

New Issue

Rating Application Made: S&P Global Rating

**ADDENDUM DATED MAY 13, 2022
TO PRELIMINARY OFFICIAL STATEMENT DATED MAY 12, 2022**

**CITY OF DILWORTH, MINNESOTA
(Clay County)**

**\$9,865,000* GENERAL OBLIGATION IMPROVEMENT BONDS,
SERIES 2022A**

PROPOSAL OPENING: May 23, 2022, 10:30 AM C.T.

The General Fund Summary section of the Preliminary Official Statement has been revised. Following is the revised Preliminary Official Statement dated May 12, 2022.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 12, 2022

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 under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code, (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 net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

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

New Issue

Rating Application Made: S&P Global Ratings

CITY OF DILWORTH, MINNESOTA (Clay County)

\$9,865,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2022A

PROPOSAL OPENING: May 23, 2022, 10:30 A.M., C.T.

CONSIDERATION: May 23, 2022, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$9,865,000* General Obligation Improvement Bonds, Series 2022A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, by the City of Dilworth, Minnesota (the "City") for the purpose of financing various public 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: June 16, 2022

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2025	\$365,000	2032	\$445,000	2039	\$560,000
2026	375,000	2033	455,000	2040	575,000
2027	385,000	2034	470,000	2041	600,000
2028	395,000	2035	490,000	2042	620,000
2029	405,000	2036	505,000	2043	645,000
2030	420,000	2037	520,000	2044	665,000
2031	430,000	2038	540,000		

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2023 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2032 and thereafter are subject to call for prior optional redemption on February 1, 2031 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$9,746,620.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$197,300 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: U.S. Bank Trust Company, National Association.

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 and 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 and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

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 and 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 City is required to comply with the Rule.

CLOSING CERTIFICATES

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

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CITY OF DILWORTH CITY COUNCIL

		<u>Term Expires</u>
Chad Olson	Mayor	January 2023
Julie Nash	Vice Mayor	January 2025
Jim Aasness	Council Member	January 2023
Steve Jesme	Council Member	January 2023
Kevin Peterson	Council Member	January 2025

ADMINISTRATION

Peyton Mastera, City Administrator

Jerry Griggs, Finance Officer

PROFESSIONAL SERVICES

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Dilworth, Minnesota (the "City") and the issuance of its \$9,865,000* General Obligation Improvement Bonds, Series 2022A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on May 23, 2022.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of June 16, 2022. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2023, 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 2025 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 U.S. Bank National Association, Chicago, Illinois, to act as paying agent (the "Paying Agent"). 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, 2032 shall be subject to optional redemption prior to maturity on February 1, 2031 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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 429 and 475, by the City for the purposes of financing the City's 2022 Mill and Overlay Projects and the 7th Street Reconstruction project.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	\$9,865,000	
Moorhead Public Service Funds	83,636	
LRIP Grant	<u>1,250,000</u>	
Total Sources		\$11,198,636
Uses		
Total Underwriter's Discount (1.200%)	\$118,380	
Costs of Issuance	81,000	
Deposit to Capitalized Interest (CIF) Fund	203,745	
Deposit to Project Construction Fund	10,794,449	
Rounding Amount	<u>1,062</u>	
Total Uses		\$11,198,636

*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. The City anticipates that the debt service will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Bonds and from ad valorem property taxes. Receipt of special assessments and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

Should the assessments and taxes 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 additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

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

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

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

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

In the Award Resolution the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

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

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. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as 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 ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the City.

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.

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.

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 application of the alternative minimum tax or the additional tax on net investment income, nor does it 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 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; holders receiving payments in respect to the Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the "issue price" of a maturity of Bonds is the first price at which a substantial amount of 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.

Tax Exempt Interest

In the opinion of 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 under Section 103 of the Code (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code; (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 net 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 the Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of the 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 with original issue discount ("OID"). A bond will be treated as issued with OID (a "Discount Bond") if its "stated redemption price at maturity" (i.e., the sum of all amounts payable on the Bond other than payments of qualified stated interest) exceeds its issue price. OID that accrues to a holder of a Discount Bond is excluded from the 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

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued original issue discount, if any), the purchaser will be treated as having purchased the Bond with market discount (unless a statutory *de minimis* rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond).

Bond Premium

A holder that acquires a Bond for an amount in excess of its stated redemption price at maturity 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 might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal 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 deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, 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". Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchaser of the Bonds.

The Bonds are "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 original issue discount 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 original issue discount) and proceeds from the sale or other disposition of the Bonds are expected to 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. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

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, Colorado, 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, 2020 have been audited by Eide Baily, Fargo, North Dakota, 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 (special assessments) 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: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Impact of the Spread of COVID-19: In late 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. COVID-19 has spread throughout the world, including to the United States, resulting in the World Health Organization proclaiming COVID-19 to be a pandemic and the declaration of a national emergency. In response to the spread of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19. The effects of the spread of COVID-19 and the government and private responses to the spread continue to rapidly evolve. COVID-19 has caused significant disruptions to the global, national and State economy. The extent to which the coronavirus impacts the City and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted by the City, including the duration of the outbreak and measures taken to address the outbreak.

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor extended the peacetime emergency by 30 days. On May 14, 2021, the Governor signed Executive Order 21-23 to end the statewide mask requirement and align with new Centers for Disease Control and Prevention (CDC) guidance on face coverings. The Minnesota Legislature ended the peacetime emergency declaration on July 1, 2021.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which provides local governments an additional \$130.2 billion through the Coronavirus Local Fiscal Recovery Fund. These funds can be used to mitigate increased expenditures, lost revenue and economic hardship related to the COVID-19 pandemic.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

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	2019/20	2020/21	2021/22
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% ² Over \$1,880,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,890,000 - 0.50% ² Over \$1,890,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$150,000 - .75% Over \$150,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$162,000 - .75% Over \$162,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$174,000 - .75% Over \$174,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$100,000 - 1.50% Over \$150,000 - 2.00%

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

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

³ Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2020/21 Economic Market Value¹

\$409,594,277²

	2021/22 Assessor's Estimated Market Value	2021/22 Net Tax Capacity
Real Estate	\$397,647,300	\$4,394,963
Personal Property	2,099,400	40,896
Total Valuation	<u>\$399,746,700</u>	<u>\$4,435,859</u>

2021/22 NET TAX CAPACITY BY CLASSIFICATION

	2021/22 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$2,275,173	51.29%
Agricultural	57,450	1.30%
Commercial/industrial	1,350,554	30.45%
Public utility	1,566	0.04%
Non-homestead residential	710,220	16.01%
Personal property	40,896	0.92%
Total	<u>\$4,435,859</u>	<u>100.00%</u>

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

² According to the Minnesota Department of Revenue, the 2020/2021 Assessor's Estimated Market Value (the "AEMV") for the City is about 95.80% 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 a 2020/2021 Economic Market Value ("EMV") for the City of \$409,594,277.

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Taxable Net Tax Capacity ²	Percent Increase/Decrease in Estimated Market Value
2017/18	\$361,802,500	\$335,089,200	\$4,000,189	\$3,893,514	11.54%
2018/19	369,745,800	343,362,200	4,121,633	4,014,075	2.20%
2019/20	382,143,900	349,903,800	4,192,302	4,073,769	3.35%
2020/21	392,122,200	360,462,800	4,319,116	4,319,116	2.61%
2021/22	399,746,700	368,946,200	4,435,859	4,435,859	1.94%

LARGER TAXPAYERS

Taxpayer	Type of Property	2021/22 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Burlington Northern	Railroad	\$309,146	6.97%
Wal-Mart	Commercial	190,510	4.29%
Axis Clinicals LLC	Commercial	127,096	2.87%
Gateway Crossing LLC	Commercial	102,650	2.31%
BMW Investments LLC	Apartments	72,892	1.64%
Prairie Crossing Townhomes LLC	Apartments	72,600	1.64%
Larson Enterprises	Commercial	57,074	1.29%
EG & Co Properties	Commercial	41,090	0.93%
Dert Holdings LLC	Apartments	40,956	0.92%
Xcel Energy	Utility	37,595	0.85%
Total		<u>\$1,051,609</u>	<u>23.71%</u>

City's Total 2021/22 Net Tax Capacity \$4,435,859

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

¹ Net Tax Capacity includes tax increment values.

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by Special Assessments, Taxes, and Utility Revenues	\$1,855,000
Total G.O. debt secured by Special Assessments and Taxes (includes the Bonds)*	22,550,000
Total G.O. debt secured by Tax Abatement Revenues	685,000
Total G.O. debt secured by Taxes	115,000
Total General Obligation Debt*	<u>\$25,205,000</u>

*Preliminary, subject to change.

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

City of Dilworth, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 06/16/2022)

Dated Amount	Improvement Bonds Series 2012A		Improvement Bonds Series 2013A		Improvement Refunding Bonds 1) Series 2015A		Improvement Refunding Bonds Series 2015B		Improvement Bonds 2) Series 2016A	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
09/25/2012 \$305,000			08/20/2013 \$680,000		05/07/2015 \$4,500,000		11/19/2015 \$2,415,000		06/07/2016 \$500,000	
02/01			02/01		02/01		02/01		02/01	
2022	0	499	0	6,953	0	2,644	0	14,113	0	3,893
2023	35,000	499	40,000	13,325	175,000	3,319	195,000	26,275	30,000	7,485
2024			50,000	12,020	60,000	675	200,000	22,325	30,000	6,885
2025			50,000	10,420			210,000	18,225	35,000	6,235
2026			50,000	8,670			210,000	13,500	35,000	5,535
2027			50,000	6,920			215,000	8,188	35,000	4,826
2028			55,000	4,973			220,000	2,750	35,000	4,109
2029			55,000	2,828					35,000	3,313
2030			45,000	878					35,000	2,438
2031									40,000	1,500
2032									40,000	500
2033										
2034										
2035										
2036										
2037										
2038										
2039										
2040										
2041										
2042										
2043										
2044										
	35,000	998	395,000	66,985	235,000	6,638	1,250,000	105,375	350,000	46,718

1) This represents the \$4,500,000 Improvement Refunding Bonds portion of the \$4,920,000 General Obligation Refunding Bonds, Series 2015A.

2) This represents the \$500,000 Improvement Portion of the \$1,560,000 General Obligation Bonds, Series 2016A.

--Continued on next page

City of Dilworth, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 06/16/2022)

		Improvement Bonds Series 2018A		Taxable Improvement Bonds Series 2018C		Improvement Bonds Series 2020A		Improvement Bonds Series 2022A							
Dated Amount		05/31/2018 \$7,590,000		09/06/2018 \$1,865,000		07/16/2020 \$1,230,000		06/16/2022 \$9,865,000*							
Maturity		02/01		02/01		02/01		02/01							
Calendar Year Ending		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2022		0	123,069	0	29,295	0	12,300	0	0	0	192,764	192,764	22,550,000	.00%	2022
2023		60,000	244,938	105,000	56,936	80,000	23,800	0	366,742	720,000	743,318	1,463,318	21,830,000	3.19%	2023
2024		75,000	242,238	110,000	53,523	120,000	21,800	0	325,993	645,000	685,458	1,330,458	21,185,000	6.05%	2024
2025		140,000	237,938	110,000	49,975	120,000	19,400	365,000	321,156	1,030,000	663,349	1,693,349	20,155,000	10.62%	2025
2026		320,000	228,738	115,000	46,290	120,000	17,000	375,000	311,164	1,225,000	630,896	1,855,896	18,930,000	16.05%	2026
2027		400,000	214,338	120,000	42,353	125,000	14,550	385,000	300,618	1,330,000	591,791	1,921,791	17,600,000	21.95%	2027
2028		415,000	200,113	125,000	38,188	125,000	12,050	395,000	289,599	1,370,000	551,780	1,921,780	16,230,000	28.03%	2028
2029		430,000	187,438	125,000	33,875	130,000	9,500	405,000	278,098	1,180,000	515,050	1,695,050	15,050,000	33.26%	2029
2030		445,000	174,313	130,000	29,413	135,000	6,850	420,000	265,925	1,210,000	479,815	1,689,815	13,840,000	38.63%	2030
2031		455,000	160,813	135,000	24,674	135,000	4,150	430,000	252,960	1,195,000	444,096	1,639,096	12,645,000	43.92%	2031
2032		470,000	146,938	140,000	19,655	140,000	1,400	445,000	239,286	1,235,000	407,779	1,642,779	11,410,000	49.40%	2032
2033		485,000	132,613	145,000	14,345	145,000		455,000	224,998	1,085,000	371,955	1,456,955	10,325,000	54.21%	2033
2034		495,000	117,603	150,000	8,740	150,000		470,000	210,080	1,115,000	336,423	1,451,423	9,210,000	59.16%	2034
2035		510,000	101,581	155,000	2,945	155,000		490,000	194,358	1,155,000	298,884	1,453,884	8,055,000	64.28%	2035
2036		530,000	84,681					505,000	177,814	1,035,000	262,495	1,297,495	7,020,000	68.87%	2036
2037		545,000	67,213					520,000	160,515	1,065,000	227,728	1,292,728	5,955,000	73.59%	2037
2038		565,000	49,175					540,000	142,360	1,105,000	191,535	1,296,535	4,850,000	78.49%	2038
2039		585,000	30,122					560,000	123,245	1,145,000	153,367	1,298,367	3,705,000	83.57%	2039
2040		600,000	10,125					575,000	103,239	1,175,000	113,364	1,288,364	2,530,000	88.78%	2040
2041								600,000	82,233	600,000	82,233	682,233	1,930,000	91.44%	2041
2042								620,000	60,118	620,000	60,118	680,118	1,310,000	94.19%	2042
2043								645,000	36,870	645,000	36,870	681,870	665,000	97.05%	2043
2044								665,000	12,469	665,000	12,469	677,469	0	100.00%	2044
		7,525,000	2,753,981	1,665,000	450,205	1,230,000	142,800	9,865,000	4,479,835	22,550,000	8,053,534	30,603,534			

* Preliminary, subject to change.

City of Dilworth, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments, Taxes and Utility Revenues
(As of 06/16/2022)

Sewer System Bonds
Series 2018B

Dated Amount	05/31/2018 \$2,000,000
Maturity	02/01

Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2022	0	30,716	0	30,716	30,716	1,855,000	.00%	2022
2023	75,000	59,931	75,000	59,931	134,931	1,780,000	4.04%	2023
2024	80,000	56,831	80,000	56,831	136,831	1,700,000	8.36%	2024
2025	80,000	53,631	80,000	53,631	133,631	1,620,000	12.67%	2025
2026	85,000	50,331	85,000	50,331	135,331	1,535,000	17.25%	2026
2027	90,000	47,281	90,000	47,281	137,281	1,445,000	22.10%	2027
2028	90,000	44,581	90,000	44,581	134,581	1,355,000	26.95%	2028
2029	95,000	41,806	95,000	41,806	136,806	1,260,000	32.08%	2029
2030	100,000	38,881	100,000	38,881	138,881	1,160,000	37.47%	2030
2031	100,000	35,881	100,000	35,881	135,881	1,060,000	42.86%	2031
2032	105,000	32,741	105,000	32,741	137,741	955,000	48.52%	2032
2033	105,000	29,459	105,000	29,459	134,459	850,000	54.18%	2033
2034	110,000	26,100	110,000	26,100	136,100	740,000	60.11%	2034
2035	115,000	22,513	115,000	22,513	137,513	625,000	66.31%	2035
2036	115,000	18,775	115,000	18,775	133,775	510,000	72.51%	2036
2037	120,000	14,956	120,000	14,956	134,956	390,000	78.98%	2037
2038	125,000	10,975	125,000	10,975	135,975	265,000	85.71%	2038
2039	130,000	6,750	130,000	6,750	136,750	135,000	92.72%	2039
2040	135,000	2,278	135,000	2,278	137,278	0	100.00%	2040
	1,855,000	624,419	1,855,000	624,419	2,479,419			

City of Dilworth, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 06/16/2022)

Tax Abatement Bonds 1)
Series 2016A

Dated Amount							
Maturity	06/07/2016 \$1,060,000						
	02/01						
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid
2022	0	6,850	0	6,850	6,850	685,000	.00%
2023	165,000	12,050	165,000	12,050	177,050	520,000	24.09%
2024	175,000	8,650	175,000	8,650	183,650	345,000	49.64%
2025	170,000	5,200	170,000	5,200	175,200	175,000	74.45%
2026	175,000	1,750	175,000	1,750	176,750	0	100.00%
	685,000	34,500	685,000	34,500	719,500		

1) This represents the \$1,060,000 Tax Abatement Portion of the \$1,560,000 General Obligation Bonds, Series 2016A.

City of Dilworth, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 06/16/2022)

Capital Improvement Plan Bonds 1)
Series 2015A

Dated Amount	05/07/2015 \$420,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2022	0	1,294	0	1,294	1,294	115,000	.00%	2022
2023	45,000	2,081	45,000	2,081	47,081	70,000	39.13%	2023
2024	50,000	1,013	50,000	1,013	51,013	20,000	82.61%	2024
2025	20,000	225	20,000	225	20,225	0	100.00%	2025
	115,000	4,613	115,000	4,613	119,613			

1) This represents the \$420,000 Capital Improvement Plan Bonds portion of the \$4,920,000 General Obligation Refunding Bonds, Series 2015A.

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 the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property (includes the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay judgments against the City; and 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.

2021/22 Assessor's Estimated Market Value	\$399,746,700
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	<u>\$11,992,401</u>
Less:Long-Term Debt Outstanding Being Paid Solely from Taxes	<u>(115,000)</u>
Unused Debt Limit	<u><u>\$11,877,401</u></u>

OVERLAPPING DEBT¹

Taxing District	2021/22 Taxable Net Tax Capacity	% In City	Total G.O. Debt ²	City's Proportionate Share
County of:				
Clay	\$75,172,065	5.9009%	\$55,440,000	\$3,271,459
School Districts of: ³				
I.S.D. No. 2164 (Dilworth-Glyndon-Felton)	10,422,177	24.4344%	41,281,999 ⁴	10,087,009
I.S.D. No. 152 (Moorhead)	43,609,881	4.0646%	189,785,000 ⁵	7,714,001
City's Share of Total Overlapping Debt				<u>\$21,072,469</u>

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

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

³ Includes the 2020/21 Taxable Net Tax Capacity and Agricultural Credit values; the 2021/22 Agricultural Credit values are expected to be available in August 2022.

⁴ Currently, the State of Minnesota is paying approximately 28.20% of the principal and interest on the Dilworth-Glyndon-Felton School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is \$11,562,564. Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

⁵ Currently, the State of Minnesota is paying approximately 5.30% of the principal and interest on the Moorhead School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is \$10,058,605.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$409,594,277	Debt/ Per Capita 4,612¹
Direct G.O. Debt Secured By:			
Special Assessments, Taxes, & Utility Revenues	\$1,855,000		
Special Assessments & Taxes (includes the Bonds)*	22,550,000		
Tax Abatement Revenues	685,000		
Taxes	115,000		
Total General Obligation Debt (includes the Bonds)*	\$25,205,000	6.15%	\$5,465.09
City's Share of Total Overlapping Debt ²	<u>\$21,072,469</u>	<u>5.14%</u>	<u>\$4,569.05</u>
Total*	<u><u>\$46,277,469</u></u>	<u><u>11.30%</u></u>	<u><u>\$10,034.14</u></u>

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

¹ 2020 U.S. Census Population.

² After deducting the City's proportionate share of the agricultural land valuation applicable to the overlapping school districts of \$3,234,085, the City's net overlapping debt is \$17,838,384, which results in a net overlapping debt/market value ratio of 4.36% and net overlapping debt/current population estimate ratio of \$3,867.82

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2017/18	\$1,433,272	\$1,420,501	\$1,433,147	99.99%
2018/19	1,513,731	1,499,924	1,513,610	99.99%
2019/20	1,603,894	1,589,585	1,599,635	99.73%
2020/21	1,656,267	1,644,445	1,644,445	99.29%
2021/22	1,722,485	In process of collection		

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

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. Certain states have announced extended deadlines for payment of property taxes, although as of this date Minnesota has not taken such measures. The City cannot predict whether and how much payment of property taxes will be impacted. The 2020 and 2021 delinquencies were not materially higher than in prior years. It is not anticipated that the current year will be significantly different. The City does not expect any delays or reductions in the receipt of property taxes that will materially adversely impact the City's Finances and payment of debt obligations, including the Bonds.

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

² Collections are through December 31, 2021.

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

TAX CAPACITY RATES¹

	2017/18	2018/19	2019/20	2020/21	2021/22
Clay County	47.729%	48.859%	51.180%	52.322%	53.521%
City of Dilworth	47.025%	48.776%	50.835%	50.348%	50.939%
I.S.D. No. 2164 (Dilworth-Glyndon-Felton)	15.646%	17.632%	31.922%	30.081%	28.849%
I.S.D. No. 152 (Moorhead Area Public Schools)	31.726%	30.220%	35.151%	37.633%	35.819%
Buffalo Watershed	1.706%	1.675%	1.694%	1.838%	1.905%
Clay County HRA	N/A	0.563%	0.326%	N/A	N/A

Referendum Market Value Rates:

I.S.D. No. 2164 (Dilworth-Glyndon-Felton)	0.18314%	0.18376%	0.14223%	0.17120%	0.18000%
I.S.D. No. 152 (Moorhead Area Public Schools)	0.18401%	0.17882%	0.18995%	0.19914%	0.17018%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Clay County.

LEVY LIMITS

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

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

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1911. The City operates under a statutory form of government consisting of a 5-member City Council of which the Mayor is a voting member. The City Administrator and Finance Officer is responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 17 full-time, 28 part-time, and five (5) seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Law Enforcement Labor Services (LELS)	December 31, 2022
International Union of Operating Engineers, Local 49	December 31, 2022

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent actuarial study shows a total OPEB liability of \$806,977 as of January 1, 2021. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent actuarial study.

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

As of the date hereof, Minnesota Statutes, 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 December 31, 2021)

Fund	Total Cash and Investments
General	\$2,819,706
Special Revenue	953,851
Debt Service	4,610,544
Capital Projects	669,133
Enterprise Funds	3,492,734
Total Funds on Hand	<u>\$12,545,968</u>

ENTERPRISE FUNDS

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

	2018	2019	2020
Water			
Total Operating Revenues	\$660,126	\$683,882	\$771,666
Less: Operating Expenses	<u>(714,574)</u>	<u>(715,671)</u>	<u>(779,069)</u>
Operating Income	(\$54,448)	(\$31,789)	(\$7,403)
Plus: Depreciation	<u>109,741</u>	<u>112,004</u>	<u>138,820</u>
Revenues Available for Debt Service	<u><u>\$55,293</u></u>	<u><u>\$80,215</u></u>	<u><u>\$131,417</u></u>
Sewer			
Total Operating Revenues	\$673,151	\$747,859	\$800,521
Less: Operating Expenses	<u>(632,129)</u>	<u>(639,204)</u>	<u>(725,885)</u>
Operating Income	\$41,022	\$108,655	\$74,636
Plus: Depreciation	<u>74,150</u>	<u>83,299</u>	<u>118,412</u>
Revenues Available for Debt Service	<u><u>\$115,172</u></u>	<u><u>\$191,954</u></u>	<u><u>\$193,048</u></u>
Refuse			
Total Operating Revenues	\$518,200	\$557,252	\$614,043
Less: Operating Expenses	<u>(512,152)</u>	<u>(538,462)</u>	<u>(591,896)</u>
Operating Income	\$6,048	\$18,790	\$22,147
Plus: Depreciation	<u>3,258</u>	<u>2,781</u>	<u>2,678</u>
Revenues Available for Debt Service	<u><u>\$9,306</u></u>	<u><u>\$21,571</u></u>	<u><u>\$24,825</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the operating 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 2020 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2018 Audited	2019 Audited	2020 Audited	2021 Adopted Budget 1)	2022 Adopted Budget 2)
Operating Revenues					
General Property Taxes	\$1,056,935	\$1,181,807	\$1,244,284	\$1,172,477	\$1,339,656
Franchise Fees	121,681	123,450	124,596	120,000	120,000
Special Assessments	789	3,515	170	60,000	10,000
Licenses and Permits	82,642	58,683	42,734	44,400	59,400
Intergovernmental	1,124,204	1,115,062	1,625,565	1,087,189	815,876
Charges for Services	157,448	185,862	143,110	125,200	177,565
Fines and Forfeits	63,240	72,476	46,247	44,400	53,400
Interest	33,649	36,300	37,781	10,000	28,000
Miscellaneous	114,610	160,631	137,194	353,748	328,032
Total Operating Revenues	\$2,755,198	\$2,937,786	\$3,401,681	\$3,017,414	\$2,931,929
Expenditures					
Current:					
General Government	\$552,233	\$524,331	\$598,911	\$908,557	\$856,294
Public Safety	1,054,708	997,107	1,003,589	1,234,838	1,146,561
Highways & Streets	419,072	698,583	437,804	525,751	517,063
Health & Welfare	4,149	3,698	1,949	4,600	4,600
Culture and Recreation	172,029	148,236	55,564	208,668	173,950
Miscellaneous	0	0	0	0	253,461
Capital Outlay	440,680	302,156	356,074	135,000	0
Debt Service	30,554	30,367	9,721	0	0
Total Expenditures	\$2,673,425	\$2,704,478	\$2,463,612	\$3,017,414	\$2,951,929
Excess of operating rev. over (under) expenditures	\$81,773	\$233,308	\$938,069	\$0	(20,000)
Other Financing Sources (Uses)					
Transfers in	\$16,800	\$16,800	\$20,000	\$20,000	\$20,000
Transfers out	0	0	0	0	0
Total Other Financing Sources (Uses)	\$16,800	\$16,800	\$20,000	\$20,000	\$20,000
Net changes in Fund Balances	\$98,573	\$250,108	\$958,069	\$20,000	\$0
General Fund Balance January 1	\$2,632,244	\$2,730,817	\$2,980,925	\$3,938,994	\$3,958,994
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance December 31	\$2,730,817	\$2,980,925	\$3,938,994	\$3,958,994	\$3,958,994
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$65,424	\$82,908	\$132,773		
Assigned	787,904	890,784	968,931		
Unassigned	1,877,489	2,007,233	2,837,380		
Total	\$2,730,817	\$2,980,925	\$3,939,084		

1) The 2021 budget was adopted on 12/14/20.

2) The 2022 budget was adopted on 12/13/21.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 4,024 and a 2020 U.S. Census Population of 4,612 comprising an area of 1,301 acres, is located approximately 200 miles northwest of the Minneapolis-St. Paul metropolitan area, and is part of the Fargo-Moorhead metropolitan area; Dilworth shares its boundary with the City of Moorhead.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 2164 (Dilworth-Glyndon-Felton)	Elementary and secondary education	418
Walmart	Discount retail store	240
BNSF Railway	Railroad	100
Axis Clinicals	Medical research	50
Serenity	Assisted living and memory care	50
The City	Municipal government and services	45
Slumberland	Furniture and mattress retail store	32
ABC 123 Child Enrichment	Daycare	25
Early Einstein's	Daycare	25
Pizza Ranch of Dilworth	Restaurant	25

Source: *Data Axle Reference Solutions, written and telephone survey (April 2022), and the Minnesota Department of Employment and Economic Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data. Estimates provided are accurate as of the date noted and may not reflect changes in the number of employees resulting from the current COVID-19 pandemic. (See "Risk Factors - Impact of the Spread of COVID-19").

BUILDING PERMITS

	2018	2019	2020	2021	2022 ¹
<u>New Single Family Homes</u>					
No. of building permits	15	18	17	17	0
Valuation	\$4,246,000	\$4,447,500	\$5,266,824	\$5,557,000	\$0
<u>New Multiple Family Buildings</u>					
No. of building permits	0	0	0	0	0
Valuation	\$0	\$0	\$0	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	3	2	2	7	0
Valuation	\$3,350,000	\$1,055,000	\$1,215,000	\$8,886,900	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	70	79	79	86	3
Valuation	\$8,497,674	\$5,958,746	\$6,931,047	\$15,715,032	\$12,404

Source: The City.

¹ As of March 31, 2022.

U.S. CENSUS DATA

Population Trend: The City

2010 U.S. Census population	4,024
2020 U.S. Census population	4,612
Percent of Change 2010 - 2020	14.61%

Income and Age Statistics

	The City	Clay County	State of Minnesota	United States
2020 per capita income	\$36,874	\$31,233	\$38,881	\$35,384
2020 median household income	\$68,772	\$66,069	\$73,382	\$64,994
2020 median family income	\$104,732	\$89,413	\$92,692	\$80,069
2020 median gross rent	\$813	\$859	\$1,010	\$1,096
2020 median value owner occupied units	\$217,600	\$205,400	\$235,700	\$229,800
2020 median age	39.9 yrs.	32.7 yrs.	38.1 yrs.	38.2 yrs.

	State of Minnesota	United States
City % of 2020 per capita income	94.84%	104.21%
City % of 2020 median family income	94.84%	130.80%

Housing Statistics

	<u>The City</u>		
	2010	2020	Percent of Change
All Housing Units	1,239	1,955	57.79%

Source: 2010 and 2020 Census of Population and Housing, and 2020 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>	<u>Average Unemployment</u>	
	Clay County	Clay County	State of Minnesota
2018	34,766	2.9%	3.0%
2019	35,205	3.1%	3.2%
2020	34,829	3.8%	6.2%
2021	35,346	2.9%	3.4%
2022, March	36,023	2.4%	2.8%

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 or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary 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.



Financial Statements
December 31, 2020

City of Dilworth, Minnesota

City of Dilworth, Minnesota
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December 31, 2020

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City of Dilworth, Minnesota
Elected and Appointed Officials (Unaudited)
December 31, 2020

Elected	Term Position	Term Expires December 31,
Chad Olson	Mayor	2021
Jim Aasness	Council Member	2021
Steven Jesme	Council Member	2021
Kevin Spaulding	Council Member	2020
Julie Nash	Council Member	2020
Appointed		
Peyton Mastera	City Administrator	
Sherri Farwell	Finance Officer	
Mark Empting	Fire Chief	
Ty Sharpe	Police Chief	
Jeff Berg	Maintenance Supervisor	



Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Dilworth, 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 Dilworth, Minnesota (the City), as of and for the year ended December 31, 2020, 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 entity'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 entity'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.

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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, as of December 31, 2020, and the respective changes in financial position and, where, applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 9 to the financial statements, the City has recorded a restatement related to previously unrecorded OPEB liabilities, which has resulted in an adjustment of the net position as of January 1, 2020. Our opinions are 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 schedule of changes in the city's total OPEB liability and related ratios, schedule of employer's share of net pension liability, and schedule of employer's contributions be presented to supplement the basic financial statements as listed in the Table of Contents. 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 or 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 that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The listing of elected and appointed officials and combining and individual fund schedules are presented for purpose of additional analysis and are not a required part of the financial statements.

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

The listing of elected and appointed officials has 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 this listing.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 6, 2021, on our consideration of the internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated May 6, 2021, on our consideration of the City's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for Cities. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for Cities in considering the City's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Sarah Sully LLP

Fargo, North Dakota
May 6, 2021

City of Dilworth, Minnesota Statement of Net Position December 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,965,537	\$ 3,508,997	\$ 10,474,534
Restricted cash	37,925	-	37,925
Investments	2,539,057	1,226,975	3,766,032
Receivables			
Property taxes	19,786	-	19,786
Accounts	72,902	261,721	334,623
Special assessments	11,433,323	297,894	11,731,217
Notes	44,583	-	44,583
Prepaid items	88,190	7,437	95,627
Due from other governmental units	144,338	4,574	148,912
Capital assets, net of accumulated depreciation			
Land	567,528	-	567,528
Construction in progress	-	33,752	33,752
Buildings	458,913	1,061	459,974
Improvements other than buildings	182,721	7,882,814	8,065,535
Infrastructure	13,176,732	-	13,176,732
Machinery and equipment	1,028,725	-	1,028,725
Total assets	36,760,260	13,225,225	49,985,485
Deferred Outflows of Resources			
OPEB	22,272	-	22,272
Pension plans	311,147	14,251	325,398
Total deferred outflows of resources	333,419	14,251	347,670
Liabilities			
Accounts payable	27,137	41,418	68,555
Accrued wages	57,479	20,727	78,206
Accrued interest payable	143,542	16,808	160,350
Other liabilities	12,385	-	12,385
Noncurrent liabilities:			
Due within one year -			
special assessment debt, notes from direct borrowings, and compensated absences	1,223,374	119,239	1,342,613
Due in more than one year -			
special assessment debt, notes from direct borrowings, and compensated absences	14,630,755	1,929,733	16,560,488
Due in more than one year -			
OPEB	737,554	-	737,554
Due in more than one year -			
net pension liability	810,262	129,861	940,123
Total liabilities	17,642,488	2,257,786	19,900,274
Deferred Inflows of Resources			
Pension plans	460,260	10,633	470,893
Net Position			
Net investment in capital assets	(340,381)	5,925,633	5,585,252
Restricted for debt service	5,292,409	-	5,292,409
Restricted for TIF repayment	522,275	-	522,275
Unrestricted	13,516,628	5,045,424	18,562,052
Total net position	\$ 18,990,931	\$ 10,971,057	\$ 29,961,988

The accompanying Notes to Financial Statements are an integral part of these statements.

City of Dilworth, Minnesota
Statement of Activities
Year Ended December 31, 2020

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues		Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government					
Public safety	\$ 508,131	\$ 301,648	\$ 153	\$ -	\$ (206,330)
Highways and streets	1,077,383	149,959	363,818	-	(563,606)
Health and welfare	1,383,453	963,329	28,980	-	(1,258,144)
Police department	1,949	-	-	-	(1,949)
Insurance costs on long-term debt	35,450	-	7,814	-	(27,636)
Interest on long-term debt	378,351	-	-	-	(378,351)
Total governmental activities	3,469,873	547,936	400,765	-	(2,521,172)
Business-type activities					
Water	779,059	771,666	-	-	(7,393)
Sewer	788,106	800,521	-	-	12,415
Refuse	591,896	614,043	-	-	22,147
Other business-type activities	68,165	82,540	-	-	14,375
Total business-type activities	2,227,236	2,268,770	-	-	41,534
Total primary government	\$ 5,697,109	\$ 2,816,706	\$ 400,765	\$ -	(2,479,638)
General revenues					
Property taxes				1,905,016	1,905,016
Grants and state aid				4,140,000	4,140,000
Unrestricted investment earnings				62,005	62,005
Miscellaneous				88,741	88,741
Transfers				20,000	20,000
Total general revenues				3,263,808	3,263,808
Change in net position				742,636	742,636
Net position - beginning, as adjusted (Note 9)				18,248,295	18,248,295
Net position - ending				\$ 10,071,057	\$ 29,961,988

The accompanying Notes to Financial Statements are an integral part of these statements

City of Dilworth, Minnesota
Governmental Funds
Balance Sheet
December 31, 2020

	General	Refunding Bonds 2015A	Refunding Bonds 2015B	Improvement Bonds 2018A	Improvement Bonds 2018C	Subsidized Street Project	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 2,772,062	\$ 1,803,301	\$ 709,316	\$ 128,895	\$ 181,089	\$ 203,333	\$ 1,350,541	\$ 6,865,537
Restricted cash	-	-	-	-	-	-	37,995	37,995
Receivables	974,608	847,740	80,420	47,614	66,894	21,530	506,261	2,539,057
Taxes - delinquent	19,777	-	-	-	-	-	9	19,786
Accounts receivable	20,720	-	-	-	-	-	-	20,720
Accrued assessments	44,583	531,315	1,266,817	7,148,586	1,939,920	-	516,556	11,433,323
Notes	-	-	-	-	-	-	44,583	44,583
Prepaid items	88,190	-	-	-	-	-	-	88,190
Due from other governmental units	88,000	-	-	-	-	-	-	88,000
Total assets	\$ 4,085,901	\$ 3,183,272	\$ 2,057,139	\$ 7,385,025	\$ 2,187,892	\$ 41,853	\$ 2,406,409	\$ 21,345,641
Liabilities								
Accounts payable	\$ 27,137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,137
Accrued wages	57,479	-	-	-	-	-	-	57,479
Unearned revenue	12,385	-	-	-	-	-	-	12,385
Deferred inflows of resources	97,001	-	-	-	-	-	-	97,001
Deferred inflows of resources	-	-	-	-	-	-	-	-
Unavailable revenue-property taxes	19,777	-	-	-	-	-	9	19,786
Unavailable revenue-special assessments	301,279	531,314	1,266,817	7,148,586	1,939,920	-	516,557	11,433,323
Total deferred inflows of resources	49,906	531,314	1,266,817	7,148,586	1,939,920	-	516,566	11,433,107
Fund balance								
Nonspendable for:								
Prepaid items	88,190	-	-	-	-	-	-	88,190
Restricted	44,583	-	-	-	-	-	-	44,583
Debt service	-	2,651,958	790,322	234,439	248,032	-	1,367,658	5,292,409
TIF repayments	-	-	-	-	-	-	52,275	52,275
Capital projects	-	-	-	-	-	41,853	-	41,853
Assigned for:								
Park	442,453	-	-	-	-	-	-	442,453
Fire department	465,249	-	-	-	-	-	-	465,249
Police department	2,837,380	-	-	-	-	-	-	2,837,380
Unassigned	3,938,994	2,651,958	790,322	234,439	248,032	41,853	1,889,933	9,795,531
Total fund balance	\$ 4,085,901	\$ 3,183,272	\$ 2,057,139	\$ 7,385,025	\$ 2,187,892	\$ 41,853	\$ 2,406,409	\$ 21,345,641
Total liabilities, deferred inflows of resources, and fund balances								

The accompanying Notes to Financial Statements are an integral part of these statements

City of Dilworth, Minnesota
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2020

Total Fund Balances - Governmental Funds	\$ 9,795,531
Amounts reported for governmental activities are not financial resources and, therefore, not reported in the governmental funds.	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	15,414,619
Other long term assets are not available to pay for current period expenditures and, therefore, are either not recognized as a receivable or are deferred in the funds.	11,453,109
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	(126,841)
Long-term liabilities, including special assessment debt, compensated absences, OPEB liability, net pension liability, bond premium, and notes payable and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds.	(17,545,487)
Total Net Position - Governmental Activities	\$ 18,990,931

City of Dilworth, Minnesota Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended December 31, 2020									
	General	Refunding Bonds 2015A	Refunding Bonds 2015B	Improvement Bonds 2015A	Improvement Bonds 2015B	Southside Street Project	Other Governmental Funds	Total Governmental Funds	
Revenues									
General property taxes	\$ 1,244,284	\$ 92,386	\$ 32,359	\$ -	\$ 6,097	\$ -	\$ 140,314	\$ 1,515,440	
Transfer from other funds	124,590	-	-	-	-	-	-	124,590	
Special assessments	170	350,120	140,180	316,105	149,549	-	106,321	1,082,645	
Licenses and permits	42,734	-	-	-	-	-	-	42,734	
Intergovernmental	1,025,565	33,815	11,844	-	2,231	-	51,357	1,724,812	
Grants and contributions	14,510	-	-	-	-	-	-	14,510	
Fees and forfeitures	46,247	-	-	-	-	-	-	46,247	
Interest income	37,781	26,534	7,971	14,384	2,444	34	22,876	112,024	
Miscellaneous	137,159	4,673	1,897	311	437	-	3,568	147,580	
Total revenues	3,410,681	507,529	158,751	351,000	160,758	34	374,436	4,959,186	
Expenditures									
Current									
General government	598,911	876	292	292	292	-	876	601,539	
Public safety	1,003,589	-	-	-	-	-	-	1,003,589	
Police and fire	2,000	-	-	-	-	-	-	2,000	
Health and welfare	1,949	-	-	-	-	-	-	1,949	
Culture and recreation	55,564	-	-	-	-	-	-	55,564	
Capital outlay	356,074	-	-	-	-	1,185,447	-	1,541,521	
Debt service	-	-	-	-	-	-	-	-	
Principal	9,290	720,000	185,000	-	-	-	215,000	1,169,290	
Interest, fees and fiscal charges	-	38,641	38,275	249,238	65,190	35,449	54,777	489,001	
Total expenditures	2,443,612	759,517	223,567	249,530	65,482	1,220,896	310,651	3,959,537	
Excess (Deficiency) of Revenues Over (Under) Expenditures	938,069	(251,989)	(29,816)	101,470	95,276	(1,220,862)	13,783	(354,069)	
Other Financing Sources (Uses)									
Transfer from other funds	20,000	-	-	398,421	211,935	-	37,925	668,281	
Transfers to other funds	-	-	-	-	-	1,730,000	(610,356)	1,200,000	
Bond premium	-	-	-	-	-	-	-	-	
Net premium on debt	-	-	-	-	-	708,640	-	708,640	
Total other financing sources (uses)	20,000	-	-	398,421	211,935	1,267,715	(572,431)	1,320,640	
Net Change in Fund Balances	958,069	(251,989)	(29,816)	499,891	307,211	41,853	(558,648)	966,571	
Fund Balances (Deficit), beginning of year	2,980,825	2,401,042	820,138	(195,453)	(59,179)	-	2,448,581	8,838,600	
Fund Balances, end of Year	\$ 3,938,894	\$ 2,651,958	\$ 790,322	\$ 214,439	\$ 248,033	\$ 41,853	\$ 1,889,933	\$ 9,795,531	

The accompanying Notes to Financial Statements are an integral part of these statements

City of Dilworth, Minnesota
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 966,571
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	536,361
Revenues in the statement of activities that do not provide current financial resources not reported as revenues in the funds.	(748,079)
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(4,996)
In the statement of activities OPEB obligations are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	19,953
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	105,796
Interest payable is reported in the government wide statement of net position but is not recorded in the governmental funds.	(1,620)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of those differences in treatment of long-term debt and related items.	(131,350)
Change in Net Position of Governmental Activities	<u>\$ 742,636</u>

The accompanying Notes to Financial Statements are an integral part of these statements

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City of Dilworth, Minnesota
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
General property taxes	\$ 1,339,656	\$ 1,339,656	\$ 1,244,284	\$ (95,372)
Franchise fees	120,000	120,000	124,596	4,596
Special assessments	10,000	10,000	170	(9,830)
Licenses and permits	59,400	59,400	42,734	(16,666)
Intergovernmental	815,876	815,876	1,625,565	809,689
Charges for services	177,565	177,565	143,110	(34,455)
Fines and forfeitures	53,400	53,400	46,247	(7,153)
Interest income	28,000	28,000	37,781	9,781
Miscellaneous	29,700	29,700	137,194	107,494
Total revenues	2,633,597	2,633,597	3,401,681	768,084
Expenditures				
Current				
General government	856,294	856,294	598,911	257,383
Public safety	1,146,561	1,146,561	1,003,589	142,972
Highways and streets	517,063	517,063	437,804	79,259
Health and welfare	4,600	4,600	1,949	2,651
Culture and recreation	173,950	173,950	55,564	118,386
Capital outlay	193,461	193,461	356,074	(162,613)
Debt service	60,000	60,000	9,290	50,710
Principal	-	-	431	(431)
Interest	-	-	-	-
Total expenditures	2,951,929	2,951,929	2,463,612	488,317
Excess (Deficiency) of Revenues Over (Under) Expenditures	(318,332)	(318,332)	938,069	1,256,401
Other Financing Sources				
Transfers in	20,000	20,000	20,000	-
Net Change in Fund Balances	\$ (298,332)	\$ (298,332)	958,069	\$ 1,256,401
Fund Balance, Beginning of Year			2,980,925	
Fund Balance, End of Year			<u>\$ 3,938,994</u>	

The accompanying Notes to Financial Statements are an integral part of these statements

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City of Dilworth, Minnesota
Proprietary Funds
Statement of Net Position
December 31, 2020

	Water	Sewer	Refuse	Nonmajor Business-Type Activities	Total Business-Type Activities
Assets					
Cash and cash equivalents	\$ 1,191,850	\$ 1,903,766	\$ 216,496	\$ 196,885	\$ 3,508,997
Investments	371,022	703,250	79,974	72,729	1,226,975
Receivables					
Accounts	74,863	108,357	69,040	9,461	261,721
Due from other governmental units	74,863	229,378	1,240	1,631	276,512
Prepaid items	1,545	3,021	4,100	7,437	12,103
Due from other governmental units	-	474	-	-	474
Total current assets	1,709,596	2,946,446	370,850	280,706	5,307,598
Noncurrent Assets					
Capital assets not being depreciated					
Construction in Progress	-	33,752	-	-	33,752
Capital assets being depreciated					
Buildings	4,499,475	7,558,014	40,035	21,913	12,119,437
Improvements other than buildings	(2,676,279)	(1,511,591)	(137,468)	(21,913)	(4,347,251)
Less accumulated depreciation					
Net capital assets	1,823,196	6,080,175	14,256	-	7,917,627
Total assets	3,532,792	9,026,621	385,106	280,706	13,225,225
Deferred Outflows of Resources					
Pension plans	5,203	5,203	3,384	461	14,251
Liabilities					
Current liabilities					
Accounts payable	2,652	33,820	4,946	-	41,418
Accrued wages	7,527	7,527	5,058	615	20,727
Accrued interest	-	16,808	-	-	16,808
Current portion of long-term debt	24,842	94,397	-	-	119,239
Total current liabilities	35,021	152,552	10,004	615	198,192
Noncurrent liabilities					
Compensated absence payable	3,647	3,647	-	-	7,294
Bonds payable, net of discount	-	1,922,439	-	-	1,922,439
Net pension liability	47,411	47,411	30,838	4,201	129,861
Total noncurrent liabilities	51,058	1,973,497	30,838	4,201	2,059,594
Total liabilities	86,079	2,126,049	40,842	4,816	2,357,786
Deferred Inflows of Resources					
Pension plans	3,882	3,882	2,525	344	10,633
Net Position					
Net investment in capital assets	1,823,196	4,088,181	14,256	-	5,925,633
Unrestricted	1,624,838	2,813,712	330,867	276,007	5,045,424
Total net position	3,448,034	6,901,893	345,123	276,007	10,971,057

The accompanying Notes to Financial Statements are an integral part of these statements

City of Dilworth, Minnesota
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2020

	Water	Sewer	Refuse	Nonmajor Business-Type Activities	Total Business-Type Activities
Operating Revenues					
Charges for services	\$ 763,258	\$ 793,701	\$ 488,941	\$ 82,065	\$ 2,127,965
Recycling	-	-	124,580	-	124,580
Miscellaneous	8,408	6,820	522	475	16,225
Total operating revenues	771,666	800,521	614,043	82,540	2,268,770
Operating Expenses					
Personnel services	169,743	169,743	107,814	35,819	483,119
Supplies	427	462	391	9,656	10,936
Refuse collections	-	-	472,849	-	472,849
Fuel & utilities	442,161	392,219	2,110	351	836,841
Professional services	1,280	-	-	-	1,280
Repairs & maintenance	16,537	34,403	1,535	19,739	72,214
Insurance	2,678	5,292	2,081	1,779	11,830
Depreciation	138,820	118,412	2,678	489	260,399
Other	7,423	5,354	2,438	332	15,547
Total operating expenses	779,069	725,885	591,896	68,165	2,165,015
Operating Income (Loss)	(7,403)	74,636	22,147	14,375	103,755
Nonoperating Revenues (Expenses)					
General property taxes	-	59,402	-	-	59,402
State market value credit	-	21,743	-	-	21,743
Special assessments	-	118,114	-	-	118,114
Interest revenue	13,587	25,996	2,922	2,656	45,161
Interest expense and fiscal charges	-	(62,221)	-	-	(62,221)
Total nonoperating revenues	13,587	163,034	2,922	2,656	182,199
Income Before Transfers Out	6,184	237,670	25,069	17,031	285,954
Transfers Out	(7,500)	(7,500)	(5,000)	-	(20,000)
Change in Net Position	(1,316)	230,170	20,069	17,031	265,954
Total Net Position, Beginning of Year	3,449,350	6,671,723	325,054	258,976	10,705,103
Total Net Position, End of Year	\$ 3,448,034	\$ 6,901,893	\$ 345,123	\$ 276,007	\$ 10,971,057

The accompanying Notes to Financial Statements are an integral part of these statements

City of Dilworth, Minnesota
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2020

	Water	Sewer	Refuse	Nonmajor Business-Type Activities	Total Business-Type Activities
Operating Activities					
Receipts from customers and users	\$ 783,003	\$ 786,375	\$ 617,062	\$ 81,629	\$ 2,268,069
Payments for cost of services	(447,567)	(381,206)	(470,828)	(28,942)	(1,329,543)
Payments to employee costs	(163,209)	(172,026)	(107,117)	(34,970)	(477,322)
Payments to other vendors	(9,385)	(12,528)	(8,444)	(2,111)	(32,468)
Net Cash from Operating Activities	162,842	220,615	30,673	14,606	428,736
Non-Capital Financing Activity					
Transfer to other funds	(7,500)	(7,500)	(5,000)	-	(20,000)
Capital and Related Financing Activities					
General property taxes	-	59,402	-	-	59,402
State market value credit	-	21,743	-	-	21,743
Special assessment proceeds	-	118,114	-	-	118,114
Property and equipment additions	(40,445)	(41,429)	-	-	(81,874)
Payments on long-term debt	-	(124,000)	-	-	(124,000)
Principal interest	-	(61,776)	-	-	(61,776)
Net Cash used for Capital and Related Financing Activities	(40,445)	(27,946)	-	-	(68,391)
Investing Activities					
Purchase of investments	811,408	1,568,667	174,044	166,569	2,720,688
Interest and dividends from investments	13,587	25,996	2,922	2,656	45,161
Net Cash used for Investing Activities	824,995	1,594,663	176,966	169,225	2,765,849
Net Change in Cash and Cash Equivalents	939,892	1,779,832	202,639	183,831	3,106,194
Cash and Cash Equivalents, Beginning of Year	251,958	123,934	13,857	13,054	402,803
Cash and Cash Equivalents, End of Year	\$ 1,191,850	\$ 1,903,766	\$ 216,496	\$ 196,885	\$ 3,508,997
Reconciliation of Operating Income (loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ (7,403)	\$ 74,636	\$ 22,147	\$ 14,375	\$ 103,755
Adjustments to reconcile operating income (loss) to net cash from operating activities					
Depreciation	138,820	118,412	2,678	489	260,399
Changes in assets and liabilities					
Accounts receivable	(3,628)	(14,154)	(5,566)	(911)	(24,259)
Special assessments	14,965	-	-	-	14,965
Prepaid items	(142)	(225)	107	(66)	(326)
Due from other governments	-	8,553	8,553	-	8,553
Accrued wages	1,996	32,521	(3,955)	(130)	30,465
Accrued interest	1,538	1,538	687	73	3,846
Net pension liability and related deferred inflows and outflows of resources	11,700	11,700	5,950	776	30,126
Accrued interest	-	(8,817)	-	-	(8,817)
Accrued compensated absences	4,996	4,996	-	-	9,992
Net cash from operating activities	\$ 162,842	\$ 220,615	\$ 30,673	\$ 14,606	\$ 428,736

The accompanying Notes to Financial Statements are an integral part of these statements

Note 1 – Summary of Significant Accounting Policies

The City of Dilworth was incorporated in 1911 and operates under a mayor-council form of government. The accounting policies of the City, as reflected in the accompanying financial statements, conform to accounting principles generally accepted in the United States of America for local government units as prescribed by the Governmental Accounting Standards Board.

The following is a summary of the significant accounting policies:

Reporting Entity

The City's financial statements include all funds for which the City is financially accountable.

The City is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Additionally, the City is not included in any other governmental reporting entity.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and is either:

1. able to impose its will on that organization or
2. there is potential for the organization to provide specific financial benefits to, or impose financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City.

There are no entities presented on the City's financial statements as component units.

Government-Wide and Fund Financial Statements

The goal of government-wide financial statements is to present a broad overview of government's finances. The basic statement of the government-wide financial statements are the statement of net assets and the statement of activities. These two statements report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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

Taxes, special assessments, intergovernmental revenue, permits, charges for services and investment income associated with the current fiscal period are the major revenues that are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are collected in 60 days. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the City. All financial resources of the general government that are not required to be reported in another fund are accounted for in the general fund.

Debt Service

Refunding Bonds 2015A – This fund is used for refunding seven bonds, including GO Improvement Bond 2003B, 2004A, 2005A, 2005B, 2007A, and 2007B, as well as the PFL Revenue Bond 2004.

Refunding Bonds 2015B – This fund is used for refunding the GO Improvement Bond 2006A.

Improvement Bonds 2018A – This fund is used for the debt service payments on the Improvement Bonds of 2018A.

Improvement Bonds 2018C – This fund is used for the debt service payments on the Improvement Bonds of 2018C.

Capital Projects

Southside Street Project – This fund is used for the accumulation of resources for and payments towards the Southside Street improvement project.

The City reports the following major proprietary funds:

- **Water** – This fund accounts for the provision of water utility service to the residents of the City.
- **Sewer** – This fund accounts for the provision of sanitary sewer service to the residents of the City.
- **Refuse** – This fund accounts for the provision of refuse and recycling service to the residents of the City.

With respect to both the business-type activities in the government-wide financial statements and the proprietary fund financial statements the City has adopted GASB statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."

Amounts reported as program revenues include the following: amounts received from those who purchase, use or directly benefit from a program; amounts received from parties outside the City that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues, including all taxes.

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

Other Significant Accounting Policies

Budgets and Budgetary Accounting

The City is required by statutes to adopt an annual budget for its general fund. However, there is no legal restriction on expenditures in excess of appropriations.

An annual budget is adopted for the General Fund, special revenue funds and the enterprise funds. Budget appropriations lapse at the end of each year. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Any transfers of budgeted amounts between departments of the general fund, transfers between other funds, and any revisions that alter the total expenditures of any department or fund must be approved by the City Council.

The legal level of control is at the department level within each fund. Management is not allowed to change the budget without council approval.

Formal budgetary integration is employed as a management control device during the year for the general fund. Formal budgetary integration is not employed for other governmental funds.

Cash and Cash Equivalents

The City maintains a cash pool. Interest earned from pooled cash accounts is allocated to each of the funds based on the fund's average balance, while funds that incur a negative balance in pooled cash accounts during the year are charged for interest. Funds with a negative balance as of year-end show such amounts as due to other funds.

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or more when purchased to be investments.

Receivables and Credit Policy

The accounts receivable are uncollateralized customer obligation due under normal terms requiring payment within 30 days from the invoice date. After 30 days, a penalty of 10% is added to the outstanding balance. After 45 days, if payment is not received, the service is disconnected.

Note receivables as of the end of the current fiscal year recorded in the General Fund relate to small business loans issued by the City. The loans each have a three-year term maturing through June 2023 with 0% interest. The repayment terms include principal payments of \$18,333 in 2021, \$18,333 in 2022, and \$7,916 in 2023.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and are recorded as an expense or expenditure at the time of consumption.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition at the date of donation.

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	10-40 years
Improvements other than buildings	10-30 years
Infrastructure	30-67 years
Machinery and equipment	3-20 years

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Effective January 1, 1993, current employees receive one and one half days sick leave with pay per completed month of work (new employees after January 1, 1993, receive one day sick leave with pay per completed month of work). Upon retirement or severance, the employee will be paid only for the unused sick leave over sixty (60) days at the rate of one third (1/3) of the employee's current rate of pay (one hundred ninety (190) days maximum). Employees are allowed to accumulate over two hundred fifty (250) days, but those days will not be eligible for compensation upon retirement or severance. Any days accumulated over two hundred fifty (250) days will accumulate at one (1) day per month. Compensated absences are only recorded in the governmental funds if they have matured (i.e., unused sick leave still outstanding following an employee's retirement or severance).

Accumulated unpaid vested sick leave is accrued when incurred in government-wide and proprietary fund financial statements. Such amounts, other than the current portion, are not accrued in governmental funds, but are recorded in the governmental activities in the government-wide statements.

Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deemed to be immaterial.

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

Other Postemployment Benefits

Under the provisions of the various employee and union contracts the City provides access to health coverage until age 65 if certain criteria are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB Statement No. 75, at January 1, 2020.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA.

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 Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. They are the contributions made to OPEB plans after the measurement date and prior to the fiscal year-end contributions made to pension plans after the measurement date and prior to the fiscal year-end and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. The City reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an outflow of resources in the period that the amounts became available. The other item is changes in the net position liability not included in pension expense reported in the government-wide statement of net position.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance** – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- **Unassigned Fund Balance** – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

City Council establishes fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Cash Equivalents

The following table presents the maturities of the City's deposit balances at December 31, 2020:

Type	Amount
Cash and cash equivalents	
Deposits	\$ 10,474,384
Petty cash	150
	<u>\$ 10,474,534</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to the City. State statutes require that insurance, surety bonds or collateral protect all city deposits. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged). As of December 31, 2020, the City's deposits were not exposed to custodial credit risk.

Custodial Credit Risk – Investments

The Minnesota Municipal Money Market Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares. Investment pools are not subject to custodial credit risk categorization, as they are not evidenced by securities. The pool does not have a published credit quality rating.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State statutes authorize investments in U.S. treasuries, U.S. agencies, state and municipal bonds, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. No such investments were held during the year.

Investment Type	Fair Value	Investment Maturities (in Years)				
		Not Applicable	< 1	1 – 5	6 – 9	
U.S. Government Securities	\$ 3,766,032	\$ -	\$ 417,744	\$ 2,007,489	\$ 1,340,799	

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

The City has the following recurring fair value measurements as of December 31, 2020:

- Fixed Income Assets of \$3,766,032 are valued using quoted market prices (level 1 inputs).

Note 3 - Property Taxes and Special Assessments

Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Clay County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads all levies over the assessable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued in the year collectible, net of delinquencies.

Property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. The county provides tax settlements to cities and other local governments three times a year, on or before January 25, July 21, and November 30. Taxes, which remain unpaid at December 31, are classified as delinquent taxes receivable and the portion not available within 60 days is fully offset by deferred revenue because it is not available to finance current expenditures.

Special Assessments

Special assessments are levies against the benefited properties for the assessable costs of special assessment improvement projects in accordance with state statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue. Collection of annual installments (including interest) is handled by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments plus accrued interest without prepayment penalties.

City of Dilworth, Minnesota
Notes to Financial Statements
December 31, 2020

Note 4 – Tax Abatements

The Council provides tax abatements through one program, Property Tax Incentives for New Single Family, Condo, and Townhouse Residential Properties. The exemption for certain new single family, condo, and townhouse residential properties, allows for newly constructed homes, excluding land, to possibly be exempt for up to two years from when construction begins.

The following is information relevant to the disclosure of this program for the fiscal year ended December 31, 2020:

Tax Abatement Program Property Tax Incentives for New Single Family, Condo, and Townhouse Residential Properties	<u>\$ 40,336</u>
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Note 5 - Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 567,528	\$ -	\$ 1,838,203	\$ 567,528
Construction in progress	650,602	1,187,601	-	-
Total capital assets, not being depreciated	<u>1,218,130</u>	<u>1,187,601</u>	<u>1,838,203</u>	<u>567,528</u>
Capital assets, being depreciated				
Buildings	1,596,994	-	-	1,596,994
Improvements other than buildings	628,814	31,224	-	660,038
Infrastructure	17,294,429	1,838,203	-	19,132,632
Machinery and equipment	3,556,101	321,502	-	3,877,603
Total capital assets being depreciated	<u>23,076,338</u>	<u>2,190,929</u>	<u>-</u>	<u>25,267,267</u>
Less accumulated depreciation for				
Buildings	1,106,543	31,538	-	1,138,081
Improvements other than buildings	457,436	19,881	-	477,317
Infrastructure	5,267,151	688,749	-	5,955,900
Machinery and equipment	2,585,080	263,798	-	2,848,878
Total accumulated depreciation	<u>9,416,210</u>	<u>1,003,966</u>	<u>-</u>	<u>10,420,176</u>
Total capital assets, being depreciated, net	<u>13,660,128</u>	<u>1,186,963</u>	<u>-</u>	<u>14,847,091</u>
Governmental activities capital assets, net	<u>\$ 14,878,258</u>	<u>\$ 2,374,564</u>	<u>\$ 1,838,203</u>	<u>\$ 15,414,619</u>

City of Dilworth, Minnesota
Notes to Financial Statements
December 31, 2020

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Construction in progress	\$ 209,457	\$ 74,004	\$ 249,709	\$ 33,752
Capital assets, being depreciated				
Buildings	40,035	-	-	40,035
Improvements other than buildings	11,953,512	257,579	-	12,211,091
Total capital assets being depreciated	<u>11,993,547</u>	<u>257,579</u>	<u>-</u>	<u>12,251,126</u>
Less accumulated depreciation for				
Buildings	38,876	98	-	38,974
Improvements other than buildings	4,067,976	260,301	-	4,328,277
Total accumulated depreciation	<u>4,106,852</u>	<u>260,399</u>	<u>-</u>	<u>4,367,251</u>
Total capital assets, being depreciated, net	<u>7,886,695</u>	<u>(2,820)</u>	<u>-</u>	<u>7,883,875</u>
Business-type activities capital assets, net	<u>\$ 8,096,152</u>	<u>\$ 71,184</u>	<u>\$ 249,709</u>	<u>\$ 7,917,627</u>

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

Governmental activities		
General government	15,307	
Public safety	121,859	
Public works	825,694	
Culture and recreation	41,106	
Total depreciation expense - governmental activities	<u>\$ 1,003,966</u>	
Business-type activities		
Water	-	\$ 138,820
Sewer	-	118,412
Refuse	-	2,678
Other business-type activities	-	489
Total depreciation expense - business-type activities	<u>\$ 260,399</u>	

Note 6 - Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Special assessment debt with governmental commitment	\$ 15,685,000	\$ 1,230,000	\$ 1,160,000	\$ 15,755,000	\$ 1,195,000
Unamortized bond premium, net	-	70,640	-	70,640	3,532
Notes from direct borrowings	9,290	-	9,290	-	-
Compensated absences	23,493	31,938	26,942	28,489	24,842
Governmental activity long-term debt	\$ 15,717,783	\$ 1,332,578	\$ 1,196,232	\$ 15,854,129	\$ 1,223,374
Business-type activities					
Notes from direct borrowings	\$ 124,000	-	\$ 124,000	-	\$ 70,000
Bonds payable bond premium	2,000,000	-	1,308	2,000,000	1,308
Unamortized bond premium	24,851	-	(1,753)	23,543	(1,753)
Unamortized bond discount	(33,302)	-	(1,753)	(31,549)	(1,753)
Compensated absences	46,986	63,876	53,884	56,978	49,684
Business-type activity long-term debt	\$ 2,162,535	\$ 63,876	\$ 177,439	\$ 2,048,972	\$ 119,239

Governmental Activities

	Interest Rate	Final Year of Maturity	Authorized and Issued	Outstanding
General Obligation Improvement Bonds of 2004B	3.40 - 4.65%	2021	\$ 745,000	\$ 65,000
General Obligation Improvement Bonds of 2012A	2.85	2023	305,000	100,000
General Obligation Improvement Bonds of 2013A	1.50 - 3.90	2030	680,000	475,000
General Obligation Refunding Bonds of 2015A	2.00 - 2.50	2025	4,920,000	1,445,000
General Obligation Refunding Bonds of 2015B	2.00 - 2.50	2025	2,415,000	1,635,000
General Obligation Improvement Bonds of 2016	0.95 - 2.50	2032	1,560,000	1,350,000
General Obligation Improvement Bonds of 2018A	3.00 - 4.00	2040	7,590,000	7,590,000
General Obligation Improvement Bonds of 2018C	3.00 - 3.80	2035	1,865,000	1,865,000
General Obligation Improvement Bonds of 2020A	2.00	2032	1,230,000	1,230,000
Total			\$ 21,310,000	\$ 15,755,000

General Obligation Improvement Bonds

General obligation improvement bonds are recorded as a liability in the governmental activities in the government-wide statement and are payable from the debt service funds primarily through special assessments levied and collected for local improvements. The City has a commitment relating to a pledge of full faith and credit on the special assessment bonds. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in the special assessment districts are insufficient to retire outstanding bonds.

During the year ended December 31, 2020, the City issued \$1,230,000 of General Obligation Improvement Bonds, Series 2020A. The bonds bear an interest rate of 2.00% and call for semiannual payments of interest commencing February 2021 and annual payments of principal commencing February 2023 through February 2032. Payments will be made from the debt service fund.

Business-Type Activities

	Interest Rate	Final Year of Maturity	Authorized and Issued	Outstanding
Sewer - General Obligation Improvement Bonds of 2018B	3.00 - 4.00	2040	\$ 2,000,000	\$ 2,000,000

General Obligation Improvement Bonds

General obligation improvement bonds of the enterprise funds are payable from the sewer fund primarily through special assessments levied and collected for local improvements and charges for services. The City has a commitment relating to a pledge of full faith and credit on the special assessment bonds. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in the special assessment districts are insufficient to retire outstanding bonds.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in substantial compliance with significant limitations and restrictions.

The annual requirements to amortize all bonded debt outstanding as of December 31, 2020, are as follows:

Years Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 1,195,000	\$ 440,593	\$ 70,000	\$ 65,831
2022	1,075,000	413,793	75,000	62,931
2023	930,000	390,708	75,000	59,931
2024	870,000	369,127	80,000	56,832
2025	855,000	347,618	80,000	53,632
2026 - 2030	4,510,000	1,325,679	460,000	222,881
2031 - 2035	3,495,000	737,456	535,000	146,694
2036 - 2040	2,825,000	241,316	625,000	53,734
Total	\$ 15,755,000	\$ 4,266,290	\$ 2,000,000	\$ 722,466

Compensated Absences

Compensated absences for governmental funds are recorded as a liability in the governmental activities in the government-wide statement. Compensated absences for the water and sewer funds are recorded as liabilities in the fund statements as well as in the business type activities in the government-wide statement. These liabilities mature only upon qualified retirements or terminations. Compensated absences have the liability liquidated from the general fund.

Conduit Debt

During 2019, the City issued Revenue Bonds on behalf of an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 to finance a revenue producing facility engaged in providing health care. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2020, there was one revenue bond outstanding, with a principal amount payable of \$7,954,822.

Legal Debt Margin

Minnesota statutes limit the net bonded indebtedness of the City to 2% of the market value. The legal debt limit as of December 31, 2020, is \$6,998,076. This debt limit excludes improvement bonds secured in whole or in part by special assessments. The city had no outstanding debt subject to the debt limit as of December 31, 2020, resulting in a debt margin of \$6,998,076.

Note 7 - Other Post-Employment Benefits

Plan Descriptions

All employees are allowed upon meeting the eligibility requirements (Police and Fire: age 50 and 5 years of service with hire date before June 30, 2014 or 10 years of service with hire date after June 30, 2014; all others: age 55 and 5 years of service) under Minn. Stat. 471.61 subd. 2b, to participate in the City's health insurance plan after retirement. This single-employer plan covers active and retired employees. Benefit provisions are established through negotiations between the City and the union representing City employees and are renegotiated at the end of each contract period. The retiree health plan does not issue a publicly available financial report. The General Fund is used to liquidate the OPEB liability.

Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of \$646 for single and \$1,292 for family coverage. The implicit rate subsidy is only until Medicare eligibility. There are no subsidized post-employment medical, dental, or life benefits except for two officers injured in the line of duty with medical insurance benefits by the City until Medicare eligibility.

Employees Covered by Benefit Terms

At the valuation date of January 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	14
	<u>17</u>

Total OPEB Liability

The City's total OPEB liability of \$737,554 was measured as of January 1, 2020, and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions

The total OPEB liability in the January 1, 2020, actuarial valuation was determined as using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	Service graded table
Discount rate	2.90 percent
Healthcare cost trend rates	6.50 percent as of January 1, 2020, grading to 5.00% over 6 years and then to 4.00% over the next 48 years.
Retiree plan participation	Future retirees electing coverage Pre-65 subsidy available: Pre-65 subsidy not available:
	N/A 10%
Percent of married retirees electing spouse coverage	Percent Future Retirees Electing Pre-65 Spouse Coverage Spouse subsidy available: Spouse subsidy not available:
	N/A 0%
Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.	

The actuarial assumptions used in the January 1, 2020, measurements were based on the results of an actuarial experience study as of December 31, 2015.

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the index rate for 20-year, tax-exempt municipal bonds.

Changes in the Total OPEB Liability

Balance at December 31, 2019, as restated	\$ 735,235
Changes from the Prior Year	
Service Cost	2,149
Interest Cost	21,083
Benefit Payments	(20,913)
Total Changes	2,319
Balance at December 31, 2020	\$ 737,554

Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.10%	3.10%	4.10%
Total OPEB Liability	\$ 822,829	\$ 737,554	\$ 663,579

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current healthcare trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical trend rate	5.50%, decreasing to 4.00% over 6 years	6.50%, decreasing to 5.00% over 6 years	7.50%, decreasing to 6.00% over 6 years
Net OPEB Liability	\$ 491,087	\$ 499,802	\$ 509,872

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the City recognized OPEB expense of . At December 31, 2020, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made after the measurement date	\$ 22,272	\$ -

\$22,272 reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2021.

Note 8 – Defined Benefit Pension Plans

A. 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.

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years 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.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

Benefits for 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 3 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.

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2020, were \$50,524. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3 percent of pay to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$81,427. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$461,650 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$14,168. The net pension liability was measured as of June 30, 2020, 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 proportionate share 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0077 percent at the end of the measurement period and 0.0080 percent for the beginning of the period.

City's proportionate share of the net pension liability	\$ 461,650
State of Minnesota's proportionate share of the net pension liability associated with the City	14,168
Total	\$ 475,818

For the year ended December 31, 2020, the City recognized pension expense of \$36,849 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,233 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2020, 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	\$ 4,365	\$ 1,747
Changes in actuarial assumptions	-	17,230
Net collective difference between projected and actual investment earnings	7,474	-
Changes in proportion	11,095	18,824
Contributions paid to PERA subsequent to the measurement date	27,731	-
Total	\$ 50,665	\$ 37,801

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The \$27,731 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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2021	\$ (31,778)
2022	1,101
2023	4,657
2024	11,153

2. Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$478,473 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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 proportionate share 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0360 percent at the end of the measurement period and 0.0440 percent for the beginning of the period.

City's proportionate share of the net pension liability	\$ 478,473
State of Minnesota's proportionate share of the net pension liability associated with the City	11,255
Total	\$ 489,728

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

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As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$69,395 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$3,463 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$3,267 for the year ended December 31, 2020, as 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.

At December 31, 2020, 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	\$ 23,254	\$ 25,664
Changes in actuarial assumptions	181,107	337,022
Net collective difference between projected and actual investment earnings	3,504	-
Changes in proportion	18,937	70,406
Contributions paid to PERA subsequent to the measurement date	47,931	-
Total	\$ 274,733	\$ 433,092

The \$47,931 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2021	\$ (53,334)
2022	(161,077)
2023	13,593
2024	7,515
2025	(12,987)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disability for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan, and 2.0 percent per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan was completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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 Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	35.50%	5.10%
International Stocks	17.50%	5.30%
Bonds (Fixed Income)	20.00%	0.75%
Alternative Assets (Private Markets)	25.00%	5.90%
Cash	2.00%	0.00%

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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 were 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.

G. 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 Analysis		
	Net Pension Liability at Different Discount Rates	
	General Employees Fund	Police and Fire Fund
1% Lower	6.50% \$ 739,865	6.50% \$ 953,665
Current Discount Rate	7.50% \$ 461,650	7.50% \$ 478,473
1% Higher	8.50% \$ 232,145	8.50% \$ 85,334

H. Pension Plan Fiduciary Net Position

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

Volunteer Fire Relief Association

Defined Contribution Plan Description

The Dilworth Fire Relief Association, which provides retirement benefits for volunteer fire fighters, is not a component unit of the City. The City receives state aid for retirement benefits, which, in turn, remits to the association. During 2020, the Relief Association received pension contributions of \$10,250 from the City and Townships serviced. These transactions are accounted for in the general fund.

The City remits a state aid payment to the Dilworth Fire Relief Association, a single-employer public employee retirement system that acts as an administrator for the plan.

All volunteer firefighters of the City are members of the Association. Retiring individuals receive a lump sum distribution for each year of service. The minimum retirement age is 50 and members are fully vested after 20 years. These benefit provisions and all other requirements are consistent with enabling state statutes.

The Association issues a publicly available stand-alone financial report which includes six year trend information, and which can be obtained at City Hall or by calling (218) 287-2313.

Note 9 - Restatement

As of January 1, 2020, the City has recorded a restatement related to previously unrecorded OPEB liability. The following table describes the effects of the restatement on beginning net position of the governmental activities.

	Governmental Activities	Total
Net Position, December 31, 2019, as previously reported	\$ 18,983,530	\$ 29,688,633
Add OPEB liability not previously reported	(735,235)	(735,235)
Net Position, December 31, 2019, as adjusted	\$ 18,248,295	\$ 28,953,398

The effect of the restatement on the change in net position for the year ended December 31, 2019 was a decrease of \$2,319.

Note 10 - Interfund Transfers

A summary of the government's interfund transfers is as follows:

Transfer In	Transfer Out				
	Nonmajor	Southside Street Project	Water	Sewer	Refuse
General	\$ -	\$ -	\$ 7,500	\$ 7,500	\$ 5,000
Nonmajor	-	37,925	-	-	-
Improvement Bonds 2018A	398,421	-	-	-	-
Improvement Bonds 2018C	211,935	-	-	-	-
	\$ 610,356	\$ 37,925	\$ 7,500	\$ 7,500	\$ 5,000
	\$ 610,356	\$ 37,925	\$ 7,500	\$ 7,500	\$ 5,000
					\$ 20,000
					\$ 37,925
					\$ 398,421
					\$ 211,935
					\$ 668,281

Transfers are made for funding various projects and distributing interest earnings between funds.

Note 11 - Litigation

The City generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. In the ordinary course of its business, the City is party to legal proceedings as a plaintiff or defendant. The financial impact of remaining actions is not determinable at December 31, 2020, but in the opinion of management and legal counsel the ultimate disposition of any or all of these proceedings will not have a material effect on the City's financial position.

Note 12 - Construction Commitments

As of December 31, 2020, the City has the following construction commitment:

- The sanitary sewer relining project has \$33,752 of project costs completed and approximately \$1,200,000 to \$1,500,000 in remaining construction commitments.

This project is expected to be completed September 2021.

Note 13 - Risk Management

The City is exposed to various risks of loss related to torts; theft of damage, and destruction of assets; errors and omissions; injuries to employees; and disasters. The City participates in a group workers' compensation plan with the League of Minnesota Cities Insurance Trust (LMCIT), which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota cities. The plan is administered by Berkley Administrators.

The workers' compensation plan is self-sustaining based on the premiums charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. The City has entered into a regular premium plan with LMCIT. The City pays its premium annually based on current year budgeted salaries with premium adjustment after annual actual salaries are determined. All charges are distributed to each City department based upon salary and workers' compensation class code. LMCIT is responsible for Workers' Compensation Reinsurance Association premiums and for the general administrative and claim expenses.

The City continues to carry commercial insurance for employee health, standard liability, property, and automotive insurance. Settlements have not exceeded coverage for each of the three fiscal years. There has been no substantial change in coverage from the prior year.

Note 14 - Operating Lease

The City has entered into one five-year lease for office equipment. Payments made under the lease agreement made during the year ended December 31, 2020, totaled \$4,500.

The following is a summary of the operating lease payments for the remainder of the lease term.

Years Ending December 31,	Payment
2021	\$ 750

Note 15 - Subsequent Events

The City has evaluated subsequent events through May 6, 2021, the date, which the financial statements were available to be issued. On April 26, 2021 the City awarded a bid totaling \$1,072,831 for the Northside Sanitary Sewer Rehabilitation Project.

City of Dilworth, Minnesota
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
December 31, 2020

Schedule of Changes in the City's Total OPEB Liability and Related Ratios, Last 10 Fiscal Years*

	2020
Service cost	\$ 2,149
Interest	21,083
Benefit payments	(20,913)
Net change in total OPEB liability	2,319
Total OPEB liability - beginning	735,235
Total OPEB liability - ending	\$ 737,554
Covered-employee payroll	\$ 891,945
Total OPEB liability as a percentage of covered-employee payroll	82.69%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Notes to the Schedule of Changes in the City's Total OPEB Liability and Related Ratios

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

City of Dilworth, Minnesota
Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions
December 31, 2020

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years *

Pension Plan	Measurement Date	Employer's Proportion (Percentage)	Employer's Share of the Net Pension Liability (Amount)	State's Proportionate Share of the Net Pension Liability Associated With City (b)	Total (c)	Employer's Share of the Net Pension Liability as a Percentage of the Payroll (d)	Plan Fiduciary Net Position as a Percentage of the Payroll (e)
General Employees	6/30/2020	0.0077%	\$ 461,650	\$ 14,168	\$ 475,818	\$ 515,790	79.1%
General Employees	6/30/2019	0.0077%	466,295	14,577	480,872	520,760	79.1%
General Employees	6/30/2018	0.0076%	421,617	13,919	435,536	478,210	79.5%
General Employees	6/30/2017	0.0080%	510,715	6,454	517,169	492,559	103.7%
General Employees	6/30/2016	0.0085%	690,158	9,002	699,160	490,765	140.6%
General Employees	6/30/2015	0.0081%	419,784	N/A	419,784	449,450	93.4%
Police and Fire	6/30/2020	0.0366%	478,473	11,255	489,728	411,646	116.2%
Police and Fire	6/30/2019	0.044%	466,295	N/A	466,295	443,002	105.3%
Police and Fire	6/30/2018	0.044%	459,717	N/A	459,717	443,009	103.8%
Police and Fire	6/30/2017	0.044%	553,549	N/A	553,549	387,149	143.0%
Police and Fire	6/30/2016	0.041%	1,645,401	N/A	1,645,401	361,301	455.4%
Police and Fire	6/30/2015	0.043%	488,581	N/A	488,581	363,383	134.5%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutory Contribution (a)	Contributions in Relation to the Statutory Contribution (b)	Contribution Excess (a-b)	Covered Payroll (c)	Contributions as a Percentage of Payroll (b/c)
General Employees	12/31/2020	\$ 50,524	\$ 50,524	-	\$ 673,647	7.5%
General Employees	12/31/2019	49,665	49,665	-	662,210	7.5%
General Employees	12/31/2018	39,045	39,045	-	521,030	7.5%
General Employees	12/31/2017	39,549	39,549	-	525,315	7.5%
General Employees	12/31/2016	38,120	38,120	-	509,406	7.5%
Police and Fire	12/31/2020	81,427	81,427	-	460,038	17.7%
Police and Fire	12/31/2019	74,376	74,376	-	458,651	16.2%
Police and Fire	12/31/2018	73,629	73,629	-	453,175	16.2%
Police and Fire	12/31/2016	62,947	62,947	-	389,737	16.2%
Police and Fire	12/31/2015	64,052	64,052	-	395,868	16.2%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

Changes in Plan Provisions

- The mortality projection scale was changed from MP-2017 to MP-2018.
- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Police and Fire Fund

2020 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested members and 2.00 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 3.00 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 65.00 percent to 60.00 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 postretirement 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.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The postretirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

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City of Dilworth, Minnesota
General Fund
Schedule of Revenues – Budget and Actual
Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
General property taxes	\$ 1,339,656	\$ 1,339,656	\$ 1,244,284	\$ (95,372)
Franchise fees	120,000	120,000	124,596	4,596
Special assessments	10,000	10,000	170	(9,830)
Licenses and permits				
Building	30,000	30,000	31,390	1,390
Other	29,400	29,400	11,344	(18,056)
Total licenses and permits	59,400	59,400	42,734	(16,666)
Intergovernmental revenue				
Local government aid	682,961	682,961	684,671	1,710
Grants	-	-	340,086	340,086
Other state aid	99,915	99,915	566,183	466,268
Other credits	2,000	2,000	5,645	3,645
County - streets	31,000	31,000	28,980	(2,020)
Total intergovernmental revenue	815,876	815,876	1,625,565	809,689
Charges for services				
Community center rents	25,000	25,000	(1,300)	(26,300)
Storm water fee	80,000	80,000	95,826	15,826
Parks	24,700	24,700	(102)	(24,802)
Fire department	47,865	47,865	48,686	821
Total charges for service	177,565	177,565	143,110	(34,455)
Fines and forfeitures	53,400	53,400	46,247	(7,153)
Interest income	28,000	28,000	37,781	9,781
Miscellaneous revenue				
Other	29,700	29,700	108,558	78,858
Refunds and reimbursements	-	-	28,636	28,636
Total miscellaneous revenue	29,700	29,700	137,194	107,494
Total revenues	\$ 2,633,597	\$ 2,633,597	\$ 3,401,681	\$ 768,084

City of Dilworth, Minnesota
General Fund
Schedule of Expenditures – Budget and Actual
Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
General Government				
City council				
Personnel services	\$ 35,180	\$ 35,180	\$ 34,879	\$ 301
Other services and charges	271,397	271,397	108,614	162,783
	306,577	306,577	143,493	163,084
City administration				
Personnel services	179,226	179,226	173,624	5,602
Supplies	43,150	43,150	36,647	6,503
Contract services	2,500	2,500	-	2,500
Other services and charges	76,641	76,641	34,948	41,693
PERA Expense	142,000	142,000	131,294	10,706
	443,517	443,517	376,513	67,004
Legal and audit				
Personnel services	50,000	50,000	59,255	(9,255)
Elections				
Salaries	5,000	5,000	2,458	2,542
Planning and zoning				
Contract services	20,000	20,000	-	20,000
Other services and charges	4,700	4,700	9,083	(4,383)
	24,700	24,700	9,083	15,617
Total general government	829,794	829,794	590,802	238,992
Public safety				
Personnel services	750,557	750,557	647,781	102,776
Supplies	31,600	31,600	26,665	4,935
Other services and charges	239,913	239,913	216,874	23,039
Total public safety	1,022,070	1,022,070	891,320	130,750
Highways and streets				
Personnel services	215,688	215,688	189,405	26,283
Supplies	28,550	28,550	18,947	9,603
Other services and charges	272,825	272,825	229,452	43,373
Total highways and streets	517,063	517,063	437,804	79,259

City of Dilworth, Minnesota
General Fund
Schedule of Expenditures – Budget and Actual
Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
Health and welfare				
Administration				
Other services and charges	4,600	4,600	1,949	2,651
Total health and welfare	4,600	4,600	1,949	2,651
Culture and recreation				
Community center				
Personnel services	14,000	14,000	2,775	11,225
Supplies	3,300	3,300	1,661	1,639
Other services and charges	21,579	21,579	13,538	8,041
Total culture and recreation	38,879	38,879	17,974	20,905
Park				
Culture and recreation	135,071	135,071	37,590	97,481
Fire department				
Public safety	124,491	124,491	112,269	12,222
Transit ride service				
	26,500	26,500	8,109	18,391
Capital outlay				
City council	-	-	108,251	(108,251)
City administration	2,000	2,000	-	2,000
Public safety	7,000	7,000	13,743	(6,743)
Highways and streets	-	-	50,374	(50,374)
Parks	35,000	35,000	99,214	(64,214)
Fire department	56,500	56,500	17,939	38,561
General improvement	92,961	92,961	66,553	26,408
Total capital outlay	193,461	193,461	356,074	(162,613)
Debt service				
Principal	60,000	60,000	9,290	50,710
Interest	-	-	431	(431)
Total debt service	60,000	60,000	9,721	50,279
Total expenditures	\$ 2,951,929	\$ 2,951,929	\$ 2,463,612	\$ 488,317

City of Dilworth, Minnesota
Nonmajor Governmental Funds, Continued
Combining Balance Sheet
December 31, 2020

	Debt Service								
	1979 (Southside Improvements)	2008 Street Rehab	2008B Oak View (1st Addition)	2011A Refunding Bonds	2012A (Street Repairs/ Orchard Est)	2013A (Woodbridge 3rd Addition)	2014A Reconstruction/ Sewer Cost	2020A (Southside Street Project)	Total Debt Service
Assets									
Cash and cash equivalents	\$ 24,801	\$ 111,398	\$ 80,900	\$ 315,046	\$ 95,315	\$ 113,313	\$ 206,470	\$ 5,810	\$ 869,352
Restricted cash	9,162	41,150	29,885	125,135	35,230	42,597	74,003	37,925	371,925
Due from other governmental units	-	-	-	-	-	-	-	2,183	358,375
Investments	-	-	-	-	-	-	-	-	-
Receivables	-	-	30,442	76,563	20,110	276,630	112,898	-	516,556
Due from other governmental units	-	-	3	3	220	62	939	-	1,207
Total assets	\$ 33,963	\$ 152,548	\$ 141,229	\$ 536,746	\$ 150,855	\$ 434,634	\$ 389,251	\$ 46,018	\$ 1,884,224
Deferred inflows of Resources	-	-	-	-	-	-	-	-	9
Unavailable revenue - property taxes	-	-	30,442	76,564	20,111	276,630	112,898	-	516,557
Unavailable revenue - special assessments	-	-	30,442	76,564	20,111	276,641	112,898	-	516,566
Total deferred inflows of resources	-	-	30,442	76,564	20,111	276,641	112,898	-	516,566
Fund balances	-	-	-	-	-	-	-	-	-
Restricted for:									
Debt service	33,963	152,548	110,787	460,180	130,744	157,973	276,443	46,018	1,367,668
TIF repayments	-	-	-	-	-	-	-	-	-
Total fund balance	33,963	152,548	110,787	460,180	130,744	157,973	276,443	46,018	1,367,668
Total deferred inflows of resources and fund balances	\$ 33,963	\$ 152,548	\$ 141,229	\$ 536,746	\$ 150,855	\$ 434,634	\$ 389,251	\$ 46,018	\$ 1,884,224

City of Dilworth, Minnesota
Nonmajor Governmental Funds, Continued
Combining Balance Sheet
December 31, 2020

	Special Revenue			Capital Projects					Total Nonmajor Governmental Total
	TIF District 1-3	TIF District 1-4	Total Special Revenue	Summerwood 3rd Addition	Hwy 10 & 12th Street	Hwy 10 & 14th Street/ Keystone Addition	East View 4th Addition Commercial	Total Capital Projects	
Assets									
Cash and cash equivalents	\$ 88,626	\$ 292,783	\$ 381,389	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,367,668
Restricted cash	-	-	-	-	-	-	-	-	37,925
Due from other governmental units	32,739	108,147	140,886	-	-	-	-	-	500,261
Investments	-	-	-	-	-	-	-	-	9
Receivables	-	-	-	-	-	-	-	-	516,556
Due from other governmental units	-	-	-	-	-	-	-	-	1,207
Total assets	\$ 121,365	\$ 400,930	\$ 522,275	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,406,499
Deferred inflows of resources	-	-	-	-	-	-	-	-	9
Unavailable revenue-property taxes	-	-	-	-	-	-	-	-	516,557
Unavailable revenue-special assessments	-	-	-	-	-	-	-	-	516,566
Total deferred inflows of resources	-	-	-	-	-	-	-	-	-
Fund balances	-	-	-	-	-	-	-	-	-
Restricted for:									
Debt service	121,365	400,930	522,275	-	-	-	-	-	1,367,668
TIF repayments	-	-	-	-	-	-	-	-	522,275
Total fund balance	121,365	400,930	522,275	-	-	-	-	-	1,889,933
Total liabilities, deferred inflows of resources, and fund balances	\$ 121,365	\$ 400,930	\$ 522,275	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,406,499

City of Dilworth, Minnesota
Nonmajor Governmental Funds, Continued
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2020

	Debt Service								Total Debt Service
	1979 (Southside Improvements)	2008 Street Rehab	2008B Oak View (First Addition)	2011A Refunding Bonds	2012A (Street Repairs/ Orchard Est.)	2013A (Woodbridge 3rd Addition)	2014A Reconstruction/ East Ave (First Cost)	2020A (Southside Street Project)	Total
Revenues									
Interest on property taxes	-	\$ -	\$ -	\$ -	\$ -	\$ 7,949	\$ 113,393	\$ -	\$ 121,342
Special assessment	-	-	14,024	16,538	6,329	43,196	42,794	7,999	108,321
Intergovernmental	315	1,357	1,105	63	63	2,832	42,196	-	51,877
Investment income	-	-	-	-	-	1,862	2,196	90	4,148
Miscellaneous revenue	60	209	126	1,131	230	286	480	34	2,668
Total revenues	395	1,772	13,250	24,693	36,699	52,616	173,172	8,099	315,607
Expenditures									
Capital expenditures	-	-	292	-	-	292	-	-	876
General government	-	-	-	-	-	-	-	-	-
Debt service	-	-	60,609	-	36,699	46,699	125,000	-	215,000
Interest, fees, and abatements	-	-	4,918	150	3,278	16,945	29,486	-	54,771
Total expenditures	-	-	65,810	150	39,977	57,837	154,778	-	310,653
Excess (deficiency) of revenues over (under) expenditures	395	1,772	(45,890)	23,883	2,728	(4,621)	18,594	8,093	4,954
Other financing sources (uses)	-	-	-	-	-	-	-	37,925	37,925
Transfers from (to) other funds	395	1,772	(45,890)	23,883	2,728	(4,621)	18,594	46,018	88,864
Net change in fund balances	33,568	150,776	(156,677)	436,239	128,036	165,994	256,849	-	1,324,779
Fund balance (deficit), beginning of year	-	-	-	-	-	-	-	-	-
Fund balance (deficit), end of year	\$ 33,568	\$ 152,448	\$ 110,797	\$ 460,182	\$ 130,744	\$ 157,973	\$ 276,443	\$ 46,018	\$ 1,367,668

City of Dilworth, Minnesota
Nonmajor Governmental Funds, Continued
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2020

	Special Revenue					Capital Projects					Total Nonmajor Governmental Total
	TIF District 1-3	TIF District 1-4	Total Special Revenue	Summerwood 3rd Addition	Hwy 10 & 12th Street	Hwy 10 & 12th Street Keystone Addition	East View 4th Addition Commercial	Total Capital Projects			
Revenues											
Interest on property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ 148,314	
Special assessment	1,137	8,871	10,008	-	-	-	-	-	-	51,357	
Intergovernmental	1,137	8,871	10,008	232	-	1,706	825	2,763	-	51,357	
Investment income	-	-	-	-	-	-	-	-	-	2,763	
Miscellaneous revenue	2,114	7,006	9,120	-	-	-	-	-	-	2,763	
Total revenues	1,409	4,657	6,066	232	-	1,706	825	2,763	-	324,438	
Expenditures											
Capital expenditures	-	-	-	-	-	-	-	-	-	-	876
General government	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	256,699
Interest, fees, and abatements	-	-	-	-	-	-	-	-	-	-	54,771
Total expenditures	-	-	-	-	-	-	-	-	-	-	318,663
Excess (deficiency) of revenues over (under) expenditures	1,409	4,657	6,066	232	-	1,706	825	2,763	-	11,783	
Other financing sources (uses)	-	-	-	(55,551)	31,213	(972,688)	(211,935)	(810,350)	-	(872,431)	
Transfers from (to) other funds	1,409	4,657	6,066	(55,551)	31,213	(972,688)	(211,935)	(810,350)	-	(872,431)	
Net change in fund balances	1,409	4,657	6,066	(55,551)	31,213	(972,688)	(211,935)	(810,350)	-	(872,431)	
Fund balance (deficit), beginning of year	119,956	386,233	516,209	55,519	-	372,377	211,110	607,593	-	2,448,581	
Fund balance (deficit), end of year	\$ 121,365	\$ 400,810	\$ 522,275	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,927,850	

City of Dilworth, Minnesota
Nonmajor Proprietary Funds
Combining Balance Sheet
December 31, 2020

	Forestry	Pest Control	Total Nonmajor Business-Type Funds
Assets			
Current Assets			
Cash	\$ 122,357	\$ 74,528	\$ 196,885
Investments	45,198	27,531	72,729
Accounts receivable	3,277	6,184	9,461
Prepaid items	-	1,631	1,631
Total current assets	170,832	109,874	280,706
Capital assets			
Equipment	-	21,913	21,913
Less accumulated depreciation	-	(21,913)	(21,913)
Net capital assets	-	-	-
Total Assets	170,832	109,874	280,706
Deferred Outflows of Resources			
Pension plans	-	461	461
Liabilities			
Current Liabilities			
Accrued wages	-	615	615
Noncurrent Liabilities			
Net pension liability	-	4,201	4,201
Total Liabilities	-	4,816	4,816
Deferred Inflows of Resources			
Pension plans	-	344	344
Net Position			
Unrestricted	170,832	105,175	276,007
Total Net Position	\$ 170,832	\$ 105,175	\$ 276,007

City of Dilworth, Minnesota
General Fund, by Department
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2020

	General Operations Department	Park Department	Fire Department	General Improvements Department	Transit Ride Service Department	General Fund Total
Revenues						
Real property taxes	\$ 1,149,689	\$ -	\$ 103,595	\$ -	\$ -	\$ 1,244,384
Franchise fees	124,586	-	-	-	-	124,586
Special assessments	170	-	-	-	-	170
Licenses and permits	42,734	-	38,000	-	-	42,734
Intergovernmental	1,587,565	-	45,985	-	-	1,625,565
Charges for service	97,227	(102)	-	-	-	97,125
Grants and contributions	27,280	4,360	4,567	969	605	143,110
Interest income	115,402	16,328	4,811	420	233	137,194
Miscellaneous	3,183,910	20,586	136,858	1,389	838	3,401,681
Total revenues	599,802	-	-	-	8,109	598,911
Expenditures						
General government	891,320	-	112,269	-	-	1,003,589
Public safety	1,949	-	-	-	-	1,949
Health and welfare	435,844	-	-	-	-	435,844
Highways and streets	37,590	-	-	-	-	37,590
Parks and recreation	172,368	99,214	17,939	66,553	-	355,074
Capital outlay	-	-	9,290	-	-	9,290
Debt service	-	-	431	-	-	431
Principal interest, fees, and abatements	2,112,217	136,804	139,929	66,553	8,109	2,463,612
Total expenditures	1,069,693	(116,218)	57,029	(65,164)	(7,271)	938,069
Excess (deficiency) of revenues over (under) expenditures	20,000	118,871	-	152,961	26,500	318,332
Other financing sources (uses)	(298,332)	-	-	-	-	(298,332)
Transfers from other funds	791,361	118,871	57,029	152,961	26,500	20,000
Transfers to other funds	2,061,514	446,546	420,231	107,724	41,910	2,980,925
Total other financing sources (uses)	791,361	2,653	57,029	87,797	19,229	958,069
Net change in fund balances	2,061,514	446,546	420,231	107,724	41,910	2,980,925
Fund balance, beginning of year	\$ -	\$ -	\$ 477,260	\$ -	\$ 61,139	\$ 538,400
Fund balance, end of year	\$ 2,061,514	\$ 446,546	\$ 954,519	\$ 107,724	\$ 103,049	\$ 2,980,925

City of Dilworth, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended December 31, 2020

	Forestry	Pest Control	Total Nonmajor Business-Type Funds
Operating Revenues			
Charges for services	\$ 29,309	\$ 52,756	\$ 82,065
Miscellaneous revenue	295	180	475
Total operating revenues	29,604	52,936	82,540
Operating Expenses			
Personal services	-	35,819	35,819
Supplies	34	9,622	9,656
Fuel & utilities	-	351	351
Repairs & maintenance	19,328	411	19,739
Insurance	-	1,779	1,779
Depreciation	-	489	489
Other	-	332	332
Total operating expenses	19,362	48,803	68,165
Operating Income	10,242	4,133	14,375
Nonoperating Revenues			
Interest revenue	1,651	1,005	2,656
Change in Net Position	11,893	5,138	17,031
Net Position - beginning	158,939	100,037	258,976
Net Position - ending	\$ 170,832	\$ 105,175	\$ 276,007

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City of Dilworth, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
Year Ended December 31, 2020

	Forestry	Pest Control	Total Nonmajor Business-Type Activities
Operating Activities			
Receipts from customers and users	\$ 29,384	\$ 52,245	\$ 81,629
Payments for cost of services	(19,492)	(10,450)	(29,942)
Payments to employee costs	-	(34,970)	(34,970)
Payments to other vendors	-	(2,111)	(2,111)
Net cash from operating activities	9,892	4,714	14,606
Investing Activities			
Purchase of investments	102,744	63,825	166,569
Interest and dividends from investments	1,651	1,005	2,656
Net cash used for investing activities	104,395	64,830	169,225
Change in Cash	114,287	69,544	183,831
Cash - Beginning of Year	8,070	4,984	13,054
Cash - End of Year	\$ 122,357	\$ 74,528	\$ 196,885
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 10,242	\$ 4,133	\$ 14,375
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation	-	489	489
Changes in assets and liabilities			
Accounts receivable	(220)	(691)	(911)
Prepaid items	-	(66)	(66)
Accounts payable	(130)	-	(130)
Accrued wages	-	73	73
Net pension liability and related deferred inflows and outflows of resources	-	776	776
Net cash from operating activities	\$ 9,892	\$ 4,714	\$ 14,606

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Other Reports
December 31, 2020

City of Dilworth, Minnesota



Independent Auditor's 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

The Honorable Mayor and Members of the City Council
City of Dilworth, 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 Dilworth, Minnesota as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 6, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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.

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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

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 financial statements. 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 Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Eide Bailly LLP

Fargo, North Dakota
May 6, 2021



Report on Minnesota Legal Compliance

The Honorable Mayor, City Council
City of Dilworth, 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, business-type activities, and each major fund, and the aggregate remaining fund information of the City of Dilworth, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 6, 2021.

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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


Eide Bailly LLP

Fargo, North Dakota
May 6, 2021

City of Dilworth, Minnesota
Schedule of Findings
Year Ended December 31, 2020

Section I – Financial Statement Findings	
2020-001	<p>Preparation of Financial Statements including Proposed Adjustments and Restatement</p> <p>Material Weakness</p> <p><i>Condition</i> – A good system of internal accounting control contemplates an adequate system for preparing the financial statements including calculating and reviewing the Other Postemployment Benefits (OPEB) liability related to direct subsidy payments made on behalf of the city.</p> <p><i>Criteria</i> – During the course of our engagement, after an actuarial valuation was performed, an adjustment to beginning of the year net position was made for proper reporting of the City's OPEB liability.</p> <p><i>Cause</i> – The City does not have an internal control system designed to identify all necessary adjustments for the total OPEB liability.</p> <p><i>Effect</i> – This deficiency resulted in a misstatement to the financial statements that would not be prevented or detected.</p> <p><i>Recommendation</i> – The City should continually monitor the OPEB liability activity including direct subsidy payments made and ensure an actuarial valuation be performed.</p> <p><i>Views of Responsible Officials</i> – Management agrees with the finding.</p>
Section II – Minnesota Legal Compliance Findings	

None

FORM OF LEGAL OPINION

(See following pages)

Form of Bond Counsel Opinion

City of Dilworth
Dilworth, Minnesota

[Purchaser]
[City, State]

Re: \$[PAR] General Obligation Improvement Bonds, Series 2022A
 City of Dilworth, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by the City of Dilworth, Minnesota (the “City”), of the obligations described above, dated, as originally issued, as of June [], 2022 (the “Bonds”), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

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

2. The principal of and interest on the Bonds are payable from special assessments with respect to benefited properties and ad valorem taxes duly levied on all taxable property in the City, which assessments and ad valorem taxes are expected to produce amounts sufficient to pay the principal of and interest on the Bonds when due, and, to any extent not so paid, from additional ad valorem taxes required by law to be levied on all taxable property in the City, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the 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.

5. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

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, 4, and 5 above are subject to the compliance by the City with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes or the Bonds failing to be qualified tax-exempt obligations, 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 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.

In providing this opinion, we have relied upon representations of the City and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

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

Dated this []th day of June, 2022.

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.
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 pages)

FORM OF CONTINUING DISCLOSURE COVENANTS

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

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

- (1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2021, 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: “VALUATIONS--Current Property Valuations”; “DEBT--Direct Debt”; “TAX RATES, LEVIES AND COLLECTIONS--Tax Levies and Collections”; “GENERAL INFORMATION--U.S. Census Data--Population Trend”; and “--Employment/Unemployment Data,” 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;
- (N) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of the events identified in paragraphs (O) and (P) above, the term “financial obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

\$9,865,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2022A CITY OF DILWORTH, MINNESOTA

Proposals for the purchase of \$9,865,000* General Obligation Improvement Bonds, Series 2022A (the "Bonds") of the City of Dilworth, Minnesota (the "City") will be received at the offices of Ehlers and 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 May 23, 2022, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 6:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, by the City for the purpose of financing various public improvements within the City. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated June 16, 2022, 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>
2025	\$365,000	2032	\$445,000	2039	\$560,000
2026	375,000	2033	455,000	2040	575,000
2027	385,000	2034	470,000	2041	600,000
2028	395,000	2035	490,000	2042	620,000
2029	405,000	2036	505,000	2043	645,000
2030	420,000	2037	520,000	2044	665,000
2031	430,000	2038	540,000		

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2023, 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 2025 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 U.S. Bank Trust Company National Association, St. Paul, Minneapolis, to act as paying agent (the "Paying Agent"). 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, 2032 shall be subject to optional redemption prior to maturity on February 1, 2031 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

DELIVERY

On or about June 16, 2022, 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 ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the City.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$9,746,620 plus accrued interest on the principal sum of \$9,865,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) 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, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

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

A good faith deposit ("Deposit") in the amount of \$197,300 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. 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 Net Interest Cost (NIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

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 (i) the competitive sale rule or (ii) the "hold-the-offering price" 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 and that the hold-the-offering price rule applies, the Purchaser shall (1) upon the request of the City confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the City a certification as to such matters, in a form reasonably acceptable to bond counsel, together with a copy of the pricing wire.

Any action 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.

Bidders should prepare their proposals on the assumption that the Bonds will 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 Bonds 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 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 Dilworth, Minnesota

PROPOSAL FORM

The City Council
City of Dilworth, Minnesota (the "City")

May 23, 2022

RE: \$9,865,000 General Obligation Improvement Bonds, Series 2022A (the "Bonds")
DATED: June 16, 2022

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 \$9,746,620) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2025	_____ % due	2032	_____ % due	2039
_____ % due	2026	_____ % due	2033	_____ % due	2040
_____ % due	2027	_____ % due	2034	_____ % due	2041
_____ % due	2028	_____ % due	2035	_____ % due	2042
_____ % due	2029	_____ % due	2036	_____ % due	2043
_____ % due	2030	_____ % due	2037	_____ % due	2044
_____ % due	2031	_____ % due	2038		

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 2025 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%.

A good faith deposit ("Deposit") in the amount of \$197,300 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. 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. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about June 16, 2022.

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 the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, 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 either the: ____ 10% test, or the ____ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____

Account Members:

Award will be on a net interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from June 16, 2022 of the above proposal is \$_____ and the net interest cost (NIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Dilworth, Minnesota, on May 23, 2022.

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