**

Actual expenditures exceeded total budgeted expenditures for the current year end as follows:

Fund	Budgeted Expenditures	Actual Expenditures	Unbudgeted Transfers	
			Included in Actual	Actual
General Fund	\$ 1,682,618	\$ 1,849,247	\$ 104,971	\$ 104,971

The expenditures in excess of budget are primarily due to City transfers between funds and have been financed via available fund balance.

**CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**2.D. DEFICIT FUND EQUITY**

Deficit fund balance in individual funds at December 31, 2017 consists of the following:

Major Fund	Fund Deficit
Capital Project Funds	
2016 Street Improvement	\$ 339,456
<hr/>	
Nonmajor Funds	
Special Revenue Funds	
Airport	\$ 46,813
Library	\$ 1,897

These fund deficits are expected to be financed through future revenues, bond proceeds, tax levies or transfers.

**NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, deferred outflows/inflows of resources, equity, revenues, and expenditures/expenses.

**3.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Deposits**

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States Government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;
- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;



CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

**Investments (Continued)**

At December 31, 2017, investment balances are as follows:

Deposit/Investment	Interest Rates	Maturities	Fair Values	Credit Ratings	Percent of Total
Money Market Funds	N/A	N/A	\$ 431,109	N/A	15.18
Brokered Certificates of Deposit	1.15-1.35	<1 year	379,468	N/A	13.36
	1.20-2.20	1-5 years	1,236,721	N/A	43.55
	2.50-3.00	6-10 years	198,703	N/A	7.00
	2.00	11-15 years	162,296	N/A	5.72
U.S. Government Bonds and Securities	1.13	1-5 years	133,765	AAA+, AAA	4.71
	1.50	6-10 years	297,432	AA+, AAA	10.48
<b>Totals</b>			<b>\$ 2,839,494</b>		<b>100.00</b>

The investments of the City are subject to the following risks:

- **Credit risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk as indicated in the table above. Minnesota Statutes limit the City's investments.
- **Custodial credit risk** is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy to address custodial credit risk, but typically limits its exposure by purchasing insured or registered investments. At December 31, 2017, none of the underlying securities held by the City are subject to custodial credit risk because they are insured by the Securities Investor Protection Corporation (SIPC).
- **Concentration risk** is the risk associated with investing a significant portion of the City's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as Treasuries), investment pools, and mutual funds. The City has no formal policy limiting the amounts that may be invested in any one issuer.
- **Interest rate risk** is the risk that changes in the interest rates will adversely affect the fair value of an investment and it disclosed above by presenting maturity information. The City has no formal policy to address interest rate risk.

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**3.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

**Deposits (Continued)**

- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At December 31, 2017, the City's deposits, including certificates of deposit, were not exposed to custodial credit risk. The City's deposits were sufficiently covered by federal depository insurance or by collateral held by the City's agent in the City's name.

As of December 31, 2017, the City has the following deposits:

Cash in Checking	\$ 2,637,359
Certificates of Deposit	1,088,716
<b>Total Deposits</b>	<b>\$ 3,726,075</b>

**Investments**

The City may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; banks' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies; and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The City does not have any investment policies that would further limit investment choices.

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments (Continued)

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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.

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

- U.S. Government bonds and securities of \$431,197, certificates of deposits of \$1,977,188, and money market funds of \$431,109 are valued by using the quoted market prices (level 1).

**Deposits and Investments Summary**

The following is a summary of total deposits and investments:

Deposits	\$ 3,726,075
Investments (see Investments section)	<u>2,839,494</u>
Total Cash, Cash Equivalents, and Investments	<u>\$ 6,565,569</u>

Cash, cash equivalents, and investments are included on the basic financial statements as follows:

Cash, Cash Equivalents, and Investments - Statement of Net Position	\$ 6,507,681
Cash, Cash Equivalents, and Investments - Statement of Fiduciary Net Position	<u>57,888</u>
Total Cash, Cash Equivalents, and Investments	<u>\$ 6,565,569</u>

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.B. CAPITAL ASSETS

The beginning Construction in Progress capital asset balances below has been restated to correct an error identified in the 2016 audited financial statements. See Note 4.G. for additional information.

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

	Balance at 01/01/17 (Restated)	Additions	Disposals	Transfers	Balance at 12/31/17
Governmental Activities:					
Capital Assets not Being Depreciated					
Land	\$ 834,551	\$ 14,278	\$ (40,000)	\$ -	\$ 808,829
Construction In Progress	<u>5,572,613</u>	<u>2,399,781</u>	-	-	<u>7,972,394</u>
Total Capital Assets not Being Depreciated	6,407,164	2,414,059	(40,000)	-	8,781,223
Capital Assets Being Depreciated					
Buildings and Improvements	12,998,688	32,553	-	-	13,031,241
Motor Vehicles	1,224,204	32,994	-	-	1,257,198
Machinery and Equipment	<u>1,685,052</u>	<u>73,548</u>	<u>(107,575)</u>	<u>9,654</u>	<u>1,660,679</u>
Total Capital Assets Being Depreciated	15,907,944	139,095	(107,575)	9,654	15,949,118
Less: Accumulated Depreciation					
Buildings and Improvements	(3,375,002)	(356,176)	-	-	(3,731,178)
Motor Vehicles	(653,082)	(92,716)	-	-	(745,798)
Machinery and Equipment	<u>(1,246,140)</u>	<u>(98,953)</u>	<u>62,630</u>	<u>-</u>	<u>(1,282,463)</u>
Total Accumulated Depreciation	(5,274,224)	(547,845)	62,630	-	(5,759,439)
Total Capital Assets Being Depreciated, Net	10,633,720	(408,750)	(44,945)	9,654	10,189,679
Capital Assets, Net	<u>\$ 17,040,884</u>	<u>\$ 2,005,309</u>	<u>\$ (84,945)</u>	<u>\$ 9,654</u>	<u>\$ 18,970,902</u>

CITY OF LONG PRAIRIE, MINNESOTA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2017

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.B. CAPITAL ASSETS (Continued)

	Balance at 01/01/17	Additions	Disposals	Transfers	Balance at 12/31/17
Business-Type Activities:					
Capital Assets not Being Depreciated					
Land	\$ 1,017,500	\$ -	\$ -	\$ -	\$ 1,017,500
Construction in Progress	695,044	348,498	-	-	1,043,542
Total Capital Assets not Being Depreciated	1,712,544	348,498	-	-	2,061,042
Capital Assets Being Depreciated					
Vehicles	87,795	-	-	-	87,795
Buildings and Improvements	10,490,536	10,500	-	-	10,501,036
Machinery and Equipment	3,366,656	47,688	-	(9,654)	3,404,690
Total Capital Assets Being Depreciated	13,944,987	58,188	-	(9,654)	13,993,521
Less: Accumulated Depreciation					
Vehicles	(58,252)	(3,194)	-	-	(61,446)
Buildings and Improvements	(1,944,418)	(223,475)	-	-	(2,167,893)
Machinery and Equipment	(2,584,942)	(58,058)	-	-	(2,643,000)
Total Accumulated Depreciation	(4,587,612)	(284,727)	-	-	(4,872,339)
Total Capital Assets Being Depreciated, Net	9,357,375	(226,539)	-	(9,654)	9,121,182
Capital Assets, Net	\$ 11,069,919	\$ 121,959	\$ -	\$ (9,654)	\$ 11,182,224
Depreciation is charged to governmental activities as follows:					
General Government	\$ -	\$ 36,703			
Public Safety		114,557			
Public Works		276,251			
Parks and Recreation		14,926			
Economic Development		30,093			
Airport		75,515			
Total Depreciation Expense		\$ 547,845			

CITY OF LONG PRAIRIE, MINNESOTA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2017

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.C. NONCURRENT LIABILITIES

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. All bonds set forth below are direct obligations of the City and pledge the full faith and credit of the City.

Debt Detail

As of December 31, 2017, the long-term debt of the financial reporting entity consists of the following:

Governmental Activities

Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
07/10	\$ 1,985,000	\$105,000 - \$170,000	2.00 - 3.75%	02/27	\$ 1,310,000
08/16	3,610,000	\$295,000 - \$400,000	2.00%	02/27	3,610,000
08/16	870,000	\$35,000 - \$55,000	1.25 - 3.10%	02/38	870,000
12/16	4,000,000	\$155,000 - \$270,000	2.00 - 3.88%	02/38	4,000,000
03/12	1,025,000	\$65,000 - \$180,000	0.55 - 2.00%	02/25	485,000
Total Governmental Activities Bonds Payable					10,275,000
Bonds Due Within One Year					520,000
Bonds Due After One Year					\$ 9,755,000

Business-Type Activities

Issue Date	Original Amount	Annual Principal Payment	Interest Rate(s)	Maturity Date	Remaining Amount
10/15	\$ 1,305,000	\$45,000 - \$170,000	2.00 - 2.35%	02/26	\$ 1,170,000
04/01	1,224,850	\$30,850 - \$80,000	3.91%	08/20	231,000
08/11	4,821,000	\$102,000 - \$299,997	2.19%	08/31	3,658,997
03/12	1,020,000	\$45,000 - \$105,000	0.55 - 2.00%	02/25	740,000
Total Business-Type Activities Bonds Payable					5,799,997
Bonds Due Within One Year					\$ 330,000
Bonds Due After One Year					\$ 5,269,997

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.C. NONCURRENT LIABILITIES (Continued)

3.C. NONCURRENT LIABILITIES (Continued)

Changes in Noncurrent Liabilities

Annual Debt Service Requirements

The following is a summary of changes in noncurrent liabilities for the year ended December 31, 2017:

At December 31, 2017, the estimated annual debt service requirements to maturity, including principal and interest, are as follows:

Type of Debt	Balance 01/01/17	Additions	Deductions	Balance 12/31/17	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds	\$ 10,610,000	\$ -	\$ (335,000)	\$ 10,275,000	\$ 520,000
Unamortized Bond Premium	142,813	-	(13,906)	128,907	-
Accrued Severance	61,338	6,349	(4,982)	62,705	-
<b>Total</b>	<b>\$ 10,814,151</b>	<b>\$ 6,349</b>	<b>\$ (353,888)</b>	<b>\$ 10,466,612</b>	<b>\$ 520,000</b>
<b>Business-Type Activities:</b>					
Bonds	\$ 6,317,000	\$ -	\$ (517,003)	\$ 5,799,997	\$ 530,000
Unamortized Bond Premium	15,825	-	(1,978)	13,847	-
Accrued Severance	41,579	5,600	(2,220)	44,959	-
<b>Total</b>	<b>\$ 6,374,404</b>	<b>\$ 5,600</b>	<b>\$ (521,201)</b>	<b>\$ 5,858,803</b>	<b>\$ 530,000</b>

Interest expense totals \$300,901 in the Statement of Activities (included in Debt Service, Water, and Sewer lines). Interest expenditures total \$225,311 for the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (included in the line Interest and Other Charges) and \$128,724 in the Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds (included in the line Interest and Other Charges).

Governmental activity debt is typically funded through the Debt Service Funds. Business-type activity debt is funded through the Water and Sewer Funds. Severance is funded through the fund to which the respective employees' wages are allocated.

Years Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 520,000	\$ 263,144	\$ 783,144
2019	760,000	249,573	1,009,573
2020	770,000	233,231	1,003,231
2021	790,000	216,221	1,006,221
2022	735,000	199,668	934,668
2023-2027	3,685,000	735,470	4,420,470
2028-2032	1,235,000	422,433	1,657,433
2033-2037	1,455,000	197,622	1,652,622
2038	325,000	6,082	331,082
<b>Totals</b>	<b>\$ 10,275,000</b>	<b>\$ 2,523,444</b>	<b>\$ 12,798,444</b>

  

Years Ending December 31,	Business-Type Activities		
	Principal	Interest	Total
2018	\$ 530,000	\$ 123,009	\$ 653,009
2019	538,000	111,326	649,326
2020	551,000	99,200	650,200
2021	511,000	86,315	597,315
2022	512,000	76,012	588,012
2023-2027	1,997,000	234,397	2,231,397
2028-2031	1,160,997	64,256	1,225,253
<b>Totals</b>	<b>\$ 5,799,997</b>	<b>\$ 794,515</b>	<b>\$ 6,594,512</b>

CITY OF LONG PRAIRIE, MINNESOTA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2017

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2017:

Major Funds	Transfers Out	Transfers In		Total
		Major Funds General	Nonmajor Funds Governmental	
General	\$ 331,721	\$ -	\$ 331,721	\$ 331,721
Water	33,665	33,665	-	33,665
Sewer	47,907	47,907	-	47,907
Liquor	94,992	75,190	19,802	94,992
	508,285	156,762	351,523	508,285
Nonmajor Funds				
Fire Department	46,673	-	46,673	46,673
	\$ 554,958	\$ 156,762	\$ 398,196	\$ 554,958

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The interfund balances are as follows:

Due To Fund		Short-Term Balances		Due From Fund	
General		2016 Street Improvement	\$ 22,950	Eliminate negative cash	
General		Airport	27,804	Eliminate negative cash	
General		Library	1,195	Eliminate negative cash	
General		Tax Increment Financing	7,748	Eliminate negative cash	
					\$ 59,697
Total Interfund Balances			\$		\$ 59,697

CITY OF LONG PRAIRIE, MINNESOTA  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2017

NOTE 3 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

3.E. FUND EQUITY

At December 31, 2017, governmental fund equity consists of the following:

General Fund		
Nonspendable - Prepays	\$	7,828
Unassigned		1,089,661
Total General Fund Balance	\$	1,097,489
2016 Street Improvements Fund		
Unassigned	\$	(339,456)
Fiber Optic Cable Project Fund		
Nonspendable - Investment Held for Sale	\$	3,561,063
Restricted for Project Expenditures		396,757
Total Fiber Optic Cable Fund Balance	\$	3,957,820
Nonmajor Governmental Funds		
Nonspendable - Prepays	\$	5,794
Restricted for Debt Service		107,378
Restricted for Tourism		12,749
Restricted for Revolving Loan Activity		100,000
Restricted for CentraCare Drive Construction		237,938
Restricted for Economic Development		39,600
Committed for Parks		2,025
Committed for Street Improvements		158,710
Committed for Police Equipment Purchases		63,959
Committed for Public Works Equipment Purchases		424,309
Assigned for Fire Department Operations		95,476
Assigned for EDA Building Activities		173,508
Unassigned		(57,769)
Total Nonmajor Governmental Funds Balance	\$	1,363,677

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 4 OTHER NOTES

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description

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

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

All full-time and certain part-time employees of the City of Long Prairie are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

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 local relief associations that elected to merge with and transfer assets and administration to PERA.

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 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given one percent 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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For 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.

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Benefits Provided (Continued)

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 percent after five years up to 100 percent 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 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is three percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Contributions

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017 total \$51,194. The City's contributions are equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary in the calendar year 2017. The City was required to contribute 16.20 percent 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, total \$65,238. The City's contributions are equal to the required contributions as set by State Statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$657,545 for its proportionate share of the General Employees Fund's net pension liability. The City of Long Prairie'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 of Long Prairie totaled \$8,299. 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 0.0103 percent which was an increase of 0.0003 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$33,061 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$240 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.

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

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	\$ 21,671	\$ 41,069
Changes in actuarial assumptions	105,987	65,919
Difference between projected and actual investment earnings	871	-
Changes in proportionate share	30,652	8,221
Contributions paid to PERA subsequent to the measurement date	25,933	-
<b>Total Deferred Outflows/inflows</b>	<b>\$ 185,114</b>	<b>\$ 115,209</b>

A total of \$25,933 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
2018	\$ 31,098
2019	\$ 48,028
2020	\$ (7,242)
2021	\$ (27,912)

Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$499,544 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 0.0370 percent which did not change from its proportion measured as of June 30, 2016. The City also recognized \$3,330 for the year ended December 31, 2017 as pension revenue and an offsetting reduction of 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.

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

For the year ended December 31, 2017, the City recognized pension expense of negative \$64,216 for its proportionate share of the Police and Fire Plan's 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 following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,498	\$ 133,547
Changes in actuarial assumptions	653,753	709,229
Difference between projected and actual investment earnings	6,861	-
Changes in proportionate share	5,400	7,484
Contributions paid to PERA subsequent to the measurement date	33,894	-
<b>Total Deferred Outflows/inflows</b>	<b>\$ 711,406</b>	<b>\$ 850,260</b>

A total of \$33,894 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
2018	\$ 8,626
2019	\$ 8,626
2020	\$ (9,686)
2021	\$ (40,768)
2022	\$ (139,546)

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

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

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabled members 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 one percent per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5 percent 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.

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 1.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent 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 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent 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 percent 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 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two 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 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 4 OTHER NOTES (Continued)

4.A. EMPLOYEE DEFINED BENEFIT PENSION PLANS - STATEWIDE (Continued)

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%
<b>Total</b>	<b>100%</b>	

**Discount Rate**

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions 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.

**Pension Liability Sensitivity**

The following 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 one percentage point lower or one percentage point higher than the current discount rate:

	Sensitivity of Net Pension Liability at Current Single Discount Rate		
	General Employees Fund	Police and Fire Fund	
1% Increase in Discount Rate	\$ 360,891	\$ 135,273	
Current Discount Rate	\$ 657,545	\$ 499,544	
1% Decrease in Discount Rate	\$ 1,019,901	\$ 940,787	

**Pension Plan Fiduciary Net Position**

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



**CITY OF LONG PRAIRIE, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 4 OTHER NOTES (Continued)**

**4.B. DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION**

**Plan Description**

Firefighters of the City of Long Prairie are members of the Long Prairie Fire Relief Association. The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The plan operates under the provisions of Minnesota laws 1965 Ch. 446 as amended, and the applicable provisions of Minnesota Statute Chs. 69 and 424 and 424A. It is governed by a Board of Trustees consisting of six members elected by the members of the Association, and the Mayor, a City Council member, and Fire Chief, who serve as ex-officio members of the Board.

**Benefits Provided**

After the age of 50 and upon retirement, each member who has served as an active firefighter in the Association is eligible for varying levels of pension benefits, dependent upon the individual's years of service. In addition, members or their beneficiaries may qualify for death or disability benefits.

**Contributions**

The Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statute 1980) specifies minimum contributions required on an annual basis. The minimum support rates from the municipality and state aid are determined in the amount required to meet the normal cost plus amortizing any existing prior year service costs over a 10-year period. The City's contributions to the Association for the year ended December 31, 2017 total \$6,000.

**Pension Costs**

At December 31, 2017, the City of Long Prairie reported a net pension asset of \$133,816 for the Fire Relief Association's plan. The net pension asset was measured as of December 31, 2016, as determined by an actuarial valuation as of that date.

For the year ended December 30, 2017, the City recognized pension expense of negative \$25,966 for the Association. The City also recognized \$38,302 for the year ended December 30, 2017, as pension expense (and grant revenue) for State of Minnesota's contributions to the Association.

The following table presents the changes in net pension asset during the year.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance - 12/31/15	\$ 380,995	\$ 497,309	\$ (116,314)
Service Cost	20,952	-	20,952
Interest on Pension Liability	15,955	-	15,955
Net Investment Income (Loss)	-	20,949	(20,949)
Contributions (State)	-	38,302	(38,302)
Contributions (Municipal)	10,216	6,000	(6,000)
Asset (Gain)/Loss	(53,062)	(626)	10,842
Benefit Payouts	(5,939)	11,563	(17,502)
Net Changes	\$ 375,056	\$ 508,872	\$ (133,816)
Balance End of Year - 12/31/16			

**CITY OF LONG PRAIRIE, MINNESOTA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 4 OTHER NOTES (Continued)**

**4.B. DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (Continued)**

**Pension Costs (Continued)**

At December 31, 2017, the City of Long Prairie reported deferred outflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,287	\$ -
Difference between projected and actual investment earnings	15,825	-
Contributions paid to PERA subsequent to the measurement date	6,000	-
Total Deferred Outflows/Inflows	\$ 31,112	\$ -

A total of \$6,000 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 of resources related to pensions will be recognized in pension expense as follows:

Year ended	Pension Expense
December 31:	
2018	\$ 6,599
2019	\$ 6,599
2020	\$ 5,289
2021	\$ 1,054
2022	\$ 929
2023	\$ 929
2024	\$ 929
2025	\$ 929
2026	\$ 929
2027	\$ 926

**Actuarial Assumptions**

The total pension asset at December 31, 2016, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	Rates
Investment Rate of Return (Discount)	4.25%
Expected Long-Term Rate of Return	4.25%
20-Year Municipal Bond Yield	3.50%
Salary Increases	2.50%
Cost of Living Increases	0.00%

There were no changes in actuarial assumptions in 2016.

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 4 OTHER NOTES (Continued)

4.B. DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (Continued)

Pension Liability Sensitivity

The following presents the City's net pension asset for the Fire Relief Association's plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension asset would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1% Decrease in Discount Rate (3.25%)	Discount Rate (4.25%)	1% Increase in Discount Rate (5.25%)
Net Pension Asset	\$ 122,162	\$ 133,816	\$ 145,171

Plan Investments

Asset Allocation

The long-term expected rate of return on pension plan investments is 4.25%. The asset allocation at the measurement date and best estimates of geometric real rates of return for each major asset class of the Association's pension fund investments are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	55%	2.25%
Fixed Income	9%	3.50%
Equities	35%	7.50%
Other	1%	6.00%

Description of significant investment policy changes during the year

The Fire Relief Association made no significant changes to their investment policy during 2016.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's net position is available in a separately-issued financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the City at 615 Lake Street South, Long Prairie, MN 56347.

4.C. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported. The City's management is not aware of any incurred but not reported claims.

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 4 OTHER NOTES (Continued)

4.D. COMMITMENTS

Construction Contracts

The City entered into various contracts during the year for construction services. At December 31, 2017, remaining commitments under these contracts total \$587,008, not including retainage which has been accrued in these financial statements.

4.E. TAX INCREMENT DISTRICTS

The City occasionally enters into tax increment financing arrangements with local businesses for the purpose of stimulating economic growth within the City. Eligibility for businesses seeking tax abatements of this nature is determined in accordance with applicable Minnesota Statutes, and such arrangements generally include a commitment by the local business to use the abated funds for financing a development or redevelopment project. Any tax increment generated by the district and not retained by the City for administrative costs is returned to the business to finance the debt incurred for the related improvements.

The following is a summary of the City's current tax increment financing districts:

Business Name	District #1-2		District #1-3		District #1-6	
	Terrace Townhomes	Reichert Hotel	Reichert Hotel	Felling Addition	Housing 469,174	Housing 2005
Purpose Authorizing MN Statute	469,174	469,174	469,174	469,174	469,174	2005
Year Established	1999	2000	2000	2005	2005	2005
Duration of District	Through 2016	Through 2027	Through 2027	Through 2032	Through 2032	Through 2032
Original Base Net Tax Capacity	\$ 89	\$ 443	\$ 443	\$ 151	\$ 151	\$ 151
Current Net Tax Capacity	\$ 18,303	\$ 3,818	\$ 3,818	\$ 7,799	\$ 7,799	\$ 7,799
Captured Net Tax Capacity	\$ 18,214	\$ 3,375	\$ 3,375	\$ 7,648	\$ 7,648	\$ 7,648
Taxes Abated in Current Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Related Debt: Pay-as-you-go Debt	\$ -	\$ 76,402	\$ 76,402	N/A	N/A	N/A

CITY OF LONG PRAIRIE, MINNESOTA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 4 OTHER NOTES (Continued)**

**4.E. TAX INCREMENT DISTRICTS (Continued)**

Business Name Purpose Authorizing MN Statute Year Established Duration of District	District #1-9	District #1-10	District #1-11
	Valley View Housing 469,174 2011 Through 2038	Long Prairie Packing Economic Develop. 469,174 2011 Through 2021	Impact Technology Economic Develop. 469,174 2012 Through 2022
Original Base Net Tax Capacity	\$ 11,625	\$ 332	\$ 498
Current Net Tax Capacity	\$ 17,272	\$ 44,566	\$ 3,962
Captured Net Tax Capacity	\$ 5,647	\$ 44,234	\$ 3,464
Taxes Abated in Current Year	\$ 6,342	\$ 69,810	\$ 5,266
Related Debt: Pay-as-you-go Debt	\$ 267,132	\$ 1,059,143	\$ 41,041

Business Name Purpose Authorizing MN Statute Year Established Duration of District	District #1-12
CentraCare Assisted Living Housing 469,174 2016 Through 2043	
Original Base Net Tax Capacity	\$ 1,306
Current Net Tax Capacity	\$ 84,218
Captured Net Tax Capacity	\$ 82,912
Taxes Abated in Current Year	\$ -
Related Debt: Pay-as-you-go Debt	\$ -

**NOTE 4 OTHER NOTES (Continued)**

**4.F. SUBSEQUENT EVENTS**

**Capital Purchases**

Subsequent to year end and prior to issuance of these financial statements, the City purchased a street sweeper for a total cost of \$210,988. The City also approved a contract for a pavement overlay project at an approximate cost of \$91,359.

**Debt Issuance**

Subsequent to year end and prior to the issuance of these financial statements, the City approved the issuance of \$7,465,000 General Obligation Sewer and Water Revenue Bonds, Series 2018A for the purpose of financing the construction of the 2018 Wastewater Treatment Improvements and 2018 Water Meter Replacements in the City.

Subsequent to year end and prior to the issuance of these financial statements, the City approved the issuance of \$5,405,000 Taxable General Obligation Sewer Revenue Bonds, Series 2018B for the purpose of financing the construction of the 2018 Wastewater Treatment Improvements in the City.

**4.G. CORRECTION OF ERROR**

During the year ended December 31, 2017, the City determined an adjustment to beginning fund balance was necessary to correct an error in the City's prior year financial statements. An adjustment was made record an investment held for sale for construction costs previously recorded as expenditures on the fund level, since the asset being constructed is to be sold upon its completion.

The following tables show the impact of the prior period adjustment to the December 31, 2016 financial statements:

	Fiber Optic Cable Project Fund
December 31, 2016 Fund Balance, as Previously Stated	\$ 3,895,641
Correction to Record Construction Expenditures as an Investment Held for Sale	62,179
December 31, 2016 Fund Balance, as Restated	\$ 3,957,820
Net Change in Fund Balance for the Year Ended December 31, 2016, as Previously Stated	\$ 3,895,641
Construction Expenditures Correction	62,179
Net Change in Fund Balance for the Year Ended December 31, 2016, as Restated	\$ 3,957,820

**CITY OF LONG PRAIRIE, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**RESOURCES (INFLOWS):**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
Taxes	\$ 403,769	\$ 316,984	\$ (86,785)
Special Assessments	-	9,177	9,177
Licenses, Permits, and Fees	104,450	39,055	(65,395)
Intergovernmental	1,003,189	1,032,722	29,533
Franchise Fees	-	99,225	99,225
Charges for Services	28,250	41,976	13,726
Fines	17,100	33,049	15,949
Investment Income	2,500	36,591	34,091
Miscellaneous	151,490	83,910	(67,580)
Transfers In	127,400	156,762	29,362
<b>AMOUNTS AVAILABLE</b>	<b>1,838,148</b>	<b>1,849,451</b>	<b>11,303</b>

**CHARGES TO APPROPRIATIONS (OUTFLOWS):**

Current:	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
General Government:	311,897	308,640	(3,257)
Administration	21,312	19,052	(2,260)
Council and Planning Commission	38,000	33,017	(4,983)
Professional Fees	-	448	448
Elections	650	1,088	438
Planning Commission	26,000	17,289	(8,711)
Building Inspector	42,400	45,773	3,373
General Government	568,725	624,952	56,227
Public Safety	414,884	439,053	24,169
Public Works	32,000	28,214	(3,786)
Economic Development	226,750	331,721	104,971
Transfers Out	-	1,849,247	1,849,247
<b>TOTAL CHARGES</b>	<b>1,682,618</b>	<b>1,849,247</b>	<b>166,629</b>
<b>BUDGETARY CHANGE IN FUND BALANCE</b>	<b>\$ 155,530</b>	<b>204</b>	<b>\$ (155,326)</b>

**FUND BALANCE - BEGINNING**

1,097,285

**FUND BALANCE - ENDING**

\$ 1,097,489

**CITY OF LONG PRAIRIE, MINNESOTA  
SCHEDULE OF THE CITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
FOR THE LAST TEN YEARS (Presented Prospectively)**

For the Measurement Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Share of the Net Pension Liability (Asset)	State's		City's		City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of the Covered Payroll (a+b)/c	City's Proportionate Share of the Net Pension Liability and the State's	City's Proportionate Share of the Net Pension Liability as a Percentage of the Total Pension Liability
			Share of the Net Pension Liability Associated with the City (d)	Share of the Net Pension Liability Associated with the City (e)	City's Share of the Net Pension Liability (Asset) (f)	City's Covered Payroll (g)			

<b>General Employees Retirement Fund Pension Plan</b>									
2017	0.0103%	\$ 657,545	\$ 8,209	\$ 665,844	\$ 666,040	100.0%	\$ 666,040	\$ 666,040	75.9%
2016	0.0100%	\$ 811,950	\$ 10,272	\$ 822,222	\$ 619,648	132.7%	\$ 619,648	\$ 619,648	68.9%
2015	0.0095%	\$ 492,339	\$ -	\$ 492,339	\$ 551,453	89.3%	\$ 551,453	\$ 551,453	78.2%

<b>Public Employees Police and Fire Fund Pension Plan</b>									
2017	0.0370%	\$ 499,544	\$ -	\$ 499,544	\$ 375,574	133.0%	\$ 375,574	\$ 375,574	85.4%
2016	0.0370%	\$ 1,484,874	\$ -	\$ 1,484,874	\$ 360,191	412.2%	\$ 360,191	\$ 360,191	63.9%
2015	0.0380%	\$ 431,769	\$ -	\$ 431,769	\$ 336,901	128.2%	\$ 336,901	\$ 336,901	86.6%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF LONG PRAIRIE, MINNESOTA  
SCHEDULE OF CITY CONTRIBUTIONS  
LAST TEN YEARS (Presented Prospectively)**

For the Calendar Year Ended December 31	Contributions in Relation to the Statutorily Required		Contribution Deficiency (Excess)	Contributions as a Percentage of Covered Payroll	
	Statutorily Required Contribution	Statutorily Required Contribution		City's Covered Payroll	City's Covered Payroll
<b>General Employees Retirement Fund Pension Plan</b>					
2017	\$ 51,194	\$ 51,194	\$ -	682,587	7.5%
2016	\$ 47,929	\$ 47,929	\$ -	639,057	7.5%
2015	\$ 43,306	\$ 43,306	\$ -	577,413	7.5%
<b>Public Employees Police and Fire Fund Pension Plan</b>					
2017	\$ 65,238	\$ 65,238	\$ -	402,704	16.2%
2016	\$ 58,675	\$ 58,675	\$ -	362,191	16.2%
2015	\$ 57,118	\$ 57,118	\$ -	352,580	16.2%
<b>Volunteer Fire Relief Association</b>					
2017	\$ -	\$ -	\$ (6,000)	N/A	N/A
2016	\$ -	\$ -	\$ (6,000)	N/A	N/A
2015	\$ -	\$ -	\$ (6,000)	N/A	N/A

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**CITY OF LONG PRAIRIE, MINNESOTA  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)  
FIRE RELIEF ASSOCIATION  
LAST TEN YEARS (Presented Prospectively)**

	2016	2015	2014
<b>Changes in Total Pension Liability (TPL)</b>			
Balance at January 1st	\$ 380,995	\$ 430,411	\$ 429,168
Service Cost	20,952	21,310	20,790
Interest on the TPL	15,955	16,440	17,453
Actuarial Experience ((Gains)/Losses)	10,216		
Benefit Payments	(53,062)	(87,166)	(37,000)
Balance at December 31st	\$ 375,056	\$ 380,995	\$ 430,411
<b>Plan Fiduciary Net Position (PFNP)</b>			
Balance at January 1st	\$ 497,309	\$ 541,417	\$ 523,708
Fire State Aid	38,302	36,409	34,288
Municipal Contributions	6,000	6,000	6,000
Projected Investment Return	20,949	22,054	22,299
Total Additions	65,251	64,463	62,587
Gain or Loss	(656)	(21,175)	(6,548)
Benefit Payments	(53,062)	(87,166)	(37,000)
Administrative Expenses		(230)	(1,330)
Total Reductions	(53,688)	(108,571)	(44,878)
Balance at December 31st	\$ 508,872	\$ 497,309	\$ 541,417
Net Pension Liability (Asset) - December 31st	\$ (133,816)	\$ (116,314)	\$ (111,006)
	136%	131%	126%

Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 (December 31, 2014 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF LONG PRAIRIE, MINNESOTA  
COMBINING BALANCE SHEET  
ALL NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2017

	Nonmajor Debt Service Funds	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 104,576	\$ 211,661	\$ 1,122,728	\$ 1,438,965
Property Taxes Receivable	11,752	-	-	11,752
Accounts Receivable	-	5,696	-	5,696
Notes Receivable	-	36,522	100,000	136,522
Due from Other Governments	-	4,659	1,145	5,794
Prepaids	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 116,328</b>	<b>\$ 258,528</b>	<b>\$ 1,223,873</b>	<b>\$ 1,598,729</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 64,570	\$ 4,516	\$ 69,086
Retainage Payable	-	-	20,188	20,188
Accrued Salaries	-	81	-	81
Due to Other Funds	7,748	28,999	-	36,747
Total Liabilities	7,748	93,650	24,704	126,102
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue:				
Property Taxes	8,950	-	-	8,950
Notes Receivable	-	-	100,000	100,000
Total Deferred Inflows of Resources	8,950	-	100,000	108,950
<b>FUND BALANCES</b>				
Nonspendable	-	4,649	1,145	5,794
Restricted	107,378	112,749	277,538	497,665
Committed	-	2,025	646,978	649,003
Assigned	-	95,476	173,508	268,984
Unassigned	(7,748)	(50,021)	-	(57,769)
Total Fund Balances	99,630	164,878	1,099,169	1,363,677
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 116,328</b>	<b>\$ 258,528</b>	<b>\$ 1,223,873</b>	<b>\$ 1,598,729</b>

CITY OF LONG PRAIRIE, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Nonmajor Debt Service Funds	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 364,766	\$ 9,936	\$ -	\$ 374,702
Tax Increment Financing	94,843	-	-	94,843
Loan Principal Collections	-	-	50,000	50,000
Intergovernmental	-	130,702	-	130,702
Charges for Services	-	117,657	39,098	156,755
Investment Income	-	394	666	1,060
Miscellaneous	-	34,366	7,044	41,410
<b>TOTAL REVENUES</b>	<b>459,609</b>	<b>293,055</b>	<b>96,808</b>	<b>849,472</b>
<b>EXPENDITURES</b>				
Current:				
Public Safety	-	177,487	-	177,487
Public Works	-	-	65,534	65,534
Parks and Recreation	-	77,904	-	77,904
Tourism	-	16,980	-	16,980
Airport	-	50,103	-	50,103
Debt Services:				
Pay-as-You-Go Debt Payments	81,418	-	-	81,418
Principal	335,000	-	-	335,000
Interest and Other Charges	55,738	-	19,552	75,270
Capital Outlay	-	178,056	141,197	319,233
<b>TOTAL EXPENDITURES</b>	<b>472,156</b>	<b>500,510</b>	<b>226,263</b>	<b>1,198,929</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(12,547)</b>	<b>(207,455)</b>	<b>(129,455)</b>	<b>(349,457)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	23,680	154,722	219,794	398,196
Operating Transfers Out	-	(46,673)	-	(46,673)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>23,680</b>	<b>108,049</b>	<b>219,794</b>	<b>351,523</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>11,133</b>	<b>(99,406)</b>	<b>90,339</b>	<b>2,066</b>
<b>FUND BALANCE - BEGINNING</b>	<b>88,497</b>	<b>264,284</b>	<b>1,008,830</b>	<b>1,361,611</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 99,630</b>	<b>\$ 164,878</b>	<b>\$ 1,099,169</b>	<b>\$ 1,363,677</b>

CITY OF LONG PRAIRIE, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS  
 DECEMBER 31, 2017

	Tax Increment Financing Fund	2010 G.O. Bonds Fund	2012 G.O. Bonds Fund	Total Nonmajor Debt Service Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 37,553	\$ 44,288	\$ 22,735	\$ 104,576
Property Taxes Receivable	-	5,715	6,037	11,752
<b>TOTAL ASSETS</b>	\$ 37,553	\$ 50,003	\$ 28,772	\$ 116,328
<b>LIABILITIES</b>				
Due To Other Funds	\$ 7,748	\$ -	\$ -	\$ 7,748
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue:				
Property Taxes	-	4,338	4,612	8,950
<b>FUND BALANCES</b>				
Restricted	37,553	45,665	24,160	107,378
Unassigned	(7,748)	-	-	(7,748)
Total Fund Balances	29,805	45,665	24,160	99,630
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	\$ 37,553	\$ 50,003	\$ 28,772	\$ 116,328

CITY OF LONG PRAIRIE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Tax Increment Financing Fund	2010 G.O. Bonds Fund	2012 G.O. Bonds Fund	Total Nonmajor Debt Service Funds
<b>REVENUES</b>				
Taxes	\$ 94,843	\$ 179,319	\$ 185,447	\$ 364,766
Tax Increment Financing	94,843	179,319	185,447	94,843
<b>TOTAL REVENUES</b>	\$ 94,843	\$ 179,319	\$ 185,447	\$ 459,609
<b>EXPENDITURES</b>				
Debt Service:				
Pay-as-You-Go Debt Payments	81,418	-	-	81,418
Principal	-	155,000	180,000	335,000
Interest and Other Charges	-	47,185	8,553	55,738
<b>TOTAL EXPENDITURES</b>	81,418	202,185	188,553	472,156
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	13,425	(22,866)	(3,106)	(12,547)
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	-	23,680	-	23,680
<b>NET CHANGE IN FUND BALANCES</b>	13,425	814	(3,106)	11,133
<b>FUND BALANCE - BEGINNING</b>	16,380	44,851	27,266	88,497
<b>FUND BALANCE - ENDING</b>	\$ 29,805	\$ 45,665	\$ 24,160	\$ 99,630

CITY OF LONG PRAIRIE, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2017

	Airport Fund	Library Fund	Park Fund	Tourism Fund	Revolving Loan Fund	Fire Department Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ -	\$ -	\$ 5,169	\$ 12,749	\$ 100,000	\$ 93,743	\$ 211,661
Accounts Payable	-	-	-	-	-	5,696	5,696
Accounts Receivable	-	-	-	-	-	36,522	36,522
Due from Other Governments	1,311	-	831	-	-	2,507	4,649
Prepays	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	\$ 1,311	\$ -	\$ 6,000	\$ 12,749	\$ 100,000	\$ 138,468	\$ 238,228
<b>LIABILITIES</b>							
Accounts Payable	\$ 20,220	\$ 702	\$ 3,063	\$ -	\$ -	\$ 40,485	\$ 64,770
Accrued Salaries	27,804	1,195	81	-	-	-	29,080
Due to Other Funds	48,124	1,897	3,144	-	-	40,485	93,650
Total Liabilities	96,148	3,794	6,288	-	-	81,070	106,210
<b>FUND BALANCES</b>							
Nonspendable	1,311	-	831	-	-	2,507	4,649
Restricted	-	-	-	12,749	100,000	-	112,749
Committed	-	-	2,025	-	-	-	2,025
Assigned	(48,124)	(1,897)	-	-	-	95,476	95,476
Unassigned	(46,813)	(1,897)	2,856	12,749	100,000	97,983	(50,021)
Total Fund Balances	\$ (46,813)	\$ (1,897)	\$ 2,856	\$ 12,749	\$ 100,000	\$ 97,983	\$ 164,878
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 49,335	\$ 1,897	\$ 9,144	\$ 12,749	\$ 100,000	\$ 138,468	\$ 238,228

CITY OF LONG PRAIRIE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Airport Fund	Library Fund	Park Fund	Tourism Fund	Revolving Loan Fund	Fire Department Fund	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>							
Intergovernmental	\$ 82,680	-	-	\$ 9,936	\$ -	\$ -	\$ 92,616
Charges for Services	29,778	-	1,890	-	-	48,022	130,702
Investment Income	-	-	-	34	-	-	34
Miscellaneous	14,276	-	1,818	7,459	-	360	23,913
<b>TOTAL REVENUES</b>	126,834	-	3,708	17,429	-	148,084	256,055
<b>EXPENDITURES</b>							
Current:							
Public Safety	-	-	-	-	-	177,487	177,487
Parks and Recreation	-	1,897	76,007	-	-	-	77,904
Tourism	-	-	-	16,980	-	-	16,980
Capital Outlay	50,103	-	-	-	-	-	50,103
<b>TOTAL EXPENDITURES</b>	205,241	1,897	76,007	16,980	-	22,898	263,013
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(78,407)	(1,897)	(72,299)	449	-	(55,301)	(207,455)
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating Transfers In	9,000	-	-	66,834	-	-	75,834
Operating Transfers Out	(9,000)	-	-	(66,834)	-	-	(75,834)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(9,000)	-	-	-	-	-	(9,000)
<b>NET CHANGE IN FUND BALANCES</b>	(69,407)	(1,897)	(5,445)	449	-	(23,086)	(99,406)
<b>FUND BALANCE - BEGINNING</b>	22,594	-	8,321	12,200	100,000	121,000	264,114
<b>FUND BALANCE - ENDING</b>	\$ (46,813)	\$ (1,897)	\$ 2,856	\$ 12,749	\$ 100,000	\$ 97,983	\$ 164,878



CITY OF LONG PRAIRIE, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

CITY OF LONG PRAIRIE, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECT FUNDS  
 DECEMBER 31, 2017

	CenterCare Drive Fund	Street Improvements Fund	DEED Housing Rehabilitation Fund	EDA Building Fund	Police Equipment Fund	Public Works Equipment Fund	Total Nonmajor Capital Project Funds
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 238,704	\$ 158,710	\$ 39,600	\$ 176,246	\$ 63,959	\$ 425,509	\$ 1,122,728
Notes Receivable	-	-	-	100,000	-	-	100,000
Prepays	-	-	-	1,145	-	-	1,145
<b>TOTAL ASSETS</b>	\$ 238,704	\$ 158,710	\$ 39,600	\$ 277,391	\$ 63,959	\$ 425,509	\$ 1,223,873
<b>LIABILITIES</b>							
Accounts Payable	\$ 578	\$ -	\$ -	\$ 2,738	\$ -	\$ 1,200	\$ 4,516
Retainage Payable	20,188	-	-	2,738	-	1,200	20,188
<b>Total Liabilities</b>	20,766	-	-	5,476	-	2,400	24,704
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue	-	-	-	100,000	-	-	100,000
Notes Receivable	-	-	-	-	-	-	-
<b>FUND BALANCES</b>							
Nonspendable	237,928	158,710	39,600	1,145	63,959	424,309	1,145
Committed	-	-	-	-	-	-	277,128
Assigned	-	-	-	173,508	63,959	424,309	646,578
<b>Total Fund Balances</b>	237,928	158,710	39,600	174,653	63,959	424,309	1,099,169
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	\$ 238,704	\$ 158,710	\$ 39,600	\$ 277,391	\$ 63,959	\$ 425,509	\$ 1,223,873

  

	CenterCare Drive Fund	Street Improvements Fund	DEED Housing Rehabilitation Fund	EDA Building Fund	Police Equipment Fund	Public Works Equipment Fund	Total Nonmajor Capital Project Funds
<b>REVENUES</b>							
Loan Principal Collections	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ 50,000
Charges for Services	-	-	-	39,098	-	-	39,098
Investment Income	-	-	-	-	-	629	629
Interest	-	-	-	1,794	-	-	1,794
Grants	-	-	-	16,794	250	-	17,044
<b>TOTAL REVENUES</b>	-	-	-	95,892	250	629	96,801
<b>EXPENDITURES</b>							
Current:							
Public Works	6,000	55,865	-	-	-	3,669	65,534
Debt Service:							
Capital Outlay	19,532	-	-	6,140	-	-	19,532
Other Charges	78,063	-	-	-	-	56,994	141,197
<b>TOTAL EXPENDITURES</b>	103,595	55,865	-	6,140	-	60,663	226,263
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(103,595)	(55,865)	-	89,752	287	(60,034)	(129,455)
<b>OTHER FINANCING SOURCES</b>							
Operating Transfers In	-	54,996	-	-	44,798	120,000	219,794
<b>NET CHANGE IN FUND BALANCES</b>	(103,595)	(869)	(869)	89,752	45,085	59,966	90,339
<b>FUND BALANCE - BEGINNING</b>	341,533	159,579	39,600	84,901	18,874	364,343	1,009,169
<b>FUND BALANCE - ENDING</b>	237,928	158,710	39,600	174,653	63,959	424,309	1,099,169

CITY OF LONG PRAIRIE, MINNESOTA  
 SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUND - TAX INCREMENT FINANCING FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Tax Increment Financing Districts										
	1-2 Terrace Townhomes	1-3 Reichert Hotel	1-6 Felling Addition	1-10 Long Prairie Parkway	1-9 Valley View	1-11 Impact Technology	1-12 Centrose Assisted Living	Tax Increment Financing Fund			
<b>REVENUES</b>											
Tax Increment Financing	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>EXPENDITURES</b>											
Due to Other Funds											
Pay-as-You-Go Debt Payments											
<b>NET CHANGE IN FUND BALANCE</b>											
<b>FUND BALANCE - BEGINNING</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>FUND BALANCE - ENDING</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

CITY OF LONG PRAIRIE, MINNESOTA  
 SUPPLEMENTAL COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUND - TAX INCREMENT FINANCING FUND  
 DECEMBER 31, 2017

	Tax Increment Financing Districts										
	1-2 Terrace Townhomes	1-3 Reichert Hotel	1-6 Felling Addition	1-10 Long Prairie Parkway	1-9 Valley View	1-11 Impact Technology	1-12 Centrose Assisted Living	Tax Increment Financing Fund			
<b>ASSETS</b>											
Cash and Cash Equivalents	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>LIABILITIES</b>											
Due to Other Funds	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>FUND BALANCE</b>											
Unassigned	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Fund Balances	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

**INDEPENDENT AUDITORS' 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**

June 25, 2018

Honorable Mayor and City Council  
City of Long Prairie, Minnesota

We have audited, in accordance with the 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 Long Prairie (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Long Prairie's basic financial statements, and have issued our report thereon dated June 25, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Long Prairie'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 have not been identified. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying *Schedule of Findings and Responses* to be material weaknesses: 2016-003 and 2016-004.

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 following deficiencies described in the accompanying *Schedule of Findings and Responses* to be significant deficiencies: 2016-001 and 2016-002.

**CITY OF LONG PRAIRIE, MINNESOTA  
SCHEDULE OF INDEBTEDNESS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(UNAUDITED)**

Maturity Dates	Interest Rates	Maturity Dates	Initial Amount Issued	Outstanding 01/01/17	Paid	Outstanding 12/31/17	Principal Amount 2018
<b>GOVERNMENTAL DEBTS</b>							
<i>Bonds</i>							
7/15/2010	2.00-3.75%	2/1/2027	\$ 1,983,000	\$ 1,465,000	\$ -	\$ 1,310,000	\$ 160,000
3/22/2012	0.55-2.00%	2/1/2025	1,020,000	665,000	180,000	485,000	65,000
9/1/2016	2.00-3.88%	2/1/2028	4,000,000	4,000,000	-	3,900,000	295,000
10/1/2016	2.00-3.88%	2/1/2028	10,650,000	9,740,000	335,000	9,405,000	520,000
<i>Tax Incremental Bonds</i>							
6/1/2016	1.25-1.10%	2/1/2038	870,000	870,000	-	870,000	-
<b>TOTAL GOVERNMENTAL DEBTS</b>							
			11,490,000	10,640,000	315,000	10,275,000	520,000
<b>ENTERPRISE DEBT</b>							
<i>General Obligation Bonds</i>							
3/22/2012	0.55-2.00%	2/1/2025	1,070,000	830,000	90,000	740,000	95,000
10/1/2015	2.00-2.35%	2/1/2026	2,385,000	1,305,000	135,000	1,170,000	135,000
			2,750,000	2,135,000	225,000	1,910,000	230,000
<i>Notes (PPA)</i>							
6/6/2001	3.91%	6/30/2030	1,224,650	902,000	7,000	231,000	74,000
6/22/2011	7.17%	6/30/2031	4,140,000	3,310,000	221,000	3,089,000	220,000
			6,884,650	4,182,000	292,000	3,889,997	300,000
<b>TOTAL ENTERPRISE DEBTS</b>							
			8,370,650	6,317,000	517,000	5,799,997	530,000
			\$ 19,860,650	\$ 16,927,000	\$ -	\$ 16,074,997	\$ 1,050,000

**CITY OF LONG PRAIRIE, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2016-001 Limited Segregation of Duties**

*Condition:* The City has limited segregation of accounting duties.

*Criteria:* 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. In other words, no one person may have control over two or more of these responsibilities.

*Cause:* Limited number of staff members.

*Effect:* The existence of limited segregation of 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.

*Recommendation:* Although the number of staff members may not be large enough to eliminate this deficiency, we recommend that the City evaluate current procedures and segregate where possible and implement compensating controls. It is important that the Council is aware of this condition and monitor all financial information.

*Management's Response:* Management agrees with the recommendation.

**Finding 2016-002 Financial Statement Preparation**

*Condition:* Schlenner Werner & Co. drafted the audited financial statements and related footnote disclosures for the City. It is management's responsibility to provide for the preparation of financial statements and the auditors' responsibility to determine the fairness of the presentation. This deficiency could result in a material misstatement that could have been prevented or detected by management.

*Criteria:* Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

*Cause:* The City's staff does not possess the expertise to prepare financial statements internally. This is not unusual for a City of your size.

*Effect:* The inability to internally prepare the City's financial statements can result in undetected errors in financial reporting.

*Recommendation:* We recommend that management review a draft of the financial statements in detail for accuracy. During review we recommend a disclosure checklist be utilized to ensure all required disclosures are presented and the City should agree the financial statement numbers to their accounting software. The City may not currently have the ability to implement controls that would eliminate this finding.

*Management's Response:* The City will continue to have the auditor assist in preparation of the financial statements and will review the cost/benefit of preparing financial statements internally on an annual basis.

**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 Response to Findings**

The City of Long Prairie's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 results 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.

*Schlenner Werner & Co.*

**SCHLENNER WENNER & CO.**  
St. Cloud, Minnesota

CITY OF LONG PRAIRIE, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

CITY OF LONG PRAIRIE, MINNESOTA  
CORRECTIVE ACTION PLANS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2016-003 Material Audit Adjustments**

*Condition:* Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit.

*Criteria:* The City is required to report financial information that is accurately presented in accordance with Accounting Principles Generally Accepted in the United States of America.

*Cause:* The City relies on the auditor to record various year-end adjustments required under the accrual basis of accounting, and various other adjustments.

*Effect:* The misstatements in the trial balance presented for the audit resulted in the need to record typical audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.

*Recommendation:* We recommend management perform a thorough review of the trial balance prior to the audit and ensure all accounts have been properly adjusted at year-end.

*Management's Response:* Management agrees with the recommendation, however, the City will continue to have the auditor assist with some year-end adjustments and will review the cost/benefit of such on an annual basis.

**Finding 2016-004 Prior Period Adjustments**

*Condition:* The City's prior year financial statements contained a material misstatement.

*Criteria:* The City is required to report financial information that is accurately presented in accordance with Accounting Principles Generally Accepted in the United States of America.

*Cause:* The City's prior year financial statements included an error in relation to construction expenditures that should have been recorded as an investment held for sale at year-end. See additional detail in Note 4.G. to the basic financial statements.

*Effect:* The misstatement in the prior year's audited financial statements resulted in the need to restate beginning fund balance in the current year.

*Recommendation:* We recommend management perform a thorough review of the audited financial statements and year-end adjustments to ensure their accuracy and completeness.

*Management's Response:* Management agrees with the recommendation.

**FINANCIAL STATEMENT FINDINGS**

**Finding 2016-001 Limited Segregation of Duties**

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 continue to monitor and review current procedures and implement additional controls where possible.

3. Official Responsible  
Brenda Thomas, City Administrator, is the official responsible for ensuring corrective action.

4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.

5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.

**Finding 2016-002 Financial Statement Preparation**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding  
The City may continue to have the auditor prepare the financial statements and will continue to document the annual review of the financial statements and related footnote disclosures. The City will revisit this decision on an ongoing annual basis.

3. Official Responsible  
Brenda Thomas, City Administrator, is the official responsible for ensuring corrective action.

4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.

5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.

**FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2016-003 Material Audit Adjustments**

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 perform a thorough review of the audited financial statements and year-end adjustments to ensure their accuracy and completeness.
3. **Official Responsible**  
Brenda Thomes, City Administrator, is the official responsible for ensuring corrective action.
4. **Planned Completion Date**  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. **Plan to Monitor Completion**  
The City Council will be monitoring this Corrective Action Plan.

**Finding 2016-004 Prior Period Adjustments**

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 perform a thorough review of the audited financial statements and year-end adjustments to ensure their accuracy and completeness.
3. **Official Responsible**  
Brenda Thomes, City Administrator, is the official responsible for ensuring corrective action.
4. **Planned Completion Date**  
December 31, 2018.
5. **Plan to Monitor Completion**  
The City Council will be monitoring this Corrective Action Plan.

**INDEPENDENT AUDITORS' REPORT ON  
MINNESOTA LEGAL COMPLIANCE**

June 25, 2018

Honorable Mayor and City Council  
City of Long Prairie, 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 Long Prairie, Minnesota (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute Section 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 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.

This report is intended solely for the information and use of those charged with governance and management of the City of Long Prairie and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

*Schlesner Wenner & Co.*

SCHLENNER WENNER & CO.  
St. Cloud, Minnesota

**FORM OF LEGAL OPINION**

(See following page)

## PROPOSED FORM OF LEGAL OPINION



City of Long Prairie, Minnesota

[Purchaser]

Re: \$ \_\_\_\_\_ General Obligation Sewer Revenue Bonds, Series 2018A  
City of Long Prairie, Minnesota

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Long Prairie, Minnesota (the “City”), of the obligations described above, dated, as originally issued as of August 15, 2018 (the “Bonds”). In that capacity, we have reviewed copies of certain proceedings taken by the City Council in the authorization, sale and issuance of the Bonds, including the form of the Bonds and certain other proceedings and documents furnished by the City and others. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

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

2. The principal of and interest on the Bonds are payable from net revenues of the municipal sewer system and ad valorem taxes duly levied on all taxable property in the City, which revenues and ad valorem taxes are expected to produce amounts sufficient to pay the principal and interest on the Bonds when due; but, if necessary for the payment of such principal and interest, additional ad valorem taxes are required by law to be levied on all taxable property in the City without limitation as to rate or amount.

3. Interest on the Bonds (a) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

4. Interest on the Bonds (a) is excludable from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates.

The opinions expressed in paragraphs 1 and 2 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors’ rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 3 and 4 above are subject to the condition of the City’s compliance with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon may be, and continue to be, excluded from gross income for federal income



tax purposes. The City has covenanted to comply with these continuing requirements. Its failure to do so could result in the inclusion of interest on the Bonds in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Bonds. Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that, (a) notwithstanding the opinion expressed in paragraph (3) above, interest on the Bonds is included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations with respect to taxable years beginning before January 1, 2018, and (b) notwithstanding the opinion expressed in paragraph (4) above, interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

We have not been engaged, and have not undertaken, to review the accuracy, completeness or sufficiency of any offering materials relating to the Bonds, and, accordingly, we express no opinion with respect thereto.

Dated this \_\_\_th day of August, 2018.

Very truly yours,

### BOOK-ENTRY-ONLY SYSTEM

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

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

**FORM OF CONTINUING DISCLOSURE COVENANTS  
(EXCERPTS FROM SALE RESOLUTION)**

(See following page)

## CONTINUING DISCLOSURE

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

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

- (1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2018, the following financial information and operating data in respect of the City (the “Disclosure Information”):
  - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and

- (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: Current Property Valuations; Direct Debt; Tax Levies and Collections; US Census Data/Population Trend; and Employment/Unemployment, which information may be unaudited.

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

- (2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events (each, a “Material Fact”):
  - (A) Principal and interest payment delinquencies;
  - (B) Non-payment related defaults, if material;
  - (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (E) Substitution of credit or liquidity providers, or their failure to perform;
  - (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
  - (G) Modifications to rights of security holders, if material;
  - (H) Bond calls, if material, and tender offers;

- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities, if material;
- (K) Rating changes;
- (L) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (N) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

- (3) In a timely manner, notice of the occurrence of any of the following events or conditions:
  - (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
  - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
  - (C) the termination of the obligations of the City under this section pursuant to subsection (d);

- (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
- (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

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

(d) Term; Amendments; Interpretation.

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

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of



the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

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

## APPENDIX E

### TERMS OF PROPOSAL

#### **\$11,725,000\* GENERAL OBLIGATION SEWER REVENUE BONDS, SERIES 2018A CITY OF LONG PRAIRIE, MINNESOTA**

Proposals for the purchase of \$11,725,000\* General Obligation Sewer Revenue Bonds, Series 2018A (the "Bonds") of the City of Long Prairie, 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 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on August 6, 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 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

#### **PURPOSE**

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, by the City for the purpose of financing the construction of the 2018 Wastewater Treatment Improvements in 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 August 30, 2018, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2020	\$270,000	2027	\$530,000	2034	\$670,000
2021	470,000	2028	545,000	2035	695,000
2022	470,000	2029	560,000	2036	725,000
2023	480,000	2030	585,000	2037	745,000
2024	490,000	2031	605,000	2038	780,000
2025	505,000	2032	620,000	2039	810,000
2026	520,000	2033	650,000		

#### **ADJUSTMENT OPTION**

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

#### **TERM BOND OPTION**

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

## INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 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 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2020 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

## BOOK-ENTRY-ONLY FORMAT

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

## PAYING AGENT

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 February 1, 2028 shall be subject to optional redemption prior to maturity on February 1, 2027 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 August 30, 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 in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP, Minneapolis, Minnesota, bond counsel to the City.

## SUBMISSION OF PROPOSALS

Proposals must not be for less than \$11,607,750 plus accrued interest on the principal sum of \$11,725,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to [bondsale@ehlers-inc.com](mailto:bondsale@ehlers-inc.com); or
- 2) Facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, Telephone (212) 849-5021.

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

A good faith deposit ("Deposit") in the amount of \$234,500 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

## **AWARD**

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

## **BOND INSURANCE**

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

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

## **CUSIP NUMBERS**

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

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

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

## **CONTINUING DISCLOSURE**

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

## **NEW ISSUE PRICING**

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

In order to establish the issue price of the Bonds for federal income tax purposes, the City requires bidders to agree to the following, and by submitting a proposal, each bidder agrees to the following.

If a proposal is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the "initial offering price") for each maturity as set forth in the proposal and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate "maturity", and the public does not include underwriters (including members of a selling group or retail distribution group) or persons related to underwriters.

If, however, a proposal is submitted for the bidder's own account in a capacity other than as an underwriter of the Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the bidder shall notify the City to that effect at the time it submits its proposal and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the City shall advise the winning bidder at or prior to the time of award whether the competitive sale rule applies.

If the City advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the City at or prior to closing a certification, in a form reasonably acceptable to bond counsel, as to the reasonably expected initial offering price as of the award date.

If the City advises the Purchaser that the requirements for a competitive sale have not been satisfied, the Purchaser shall (1) advise the City as soon as practicable after the award, but on the date of the award, whether the underwriters have sold at least 10% of each maturity of the Bonds to the public at the initial offering price, and, if not, the maturities with respect to which that is not the case (the "Undersold Maturities"); (2) from time to time, and upon one or more requests of the City, inform the City in writing of the amounts, times and prices of sales of Bonds that are Undersold Maturities and whether such sales were to the public until, with respect to a maturity, at least 10% of that maturity has been sold to the public at a single price, or, if earlier, the date on which all Bonds of such Undersold Maturity have been sold to the Public; and (3) at or prior to closing, deliver to the City a certification as to such matters, in a form reasonably acceptable to bond counsel.

Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Ehlers & Associates, Inc..

**The Bonds will NOT be subject to the "hold-the-offering-price" rule. Any proposal submitted pursuant to the Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, and proposals submitted will not be subject to cancellation or withdrawal.**

## **PRELIMINARY OFFICIAL STATEMENT**

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

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

By Order of the City Council

City of Long Prairie, Minnesota





# PROPOSAL FORM

The City Council  
City of Long Prairie, Minnesota

August 6, 2018

**RE: \$11,725,000\* General Obligation Sewer Revenue Bonds, Series 2018A**  
**DATED: August 30, 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 \$11,607,750) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____	% due	2020	_____	% due	2027	_____	% due	2034
_____	% due	2021	_____	% due	2028	_____	% due	2035
_____	% due	2022	_____	% due	2029	_____	% due	2036
_____	% due	2023	_____	% due	2030	_____	% due	2037
_____	% due	2024	_____	% due	2031	_____	% due	2038
_____	% due	2025	_____	% due	2032	_____	% due	2039
_____	% due	2026	_____	% due	2033			

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

**The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2020 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our Deposit in the amount of \$234,500, 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 August 30, 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 August 30, 2018 of the above proposal is \$\_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_%.

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The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Long Prairie, Minnesota, on August 6, 2018.

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