

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 8, 2020

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "TAX EXEMPTION" herein.

The City will not designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986. See "TAX CONSIDERATIONS" herein.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF DAWSON, MINNESOTA (Lac qui Parle County)

\$2,075,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2020A

PROPOSAL OPENING: October 20, 2020, 10:00 A.M., C.T.

CONSIDERATION: October 20, 2020, 5:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$2,075,000* General Obligation Improvement Bonds, Series 2020A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, by the City of Dawson, 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 Taft Stettinius & Hollister LLP, Minneapolis, Minnesota.

DATE OF BONDS: October 29, 2020

MATURITY: February 1 as follows:

| Year | Amount* | Year | Amount* | Year | Amount* |
|------|----------|------|-----------|------|-----------|
| 2023 | \$35,000 | 2028 | \$185,000 | 2033 | \$200,000 |
| 2024 | 65,000 | 2029 | 190,000 | 2034 | 205,000 |
| 2025 | 70,000 | 2030 | 190,000 | 2035 | 210,000 |
| 2026 | 60,000 | 2031 | 195,000 | 2036 | 215,000 |
| 2027 | 60,000 | 2032 | 195,000 | | |

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2021 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2030 and thereafter are subject to call for prior optional redemption on February 1, 2029 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$2,050,100.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$41,500 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Taft Stettinius & Hollister 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 DAWSON CITY COUNCIL

| | | <u>Term Expires</u> |
|--------------------|----------------|---------------------|
| Randy Tensen | Mayor | January 2021 |
| Jeff Fish | Council Member | January 2023 |
| Chessa Frahm | Council Member | January 2021 |
| Jeff Olson | Council Member | January 2021 |
| Charlie Prestholdt | Council Member | January 2021 |
| Alan Tufto | Council Member | January 2021 |
| Steven Tufto | Council Member | January 2023 |

ADMINISTRATION

Tami Schuelke-Sampson, City Manager

Jill Kemen, City Clerk-Treasurer

PROFESSIONAL SERVICES

Taft Stettinius & Hollister 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 Dawson, Minnesota (the "City") and the issuance of its \$2,075,000* General Obligation Improvement Bonds, Series 2020A (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 October 20, 2020.

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 October 29, 2020. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2030 shall be subject to optional redemption prior to maturity on February 1, 2029 or any date thereafter, at a price of par plus accrued interest.

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, by the City for the purpose of financing the street improvement portion of the City’s 2020-21 projects.

ESTIMATED SOURCES AND USES*

| | | |
|---------------------------------------|--------------------|--------------------|
| Sources | | |
| Par Amount of Bonds | <u>\$2,075,000</u> | |
| Total Sources | | \$2,075,000 |
| Uses | | |
| Total Underwriter's Discount (1.200%) | \$24,900 | |
| Costs of Issuance | 40,500 | |
| Deposit to Project Construction Fund | 2,008,363 | |
| Rounding Amount | <u>1,237</u> | |
| Total Uses | | \$2,075,000 |

*Preliminary, subject to change.

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. 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 revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

CONCURRENT FINANCING

By means of a separate Preliminary Official Statement, the City will be issuing \$11,815,000 General Obligation Bonds, Series 2020B (the "Concurrent Obligations" or the "Series 2020B Bonds") which are scheduled to close on October 29, 2020.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "A" 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.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which 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.

Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements would be filed "as soon as available." Although the City did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Except to the extent that the preceding is deemed to be material, the City believes it has not failed to comply in the previous five years 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 as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. The opinions are subject to the condition that the City complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

Other Federal and State Tax Considerations

Other Tax Considerations

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

Original Issue Discount

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

Original Issue Premium

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

Proposed Changes in Federal and State Tax Law

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

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

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

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, 2019 have been audited by Meulebroeck, Taubert & Co., PLLP, Pipestone, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (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 Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

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

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

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

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

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

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

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 President Trump declaring 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 which is still in effect. On June 5, 2020, the Governor signed Emergency Executive Order 20-74 which outlines guidelines for continuing to safely reopen Minnesota's economy and ensuring safe non-work activities during the COVID-19 peacetime emergency. This order is effective as of June 10, 2020 and outlines the guidelines for continuing to lift the restrictions that were identified in prior Executive Orders signed by the Governor. On July 22, 2020, the Governor signed Emergency Executive Order 20-81 which requires individuals to wear a face covering in certain settings across Minnesota to prevent the spread of COVID-19.

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 | 2017/18 | 2018/19 | 2019/20 |
|--|--|--|--|
| 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 \$1,940,000 - 0.50% ² Over \$1,940,000 - 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 \$1,880,000 - 0.50% ² Over \$1,880,000 - 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 \$121,000 - .75% Over \$121,000 - .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 \$139,000 - .75% Over \$139,000 - .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 \$150,000 - .75% Over \$150,000 - .25% |
| Industrial/Commercial/Utility ⁵ | First \$150,000 - 1.50% Over \$150,000 - 2.00% | First \$150,000 - 1.50% Over \$150,000 - 2.00% | First \$150,000 - 1.50% Over \$150,000 - 2.00% |

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

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

³ Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2019/20 Economic Market Value \$65,773,580¹

| | 2019/20 Assessor's Estimated Market Value | 2019/20 Net Tax Capacity |
|-------------------|--|---|
| Real Estate | \$61,185,600 | \$628,288 |
| Personal Property | 2,992,200 | 58,344 |
| Total Valuation | <u>\$64,177,800</u> | <u>\$686,632</u> |

2019/20 NET TAX CAPACITY BY CLASSIFICATION

| | 2019/20 Net Tax Capacity | Percent of Total Net Tax Capacity |
|-----------------------------|-------------------------------------|--|
| Residential homestead | \$270,820 | 39.44% |
| Agricultural | 11,372 | 1.66% |
| Commercial/industrial | 247,185 | 36.00% |
| Public utility | 17,882 | 2.60% |
| Railroad operating property | 3,988 | 0.58% |
| Non-homestead residential | 77,041 | 11.22% |
| Personal property | 58,344 | 8.50% |
| Total | <u>\$686,632</u> | <u>100.00%</u> |

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 97.63% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$65,773,580.

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 +/- in Estimated Market Value |
|-----------|-----------------------------------|---------------------------------|-------------------------------|---------------------------------------|---------------------------------------|
| 2015/16 | \$55,464,700 | \$45,286,200 | \$586,015 | \$586,015 | +0.64% |
| 2016/17 | 55,646,700 | 45,395,824 | 588,330 | 588,330 | +0.33% |
| 2017/18 | 60,850,400 | 50,360,013 | 653,346 | 653,346 | +9.35% |
| 2018/19 | 62,580,500 | 51,981,145 | 670,701 | 670,701 | +2.84% |
| 2019/20 | 64,177,800 | 53,476,340 | 686,632 | 686,632 | +2.55% |

LARGER TAXPAYERS

| Taxpayer | Type of Property | 2019/20 Net Tax Capacity | Percent of City's Total Net Tax Capacity |
|---------------------------|------------------|--------------------------|--|
| Ag Processing, Inc. | Industrial | \$ 72,256 | 10.52% |
| Otter Tail Power Co. | Utility | 60,900 | 8.87% |
| Canby Farmers Grain Co. | Industrial | 18,604 | 2.71% |
| D & S Midwest, LLC | Commercial | 11,730 | 1.71% |
| MDU Resources Group, Inc. | Industrial | 11,560 | 1.68% |
| Noah's Ark Holding Co. | Industrial | 11,244 | 1.64% |
| Dawson Grain, Inc. | Industrial | 9,224 | 1.34% |
| Lac qui Parle Coop Oil | Commercial | 8,858 | 1.29% |
| Jennie-O Turkey Store | Industrial | 7,140 | 1.04% |
| Canby Farmers Grain Co. | Industrial | 5,474 | 0.80% |
| Total | | <u>\$216,990</u> | <u>31.60%</u> |

City's Total 2019/20 Net Tax Capacity \$686,632

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

¹ Net Tax Capacity includes tax increment values, if any.

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

| | |
|--|-----------------------------|
| Total G.O. debt secured by special assessments and taxes (includes the Series 2020A Bonds)* | \$ 3,070,000 |
| Total G.O. debt secured by tax abatement revenues | 239,173 |
| Total G.O. debt secured by taxes | 510,000 |
| Total G.O. debt secured by utility revenues (includes the Series 2020B Bonds)* | <u>13,930,000</u> |
| Total General Obligation Debt* | <u><u>\$ 17,749,173</u></u> |

Lease Purchase Obligations (see schedule following)

| | |
|---|-------------------------|
| Total lease purchase obligations paid by annual appropriations ² | <u><u>\$190,000</u></u> |
|---|-------------------------|

Lease Obligations

| Issue Date | Original Amount | Purpose | Final Maturity | Principal Outstanding |
|---------------|--------------------|----------------------------------|-------------------|--------------------------|
| 11/19/18 | \$99,513 | Equipment - John Deere Financial | 11/19/22 | \$76,626 |

*Preliminary, subject to change.

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

² Non-general obligation debt has not been included in the debt ratios.

City of Dawson, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 10/29/2020)

| | | Improvement Bonds Series 2012B | | Improvement Bonds Series 2020A | | | | | |
|-------------------------|--|-----------------------------------|----------|-----------------------------------|-----------------------|-----------------|----------------|-------------|--------------------------|
| Dated Amount | | 05/24/2012 \$1,565,000 | | 10/29/2020 \$2,075,000* | | | | | |
| Maturity | | 02/01 | | 02/01 | | | | | |
| Calendar Year Ending | | Principal | Interest | Principal | Estimated Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding |
| 2021 | | 100,000 | 25,201 | 0 | 31,497 | 100,000 | 56,699 | 156,699 | 2,970,000 |
| 2022 | | 100,000 | 23,076 | 0 | 36,935 | 100,000 | 60,011 | 160,011 | 2,870,000 |
| 2023 | | 105,000 | 20,716 | 35,000 | 36,821 | 140,000 | 57,538 | 197,538 | 2,730,000 |
| 2024 | | 105,000 | 18,144 | 65,000 | 36,464 | 170,000 | 54,608 | 224,608 | 2,560,000 |
| 2025 | | 110,000 | 15,388 | 70,000 | 35,940 | 180,000 | 51,328 | 231,328 | 2,380,000 |
| 2026 | | 115,000 | 12,363 | 60,000 | 35,360 | 175,000 | 47,723 | 222,723 | 2,205,000 |
| 2027 | | 115,000 | 9,128 | 60,000 | 34,715 | 175,000 | 43,843 | 218,843 | 2,030,000 |
| 2028 | | 120,000 | 5,675 | 185,000 | 33,121 | 305,000 | 38,796 | 343,796 | 1,725,000 |
| 2029 | | 125,000 | 1,938 | 190,000 | 30,448 | 315,000 | 32,385 | 347,385 | 1,410,000 |
| 2030 | | | | 190,000 | 27,455 | 190,000 | 27,455 | 217,455 | 1,220,000 |
| 2031 | | | | 195,000 | 24,084 | 195,000 | 24,084 | 219,084 | 1,025,000 |
| 2032 | | | | 195,000 | 20,330 | 195,000 | 20,330 | 215,330 | 830,000 |
| 2033 | | | | 200,000 | 16,280 | 200,000 | 16,280 | 216,280 | 630,000 |
| 2034 | | | | 205,000 | 11,925 | 205,000 | 11,925 | 216,925 | 425,000 |
| 2035 | | | | 210,000 | 7,308 | 210,000 | 7,308 | 217,308 | 215,000 |
| 2036 | | | | 215,000 | 2,473 | 215,000 | 2,473 | 217,473 | 0 |
| | | 995,000 | 131,628 | 2,075,000 | 421,155 | 3,070,000 | 552,783 | 3,622,783 | |

* Preliminary, subject to change.

City of Dawson, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 10/29/2020)

| Tax Abatement Bonds Series 2007B | | Tax Abatement Bonds Series 2008A | | Principal Outstanding | Total P & I | Total Interest | Total Principal | % Paid | Calendar Year Ending |
|-------------------------------------|----------|-------------------------------------|-------------------------|--------------------------|-------------|----------------|-----------------|---------|-------------------------|
| Dated Amount | Maturity | 12/18/2007 \$262,105 | 01/10/2008 \$313,000 | | | | | | |
| Calendar Year Ending | | Principal | Interest | Principal | Total P & I | Total Interest | Total Principal | | |
| 2021 | | 13,895 | 6,987 | 26,000 | 51,358 | 11,462 | 39,895 | 16.68% | 2021 |
| 2022 | | 14,599 | 6,284 | 27,000 | 51,058 | 9,459 | 41,599 | 34.07% | 2022 |
| 2023 | | 15,338 | 5,545 | 28,000 | 50,683 | 7,345 | 43,338 | 52.19% | 2023 |
| 2024 | | 16,114 | 4,768 | 15,000 | 36,258 | 5,143 | 31,114 | 65.20% | 2024 |
| 2025 | | 16,930 | 3,952 | | 20,883 | 3,952 | 16,930 | 72.28% | 2025 |
| 2026 | | 17,787 | 3,095 | | 20,883 | 3,095 | 17,787 | 79.72% | 2026 |
| 2027 | | 18,688 | 2,195 | | 20,883 | 2,195 | 18,688 | 87.53% | 2027 |
| 2028 | | 19,634 | 1,249 | | 20,883 | 1,249 | 19,634 | 95.74% | 2028 |
| 2029 | | 10,187 | 255 | | 10,441 | 255 | 10,187 | 100.00% | 2029 |
| | | 143,173 | 34,329 | 96,000 | 283,327 | 44,154 | 239,173 | | |

City of Dawson, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 10/29/2020)

Swimming Pool Bonds
Series 2007A

| | | |
|-------------------------|-------------|----------|
| Dated | 06/28/2007 | |
| Amount | \$1,385,000 | |
| Maturity | 02/01 | |
| Calendar Year Ending | Principal | Interest |
| 2021 | 65,000 | 21,470 |
| 2022 | 65,000 | 18,594 |
| 2023 | 70,000 | 15,590 |
| 2024 | 70,000 | 12,458 |
| 2025 | 75,000 | 9,195 |
| 2026 | 80,000 | 5,688 |
| 2027 | 85,000 | 1,934 |
| | 510,000 | 84,928 |

| Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Calendar Year Ending |
|-----------------|----------------|-------------|--------------------------|---------|-------------------------|
| 65,000 | 21,470 | 86,470 | 445,000 | 12.75% | 2021 |
| 65,000 | 18,594 | 83,594 | 380,000 | 25.49% | 2022 |
| 70,000 | 15,590 | 85,590 | 310,000 | 39.22% | 2023 |
| 70,000 | 12,458 | 82,458 | 240,000 | 52.94% | 2024 |
| 75,000 | 9,195 | 84,195 | 165,000 | 67.65% | 2025 |
| 80,000 | 5,688 | 85,688 | 85,000 | 83.33% | 2026 |
| 85,000 | 1,934 | 86,934 | 0 | 100.00% | 2027 |
| 510,000 | 84,928 | 594,928 | | | |

City of Dawson, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 10/29/2020)

| Dated Amount | Drinking Water Revolving Fund Series 2002 (MPFA) | | Clean Water Revolving Fund Series 2004 (MPFA) | | Water and Sewer Refunding Bonds Series 2011A | | Water and Sewer Revenue Bonds Series 2012A | | Utility Revenue Bonds Series 2015A | |
|-------------------------|---|---------------|--|---------------------------|---|---------------------------|---|----------|---------------------------------------|----------|
| | 09/20/2002 \$915,447 | 02/03 & 08/20 | 08/10/2004 \$1,788,670 | 08/10/2004 \$1,788,670 | 02/10/2011 \$590,000 | 05/24/2012 \$2,425,000 | 11/02/2015 \$240,000 | 02/01 | 02/01 | |
| Calendar Year Ending | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| | | | | | | | | | | |
| 2021 | 60,000 | 4,050 | 104,000 | 7,387 | 35,000 | 2,888 | 175,000 | 29,373 | 35,000 | 2,213 |
| 2022 | 62,000 | 2,058 | 106,000 | 5,588 | 40,000 | 1,540 | 185,000 | 25,773 | 35,000 | 1,338 |
| 2023 | | | 108,000 | 3,754 | | | 185,000 | 22,026 | 36,000 | 450 |
| 2024 | | | 109,000 | 1,886 | | | 190,000 | 18,040 | | |
| 2025 | | | | | | | 200,000 | 13,600 | | |
| 2026 | | | | | | | 225,000 | 8,494 | | |
| 2027 | | | | | | | 225,000 | 2,869 | | |
| 2028 | | | | | | | | | | |
| 2029 | | | | | | | | | | |
| 2030 | | | | | | | | | | |
| 2031 | | | | | | | | | | |
| 2032 | | | | | | | | | | |
| 2033 | | | | | | | | | | |
| 2034 | | | | | | | | | | |
| 2035 | | | | | | | | | | |
| 2036 | | | | | | | | | | |
| | 122,000 | 6,109 | 427,000 | 18,615 | 75,000 | 4,428 | 1,385,000 | 120,174 | 106,000 | 4,000 |

--Continued on next page

City of Dawson, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Utility Revenues
(As of 10/29/2020)

Utility Revenue Bonds
Series 2020B

| Dated Amount | 10/29/2020 \$11,815,000* | |
|----------------------|-----------------------------|--------------------|
| Maturity | 02/01 | |
| Calendar Year Ending | Principal | Estimated Interest |
| 2021 | 0 | 122,681 |
| 2022 | 305,000 | 143,479 |
| 2023 | 425,000 | 142,460 |
| 2024 | 460,000 | 141,018 |
| 2025 | 560,000 | 138,953 |
| 2026 | 540,000 | 135,938 |
| 2027 | 550,000 | 132,120 |
| 2028 | 945,000 | 125,569 |
| 2029 | 960,000 | 115,800 |
| 2030 | 965,000 | 104,489 |
| 2031 | 980,000 | 91,843 |
| 2032 | 990,000 | 77,803 |
| 2033 | 1,010,000 | 62,550 |
| 2034 | 1,025,000 | 46,266 |
| 2035 | 1,040,000 | 28,710 |
| 2036 | 1,060,000 | 9,805 |
| | 11,815,000 | 1,619,481 |

| Calendar Year Ending | Principal Outstanding | % Paid | Calendar Year Ending |
|-------------------------|--------------------------|---------|-------------------------|
| 2021 | 13,521,000 | 2.94% | 2021 |
| 2022 | 12,788,000 | 8.20% | 2022 |
| 2023 | 12,034,000 | 13.61% | 2023 |
| 2024 | 11,275,000 | 19.06% | 2024 |
| 2025 | 10,515,000 | 24.52% | 2025 |
| 2026 | 9,750,000 | 30.01% | 2026 |
| 2027 | 8,975,000 | 35.57% | 2027 |
| 2028 | 8,030,000 | 42.35% | 2028 |
| 2029 | 7,070,000 | 49.25% | 2029 |
| 2030 | 6,105,000 | 56.17% | 2030 |
| 2031 | 5,125,000 | 63.21% | 2031 |
| 2032 | 4,135,000 | 70.32% | 2032 |
| 2033 | 3,125,000 | 77.57% | 2033 |
| 2034 | 2,100,000 | 84.92% | 2034 |
| 2035 | 1,060,000 | 92.39% | 2035 |
| 2036 | 0 | 100.00% | 2036 |

| Total Principal | Total Interest | Total P & I | Principal Outstanding | % Paid | Calendar Year Ending |
|-----------------|----------------|-------------|--------------------------|---------|-------------------------|
| 409,000 | 168,591 | 577,591 | 13,521,000 | 2.94% | 2021 |
| 733,000 | 179,775 | 912,775 | 12,788,000 | 8.20% | 2022 |
| 754,000 | 168,690 | 922,690 | 12,034,000 | 13.61% | 2023 |
| 759,000 | 160,943 | 919,943 | 11,275,000 | 19.06% | 2024 |
| 760,000 | 152,553 | 912,553 | 10,515,000 | 24.52% | 2025 |
| 765,000 | 144,431 | 909,431 | 9,750,000 | 30.01% | 2026 |
| 775,000 | 134,989 | 909,989 | 8,975,000 | 35.57% | 2027 |
| 945,000 | 125,569 | 1,070,569 | 8,030,000 | 42.35% | 2028 |
| 960,000 | 115,800 | 1,075,800 | 7,070,000 | 49.25% | 2029 |
| 965,000 | 104,489 | 1,069,489 | 6,105,000 | 56.17% | 2030 |
| 980,000 | 91,843 | 1,071,843 | 5,125,000 | 63.21% | 2031 |
| 990,000 | 77,803 | 1,067,803 | 4,135,000 | 70.32% | 2032 |
| 1,010,000 | 62,550 | 1,072,550 | 3,125,000 | 77.57% | 2033 |
| 1,025,000 | 46,266 | 1,071,266 | 2,100,000 | 84.92% | 2034 |
| 1,040,000 | 28,710 | 1,068,710 | 1,060,000 | 92.39% | 2035 |
| 1,060,000 | 9,805 | 1,069,805 | 0 | 100.00% | 2036 |
| 13,930,000 | 1,772,805 | 15,702,805 | | | |

* Preliminary, subject to change.

Economic Development Authority of the City of Dawson , Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 10/29/2020)

**Housing Development
Refunding Bonds
Series 2011A**

| Dated Amount | Maturity | 02/10/2011 \$370,000 | | 01/01 | | | | | |
|-------------------------|----------|-------------------------|----------|-----------|----------|-----------------|----------------|-------------|--------------------------|
| | | Principal | Interest | Principal | Interest | Total Principal | Total Interest | Total P & I | Principal Outstanding |
| Calendar Year Ending | | | | | | | | % Paid | Calendar Year Ending |
| 2021 | | 25,000 | 7,534 | 25,000 | 7,534 | 32,534 | 7,534 | 13.16% | 2021 |
| 2022 | | 25,000 | 6,571 | 25,000 | 6,571 | 31,571 | 6,571 | 26.32% | 2022 |
| 2023 | | 25,000 | 5,546 | 25,000 | 5,546 | 30,546 | 5,546 | 39.47% | 2023 |
| 2024 | | 25,000 | 4,459 | 25,000 | 4,459 | 29,459 | 4,459 | 52.63% | 2024 |
| 2025 | | 30,000 | 3,263 | 30,000 | 3,263 | 33,263 | 3,263 | 68.42% | 2025 |
| 2026 | | 30,000 | 1,958 | 30,000 | 1,958 | 31,958 | 1,958 | 84.21% | 2026 |
| 2027 | | 30,000 | 653 | 30,000 | 653 | 30,653 | 653 | 100.00% | 2027 |
| | | 190,000 | 29,983 | 190,000 | 29,983 | 219,983 | 29,983 | | |

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 payable wholly or partly from special assessments levied against benefitted property (includes the Series 2020A of the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences (includes the Series 2020B of the Bonds); (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 issued to pay judgments against the City; and (8) 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.

| | |
|---|----------------------------|
| 2019/20 Assessor's Estimated Market Value | \$ 64,177,800 |
| Multiply by 3% | 0.03 |
| Statutory Debt Limit | <u>\$ 1,925,334</u> |
| Less: Long-Term Debt Outstanding Being Paid Solely from Taxes | (510,000) |
| Unused Debt Limit | <u><u>\$ 1,415,334</u></u> |

OVERLAPPING DEBT¹

| Taxing District | 2019/20 Taxable Net Tax Capacity | % In City | Total G.O. Debt ² | City's Proportionate Share |
|--|--|--------------|---------------------------------|----------------------------------|
| I.S.D. No. 378 (Dawson-Boyd) | \$6,933,564 | 9.9030% | 23,224,000 ³ | \$2,299,873 |
| City's Share of Total Overlapping Debt | | | | <u><u>\$2,299,873</u></u> |

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

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

³ Currently, the State of Minnesota is paying approximately 44.3% of the principal and interest on the Dawson-Boyd School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is \$10,288,232. 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.

DEBT RATIOS

| | G.O. Debt | Debt/Economic Market Value (\$65,773,580) | Debt/ Current Population Estimate (1,701) |
|---|--------------------------------|--|--|
| Direct G.O. Debt Secured By: | | | |
| Special Assessments & Taxes* | \$ 3,070,000 | | |
| Tax Abatement Revenues | 239,173 | | |
| Taxes | 510,000 | | |
| Utility Revenues* | <u>13,930,000</u> | | |
| Total General Obligation Debt (includes the Bonds and the Concurrent Obligations)* | \$17,749,173 | | |
| Less: G.O. Debt Paid Entirely from Revenues ¹ | <u>(13,930,000)</u> | | |
| Tax Supported General Obligation Debt* | \$ 3,819,173 | 5.81% | \$2,245.25 |
| City's Share of Total Overlapping Debt ² | <u>\$ 2,299,873</u> | <u>3.50%</u> | <u>\$1,352.07</u> |
| Total* | <u><u>\$ 6,119,046</u></u> | <u><u>9.31%</u></u> | <u><u>\$3,597.32</u></u> |

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

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

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

² After deducting the City's proportionate share of the agricultural land valuation applicable to the overlapping school districts of \$1,018,844, the City's net overlapping debt is \$1,281,029, which results in a net overlapping debt/market value ratio of 1.95% and net overlapping debt/current population estimate ratio of \$753.10.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

| Tax Year | Net Tax Levy ¹ | Total Collected Following Year | Collected to Date ² | % Collected |
|----------|---------------------------|--------------------------------|--------------------------------|-------------|
| 2015/16 | \$1,032,506 | \$ 1,028,116 | \$ 1,054,285 | 100.00% |
| 2016/17 | 1,057,748 | 1,052,585 | 1,053,399 | 99.59% |
| 2017/18 | 1,099,965 | 1,094,580 | 1,094,695 | 99.52% |
| 2018/19 | 1,144,878 | 1,136,757 | 1,144,878 | 100.00% |
| 2019/20 | 1,176,755 | 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. Any delays or reduction in the receipt of property taxes may 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, 2019.

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

TAX CAPACITY RATES¹

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|--------------------------------------|----------|----------|----------|----------|----------|
| Lac qui Parle County | 24.560% | 27.773% | 32.746% | 31.099% | 32.329% |
| City of Dawson | 162.238% | 164.917% | 161.071% | 164.201% | 164.998% |
| I.S.D. No. 378 (Dawson-Boyd) | 7.505% | 8.763% | 12.874% | 10.458% | 29.585% |
| Dawson Hospital District | 3.599% | 4.294% | 5.562% | 5.807% | 6.967% |
| Lac qui Parle County EDA | 0.685% | 0.507% | 0.620% | 0.000% | 0.572% |
| Lac qui Parle -Yellow Bank Watershed | 1.059% | 1.262% | 1.287% | 1.210% | 1.200% |
| Region 6W - UMVRDC | 0.245% | 0.294% | 0.322% | 0.292% | 0.326% |

Referendum Market Value Rates:

| | | | | | |
|------------------------------|----------|----------|----------|----------|----------|
| City of Dawson | 0.15198% | 0.15843% | 0.14403% | 0.13583% | 0.13244% |
| I.S.D. No. 378 (Dawson-Boyd) | 0.21902% | 0.22635% | 0.22382% | 0.21550% | 0.20359% |

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Lac qui Parle 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 1884. The City operates under a home rule charter form of government consisting of a seven-member City Council of which the Mayor is not a voting member. The City Manager and City Clerk-Treasurer are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 12 full-time, 8 part-time, and 23 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 Unit

| Bargaining Unit | Expiration Date of Current Contract |
|--------------------|--|
| AFSCME Council #65 | December 31, 2022 |

POST EMPLOYMENT BENEFITS

The City has no liability for post employment benefits other than pension benefits.

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

FUNDS ON HAND (As of September 30, 2020)

| Fund | Total Cash and Investments |
|----------------------------|---------------------------------------|
| General | \$ 789,859 |
| Special Revenue | 677,667 |
| Debt Service | 105,200 |
| Capital Projects | 514,480 |
| Enterprise Funds | 322,777 |
| Total Funds on Hand | <u><u>\$ 2,409,983</u></u> |

ENTERPRISE FUNDS

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

| | 2017 | 2018 | 2019 |
|-------------------------------------|-------------------------|-------------------------|-------------------------|
| Liquor | | | |
| Total Operating Revenues | \$447,412 | \$458,564 | \$459,399 |
| Less: Operating Expenses | <u>(452,111)</u> | <u>(461,896)</u> | <u>(464,864)</u> |
| Operating Income | \$ (4,699) | \$ (3,332) | \$ (5,465) |
| Plus: Depreciation | <u>8,246</u> | <u>8,239</u> | <u>8,239</u> |
| Revenues Available for Debt Service | <u><u>\$ 3,547</u></u> | <u><u>\$ 4,907</u></u> | <u><u>\$ 2,774</u></u> |
| Water | | | |
| Total Operating Revenues | \$842,810 | \$815,897 | \$897,366 |
| Less: Operating Expenses | <u>(643,730)</u> | <u>(618,603)</u> | <u>(687,492)</u> |
| Operating Income | \$199,080 | \$197,294 | \$209,874 |
| Plus: Depreciation | <u>241,178</u> | <u>242,089</u> | <u>254,443</u> |
| Revenues Available for Debt Service | <u><u>\$440,258</u></u> | <u><u>\$439,383</u></u> | <u><u>\$464,317</u></u> |
| Refuse | | | |
| Total Operating Revenues | \$115,454 | \$116,960 | \$117,480 |
| Less: Operating Expenses | <u>(111,326)</u> | <u>(113,663)</u> | <u>(113,504)</u> |
| Operating Income | \$ 4,128 | \$ 3,297 | \$ 3,976 |
| Plus: Depreciation | <u>0</u> | <u>0</u> | <u>0</u> |
| Revenues Available for Debt Service | <u><u>\$ 4,128</u></u> | <u><u>\$ 3,297</u></u> | <u><u>\$ 3,976</u></u> |
| Armory Housing | | | |
| Total Operating Revenues | \$ 62,905 | \$ 55,120 | \$ 66,670 |
| Less: Operating Expenses | <u>(63,992)</u> | <u>(61,158)</u> | <u>(56,270)</u> |
| Operating Income | \$ (1,087) | \$ (6,038) | \$ 10,400 |
| Plus: Depreciation | <u>22,642</u> | <u>22,642</u> | <u>22,642</u> |
| Revenues Available for Debt Service | <u><u>\$ 21,555</u></u> | <u><u>\$ 16,604</u></u> | <u><u>\$ 33,042</u></u> |

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2019 audited financial statements.

| COMBINED STATEMENT | FISCAL YEAR ENDING DECEMBER 31 | | | | |
|---|--------------------------------|-------------------|-------------------|-------------------|------------------------------|
| | 2016 Audited | 2017 Audited | 2018 Audited | 2019 Audited | 2020 Adopted Budget 1) |
| Revenues | | | | | |
| Taxes and special assessments | \$358,094 | \$371,632 | \$356,399 | \$349,964 | \$421,438 |
| State aid | 403,848 | 415,855 | 423,508 | 400,603 | 391,342 |
| Licenses and permits | 2,035 | 1,975 | 2,338 | 1,835 | 2,000 |
| Fines and forfeits | 4,106 | 6,505 | 3,275 | 5,100 | 5,000 |
| Charges for services | 26,521 | 26,991 | 36,621 | 23,615 | 15,500 |
| Interest | 6,773 | 6,041 | 9,096 | 10,913 | 7,500 |
| Donation | 0 | 500 | 1,000 | 7,184 | 4,750 |
| Miscellaneous | 61,632 | 40,530 | 52,663 | 45,379 | 52,970 |
| Total Revenues | <u>\$863,009</u> | <u>\$870,029</u> | <u>\$884,900</u> | <u>\$844,593</u> | <u>\$900,500</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | \$390,256 | \$310,407 | \$339,854 | \$331,788 | \$326,050 |
| Public safety | 290,879 | 314,097 | 376,386 | 346,806 | 466,850 |
| Public works | 83,360 | 44,062 | 46,175 | 45,385 | 41,250 |
| Bus transit | 11,327 | 14,919 | 14,260 | 15,138 | 21,650 |
| Economic development | 17,719 | 8,393 | 7,165 | 6,777 | 9,000 |
| Flood levee project | 34,241 | 33,349 | 33,334 | 104,825 | 35,700 |
| Total Expenditures | <u>\$827,782</u> | <u>\$725,227</u> | <u>\$817,174</u> | <u>\$850,719</u> | <u>\$900,500</u> |
| Excess of revenues over (under) expenditures | \$35,227 | \$144,802 | \$67,726 | (\$6,126) | \$0 |
| Other Financing Sources (Uses) | | | | | |
| Sale of assets | \$0 | \$500 | \$2,426 | \$8 | |
| Operating transfers out | (14,236) | (14,236) | (14,746) | (17,349) | |
| Total Other Financing Sources (Uses) | <u>(\$14,236)</u> | <u>(\$13,736)</u> | <u>(\$12,320)</u> | <u>(\$17,341)</u> | |
| Net changes in Fund Balances | \$20,991 | \$131,066 | \$55,406 | (\$23,467) | |
| General Fund Balance January 1 | \$436,574 | \$457,565 | \$588,631 | \$644,037 | |
| Prior Period Adjustment | 0 | 0 | 0 | 0 | |
| Residual Equity Transfer in (out) | 0 | 0 | 0 | 0 | |
| General Fund Balance December 31 | <u>\$457,565</u> | <u>\$588,631</u> | <u>\$644,037</u> | <u>\$620,570</u> | |
| DETAILS OF DECEMBER 31 FUND BALANCE | | | | | |
| Nonspendable | \$91,553 | \$81,899 | \$80,946 | \$90,781 | |
| Unassigned | 366,012 | 506,732 | 563,091 | 529,789 | |
| Total | <u>\$457,565</u> | <u>\$588,631</u> | <u>\$644,037</u> | <u>\$620,570</u> | |

1) The 2020 budget was adopted as of December 3, 2019.

GENERAL INFORMATION

LOCATION

The City of Dawson, with a 2010 U.S. Census population of 1,701 and comprising an area of 1.5 square miles, is located approximately 150 miles west of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS¹

Larger employers in the City of Dawson include the following:

| Firm | Type of Business/Product | Estimated No. of Employees |
|--|---|-----------------------------------|
| Johnson Memorial Health Service ² | Hospital, clinic, and other medical care services | 200 |
| I.S.D. No. 378 (Dawson-Boyd) | Elementary and secondary education | 150 |
| Cliff Viessman, Inc. | Trucking transportation services | 81 |
| Ag Processing, Inc. | Farmer-owned cooperative in soybean and grains | 64 |
| Noah's Ark Holding, LLC | Meat producers manufacturers | 49 |
| City of Dawson | Municipal government and services | 37 |
| Tim's Food Pride | Grocery store | 25 |
| Lac Qui Parle Co-Op Fertilizer | Fertilizers- retail | 20 |
| Olson Sanitation | Garbage collection | 17 |
| DQ Grill & Chill | Restaurant | 15 |

Source: *ReferenceUSA, written and telephone survey (July 2020), 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").

² Includes hospital, clinic, and nursing home.

BUILDING PERMITS

| | 2016 | 2017 | 2018 | 2019 | 2020 ¹ |
|--|--------------|-----------|-----------|-----------|-------------------|
| <u>New Single Family Homes</u> | | | | | |
| No. of building permits | 0 | 4 | 2 | 0 | 0 |
| Valuation | \$0 | \$894,500 | \$432,000 | \$0 | \$0 |
| <u>New Commercial/Industrial</u> | | | | | |
| No. of building permits | 4 | 1 | 1 | 1 | 1 |
| Valuation | \$20,039,000 | \$35,000 | \$97,500 | \$90,000 | \$200,000 |
| <u>All Building Permits</u> | | | | | |
| <i>(including additions and remodelings)</i> | | | | | |
| No. of building permits | 26 | 16 | 22 | 19 | 15 |
| Valuation | \$773,050 | \$140,810 | \$352,750 | \$141,810 | \$4,491,189 |

Source: The City.

¹ As of July 28, 2020.

U.S. CENSUS DATA

Population Trend: The City

| | |
|-----------------------------------|---------|
| 2000 U.S. Census population | 1,539 |
| 2010 U.S. Census population | 1,540 |
| 2018 State Demographer's Estimate | 1,701 |
| Percent of Change 2000 - 2010 | + 0.07% |

Income and Age Statistics

| | The City | Lac qui Parle County | State of Minnesota | United States |
|--|-----------------|-----------------------------|---------------------------|----------------------|
| 2018 per capita income | \$24,885 | \$31,686 | \$36,245 | \$32,621 |
| 2018 median household income | \$48,558 | \$52,199 | \$68,411 | \$60,293 |
| 2018 median family income | \$56,458 | \$64,838 | \$86,204 | \$73,965 |
| 2018 median gross rent | \$544 | \$547 | \$944 | \$1,023 |
| 2018 median value owner occupied units | \$72,000 | \$85,600 | \$211,800 | \$204,900 |
| 2018 median age | 45.5 yrs. | 50.4 yrs. | 37.9 yrs. | 37.9 yrs. |

| | State of Minnesota | United States |
|-------------------------------------|---------------------------|----------------------|
| City % of 2018 per capita income | 68.66% | 76.29% |
| City % of 2018 median family income | 65.49% | 76.33% |

Housing Statistics

| | <u>The City</u> | | |
|-------------------|------------------------|-------------|--------------------------|
| | 2010 | 2018 | Percent of Change |
| All Housing Units | 754 | 768 | 1.86% |

Source: 2000 and 2010 Census of Population and Housing, and 2018 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> | |
|--------------|----------------------------------|------------------------------------|---------------------------|
| | Lac qui Parle County | Lac qui Parle County | State of Minnesota |
| 2016 | 3,474 | 4.3% | 3.9% |
| 2017 | 3,404 | 3.4% | 3.4% |
| 2018 | 3,400 | 3.6% | 2.9% |
| 2019 | 3,404 | 3.9% | 3.2% |
| 2020, August | 3,453 | 4.2% | 7.1% |

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

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.

INDEPENDENT AUDITOR'S REPORT
CITY OF DAWSON
DAWSON, MINNESOTA 56232
FOR THE YEAR ENDED DECEMBER 31, 2019

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
PO Box 707
Pipestone, Minnesota 56164

City of Dawson
Dawson, Minnesota

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City of Dawson
Dawson, Minnesota

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City of Dawson
Dawson, Minnesota

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City of Dawson
Dawson, Minnesota

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City of Dawson
Dawson, Minnesota

MEMBERS OF THE CITY COUNCIL AND CITY OFFICIALS

| | |
|-----------------------|---|
| Randy Tensen | Mayor |
| Jeff Olson | Council Member |
| Charlie Prestholdt | Council Member |
| David Lien | Council Member-Resigned May 7, 2019 |
| Steve Tufto | Council Member |
| Alan Tufto | Council Member |
| Jeff Fish | Council Member |
| Chessa Frahm | Council Member-Appointed November 5, 2019 |
| Tami Schuelke-Sampson | City Manager |
| Jill Kemen | City Clerk/Treasurer |
| Richard Stulz | City Attorney |

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MEULEBROECK, TAUBERT & CO., PLLP
CERTIFIED PUBLIC ACCOUNTANTS

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Matthew A. Taubert, CPA
David W. Friedrichsen, CPA
Daryl J. Kanthak, CPA
Blake R. Klinsing, CPA
Amy L. Mollberg, CPA

WITH THE FIRM

David L. Meulebroeck, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
Dawson, 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 Dawson, Dawson, Minnesota as of and for the year ended December 31, 2019, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2018, and in our report dated July 15, 2019, we expressed qualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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 reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

The volunteer fire relief association affiliated with the City has not complied with the GASB standards relating to pensions for 2019. Therefore, the City is unable to report pension amounts related to the relief association. The effects on the accompanying financial statements of the noncompliance have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dawson, Dawson, Minnesota, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund and the major Special Revenue Funds (Library Fund, Permanent Improvement Revolving Fund, Road and Bridge Fund).

Report on Partial Comparative Information

The financial statements include partial prior-year comparative information, which does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statement for the year ended December 31, 2018, from which it was derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedules of Proportionate Share of the Net Pension Liability and Employer Contributions on pages 7-15, 66 and 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance

on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 non-major fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 2020, on our consideration of the City of Dawson, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dawson, Dawson, Minnesota's internal control over financial reporting and compliance.

Meulebroeck, Taubert & Co., PLLP

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

August 25, 2020

City of Dawson
Dawson, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED DECEMBER 31, 2019

This section of the City of Dawson's annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2019. Please read it in conjunction with the other components of the City's annual financial report.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 -- *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*. Certain comparative information between the current year (2019) and the prior year (2018) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the 2019 fiscal year include the following:

- Governmental Net position increased by \$20,000 or .4% from December 31, 2018.
- Proprietary Net position increased by \$181,855 or 10.6% from December 31, 2018.
- Total governmental fund revenues decreased by \$143,856 in comparison to fiscal year 2018 and expenditures increased by \$195,200 in comparison to fiscal year 2018
- Total proprietary operating revenues increased by \$94,374 in comparison to fiscal year 2018 and total proprietary operating expenditures increased by \$68,810 in comparison to fiscal year 2018

Overview of the Financial Statements

The financial section of the annual report consists of four parts -- Independent Auditor's Report, required supplementary information, which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include government-wide financial statements and fund financial statements and the notes to the financial statements.

Government-Wide Statements

The government-wide statements (statement of net position and statement of activities) report information about the City as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the City's position and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position -- the difference between the City's assets and liabilities -- is one way to measure the City's financial health or position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You also need to consider other nonfinancial factors, however, such as changes in government support to assess the overall health of the City.

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City of Dawson
Dawson, Minnesota

Fund Financial Statements

The fund financial statements include more detailed information about a City's individual funds. The City maintains two types of funds.

Governmental Funds - The City's services are included in this type of fund, which generally focuses on 1) how cash and other financial position that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the City's activities. Because this information does not encompass the additional long-term focus of the City-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

The City maintains fourteen governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Library Fund, Permanent Improvement Revolving Fund and Road and Bridge Fund which are considered to be major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of individual and combining statements elsewhere in the report.

Proprietary Funds - The City of Dawson maintains four proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Dawson uses the enterprise funds to account for Municipal Liquor Store Operations, Water, Refuse Service and Armory Housing. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Liquor Store, Water, Refuse, and Armory Housing Apartments operations. These are considered to be major funds of the City of Dawson.

City of Dawson
Dawson, Minnesota

Financial Analysis of the City as a Whole/Financial Analysis of the City's Funds

As noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Dawson, assets exceeded liabilities by \$7,174,683 at the close of the most recent fiscal year. This was an increase of 2.9 % from the previous year total of \$6,972,828.

Table 1 is a summarized view of the City's Statement of Net Position.

Table 1
Statement of Net Position
As of December 31, 2019

| | Governmental Activities | | | Business-Type Activities | | | Total |
|--|-------------------------|-----------|-----------|--------------------------|------------|------------|-------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | |
| Assets | | | | | | | |
| Current and other assets | 3,665,802 | 3,917,681 | 544,659 | 632,175 | 4,210,461 | 4,549,856 | |
| Capital assets, net of depreciation | 4,992,589 | 4,341,860 | 4,341,494 | 4,460,129 | 8,694,083 | 8,801,989 | |
| Total Assets | 7,958,391 | 8,259,541 | 4,886,153 | 5,092,304 | 12,844,544 | 13,351,845 | |
| Deferred Outflows of Resources | | | | | | | |
| Related to Pensions | 48,336 | 201,062 | 14,810 | 34,667 | 63,146 | 235,729 | |
| Total Assets and Deferred Outflows of Resources | 8,006,727 | 8,460,603 | 4,900,963 | 5,126,971 | 12,907,690 | 13,587,574 | |
| Liabilities | | | | | | | |
| Current and other liabilities | 266,719 | 367,026 | 500,303 | 477,775 | 767,022 | 844,801 | |
| Long-term liabilities | 2,244,819 | 2,454,552 | 2,449,285 | 2,856,327 | 4,694,104 | 5,310,879 | |
| Total Liabilities | 2,511,538 | 2,821,578 | 2,949,588 | 3,334,102 | 5,461,126 | 6,155,680 | |
| Deferred Inflows of Resources | | | | | | | |
| Related to Pensions | 222,055 | 385,891 | 49,826 | 73,175 | 271,881 | 459,066 | |
| Net Position | | | | | | | |
| Invested in capital position | 2,227,666 | 1,978,772 | 1,652,494 | 1,363,129 | 3,880,160 | 3,341,901 | |
| Net of related debt | 915,072 | 923,926 | | | 915,072 | 923,926 | |
| Restricted | 2,130,396 | 2,350,436 | 249,055 | 356,565 | 2,379,451 | 2,707,001 | |
| Unrestricted | 5,278,134 | 5,253,134 | 1,901,549 | 1,719,694 | 7,174,683 | 6,972,828 | |
| Total Liabilities, Deferred Inflows Of Resources and Net Position | 8,006,727 | 8,460,603 | 4,900,963 | 5,126,971 | 12,907,690 | 13,587,574 | |

The City's financial position is the product of numerous factors. Therefore, it is important to view the net position balance as a starting point to evaluate future years' results, rather than to just focus on the current balance.

Table 2 presents a condensed version of the change in net position of the City.

| Table 2 Change in Net Position For the year ended December 31, 2019 | | | | |
|---|------------------|------------------|--------------------------|------------------|
| Revenues | 2019 | 2018 | Business-Type Activities | Total |
| Program Revenues | | | | |
| Charges for Services | 23,855 | 43,161 | | |
| Operating Grants and Contributions | 43,965 | 49,466 | | |
| General Revenues | | | | |
| Property Taxes and Assessments | 1,160,119 | 1,175,446 | 4,965 | 1,180,411 |
| State Aid Not Restricted | | | | |
| For Specific Purposes | 589,884 | 606,408 | | |
| Unrestricted Investment Earnings | 42,940 | 25,178 | 1,663 | 589,884 |
| Sale of Assets | 8 | 2,426 | | 47,800 |
| Other Revenues | 193,982 | 315,074 | 7,749 | 26,841 |
| Total Revenues | 2,054,753 | 2,217,159 | 1,455,953 | 3,603,970 |
| Expenses | | | | |
| General Government | 339,598 | 331,267 | | 331,267 |
| Public Safety | 533,962 | 497,286 | | 533,962 |
| Cultural | 444,234 | 482,129 | | 444,234 |
| Park and Recreation | 104,263 | 113,058 | | 104,263 |
| Economic Development | 234,596 | 214,092 | | 234,596 |
| Miscellaneous | 63,823 | 181,155 | | 63,823 |
| Interest on Long-Term Debt | 119,963 | 47,594 | | 119,963 |
| Liquor | 140,314 | 120,560 | | 140,314 |
| Water | | | | |
| Refuse | | | | |
| Armory Housing | | | | |
| Total Expenses | 1,980,753 | 1,987,141 | | |
| Increase (Decrease) in Net Position Before Transfer | 74,000 | 230,018 | | |
| Net Transfers | (64,000) | (19,079) | | |
| Change in Net Position | 20,000 | 210,939 | | |
| Beginning Net Position | 5,253,134 | 5,042,195 | | |
| Ending Net Position | 5,273,134 | 5,253,134 | | |

The City's total revenue consisted of program revenues of \$1,608,735, property taxes of \$1,160,119, state aids of \$589,884, investment earnings of \$47,800, sale of assets of \$8 and miscellaneous revenues of \$197,424.

The cost of all governmental and business-type activities this year was \$3,402,115.

- The users of the city programs paid for 46.0% or \$1,564,770, of the costs.
- The state government subsidized certain programs with grants and contributions. This totaled \$589,884, or 17.3%, of the total costs.

Figure A and Figure B show further analysis of these revenue sources and expenditure functions for Governmental activities. Figure C and D show further analysis of these revenue sources and expenditures functions for Business-Type Activities.

Figure A - Sources of Revenues for Fiscal Year 2019
Governmental Activities

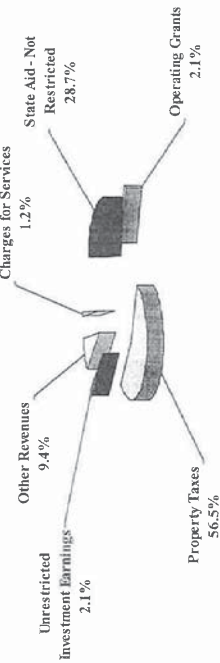


Figure B - Expenses for Fiscal 2019
Governmental Activities

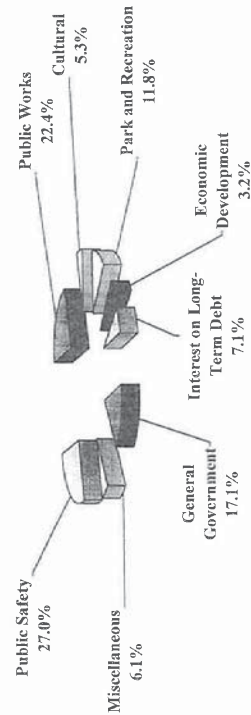


Figure C - Sources of Revenues for Fiscal Year 2019
Business-Type Activities

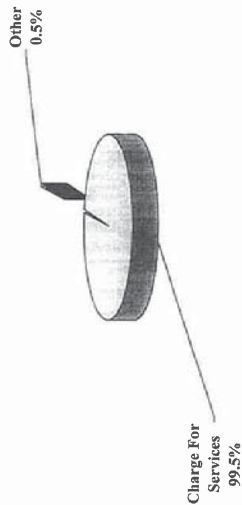
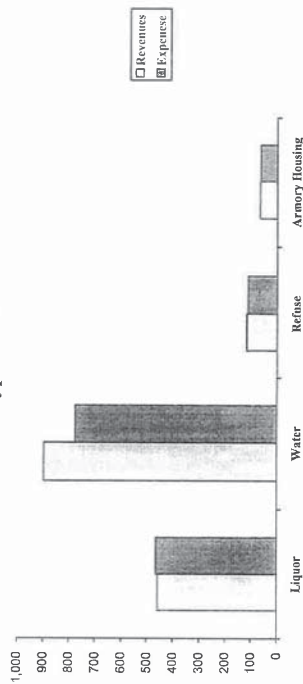


Figure D - Operating Revenues and Expenses for Fiscal 2019
Business-Type Activities



Financial Analysis of the City's Funds (Fund Financial Statements)
Fund Balance/Net Position

The financial performance of the city as a whole is reflected in its governmental funds as well. As the city completed the year, the governmental funds reported a combined fund balance of \$3,032,422. The prior year fund balance was \$3,241,459, which is a decrease of \$209,037. The General Fund had a decrease of \$23,467. The Library Fund had an increase of \$24,524. The Permanent Improvement Revolving Fund had a decrease of \$45,851. The Road and Bridge Fund had a decrease of \$40,939. All other governmental funds combined had a decrease of \$123,304.

The proprietary funds completed the year with combined net position of \$1,901,549. The prior year net position was \$1,719,694, which is an increase of \$181,855. The Liquor Fund had a decrease of \$3,849. The Water Fund had an increase of \$175,883. The Refuse Fund had an increase of \$6,897 due to revenues exceeding expenditures. The Armory Housing Fund had an increase of \$2,924 due to revenues exceeding expenditures.

Revenues and Expenditures/Expenses

Revenues of the city's governmental funds totaled \$2,079,364 and expenditures totaled \$2,234,409. A Summary of the revenues and expenditures reported on the governmental financial statement is as follows:

| | Revenue | Expenditures | Other Financing Sources (Uses) | Fund Balance Increase (Decrease) |
|--------------------------------------|------------------|------------------|--------------------------------|----------------------------------|
| General Fund | 844,593 | 850,719 | (17,341) | (23,467) |
| Library Fund | 125,282 | 100,758 | -0- | 24,524 |
| Permanent Improvement Revolving Fund | 61,407 | 53,258 | (54,000) | (45,851) |
| Road and Bridge Fund | 381,233 | 422,172 | -0- | (40,939) |
| Other Governmental Funds | 666,849 | 807,502 | 17,349 | (123,304) |
| Total | 2,079,364 | 2,234,409 | (53,992) | (209,037) |

Revenues of the city's proprietary funds totaled \$1,540,915 and expenses totaled \$1,324,130. A summary of the revenues and expenses reported on the proprietary funds statements are as follows:

| | Revenue | Expenses | Other Financing Sources (Uses) | Fund Balance Increase (Decrease) |
|---------------------|------------------|------------------|--------------------------------|----------------------------------|
| Liquor Fund | 459,399 | 464,864 | 1,616 | (3,849) |
| Water Fund | 897,366 | 689,492 | (31,991) | 175,883 |
| Refuse Fund | 117,480 | 113,504 | 2,921 | 6,897 |
| Armory Housing Fund | 66,670 | 56,270 | (7,476) | 2,924 |
| Total | 1,540,915 | 1,324,130 | (34,930) | 181,855 |

City of Dawson
Dawson, Minnesota

General Fund Budgetary Highlights

The City is not required to adopt an operating budget prior to the beginning of its fiscal year. Once the General Fund budget has been adopted, the City might amend it for known changes in circumstances such as legislative funding. During fiscal year 2019, the City did not revise the original budget. The City's General Fund budget anticipated that expenditures would exceed revenues and other financing sources (uses) by \$0.00. The actual results showed expenditures and other financing sources (uses) exceeding revenues by \$23,467.

- Actual revenues were under budget by \$1,552
- Actual expenditures were over budget by \$24,574.

Capital Assets

Table 3 shows the City's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal year ending December 31, 2019. Capital asset additions during the year were a thermal camera kit, copier, RV park upgrades, Chevy pickup, grass fire truck rig and water treatment plant upgrades.

Table 3
Capital Assets

| Governmental Activities | 2019 | 2018 | Increase (Decrease) |
|-------------------------------|-------------|-------------|------------------------|
| Land | 424,382 | 406,382 | 18,000 |
| Improvements | 1,679,433 | 1,587,120 | 92,313 |
| Buildings | 4,762,580 | 4,762,580 | -0- |
| Furniture and Equipment | 1,112,428 | 1,101,039 | 11,389 |
| Vehicles | 1,436,773 | 1,365,818 | 70,955 |
| Infrastructure | 4,131,420 | 4,032,712 | 98,708 |
| Less Accumulated Depreciation | (9,254,427) | (8,913,791) | (340,636) |
| Total | 4,292,589 | 4,341,860 | (49,271) |
| Depreciation Expense | 340,636 | 322,741 | 17,895 |

| Business-Type Activities | 2019 | 2018 | Increase (Decrease) |
|-------------------------------|-------------|-------------|------------------------|
| Land | 29,725 | 29,725 | -0- |
| Improvements | 7,536,907 | 7,536,907 | -0- |
| Buildings | 915,497 | 915,497 | -0- |
| Furniture and Equipment | 840,901 | 674,212 | 166,689 |
| Less accumulated depreciation | (4,981,536) | (4,696,212) | (285,324) |
| Total | 4,341,494 | 4,460,129 | (118,635) |
| Depreciation Expense | 285,324 | 272,970 | 12,354 |

City of Dawson
Dawson, Minnesota

Long-Term Liabilities

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$5,324,496. Table 4 below shows the different types of liabilities for Governmental and Business-Type activities.

Table 4
Outstanding Debt
As of December 31, 2019

| | Governmental Activities | Business-Type Activities | Total |
|----------------------------------|----------------------------|-----------------------------|-----------|
| General Obligation Bonds | 1,941,398 | 1,790,000 | 3,731,398 |
| Note Payable | 76,626 | | 76,626 |
| Revenue Bonds | | 190,000 | 190,000 |
| General Obligation Notes Payable | | 709,000 | 709,000 |
| Accrued Vacation/Sick Pay | 46,899 | | 46,899 |
| Total Debt | 2,064,923 | 2,689,000 | 4,753,923 |

The City implemented the Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions (GASB) 68 during 2015. The Net Pension Liability is \$570,573 at December 31, 2019. More detailed information about the city's long-term liabilities is presented in Note 4.

Factors Bearing on the City's Future

The City is dependent on the State of Minnesota for a significant portion of its funding. The continuation of this funding is dependent on the actions taken by Minnesota legislature in the future.

Contacting the City's Management

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the City of Dawson at 675 Chestnut, P.O. Box 552, Dawson, Minnesota 56232.

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STATEMENT OF NET POSITION
DECEMBER 31, 2019

| | Primary Government | | Total | |
|--|----------------------------|-----------------------------|------------|------------|
| | Governmental Activities | Business-Type Activities | 2019 | 2018 |
| | | | | |
| <u>Assets</u> | | | | |
| Cash and Investments | 2,498,491 | 368,219 | 2,866,710 | 3,258,967 |
| Receivables: | | | | |
| Accounts | 6,243 | 100,149 | 106,392 | 103,519 |
| Interest | 18 | | 18 | 18 |
| Taxes and Special Assessments | 349,402 | 6,593 | 355,995 | 311,917 |
| Notes | 254,779 | | 254,779 | 316,146 |
| Inventory | | 44,476 | 44,476 | 44,572 |
| Prepaid Items | 92,857 | 23,200 | 116,057 | 91,753 |
| Bond Discount | | 2,022 | 2,022 | 2,319 |
| Restricted Cash | 338,837 | | 338,837 | 295,470 |
| Land Held For Investment | 125,175 | | 125,175 | 125,175 |
| Capital Assets (net of accumulated depreciation) | 4,292,589 | 4,341,494 | 8,634,083 | 8,801,989 |
| Total Assets | 7,958,391 | 4,886,153 | 12,844,544 | 13,351,845 |
| <u>Deferred Outflows of Resources</u> | | | | |
| Related to Pensions | 48,336 | 14,810 | 63,146 | 235,729 |
| Total Assets and Deferred Outflows of Resources | 8,006,727 | 4,900,963 | 12,907,690 | 13,587,574 |
| <u>Liabilities</u> | | | | |
| Accounts Payable | 28,451 | 18,575 | 47,026 | 72,550 |
| Interest Expense Payable | | 23,785 | 23,785 | |
| Wages Payable | 15,180 | 39,150 | 54,330 | 53,646 |
| Sales Tax Payable | 35 | | 35 | 62 |
| Deposits Payable | | 3,200 | 3,200 | 2,700 |
| Unearned Revenue | 1,661 | 6,593 | 8,254 | 4,367 |
| Noncurrent liabilities | | | | |
| Due within one year | 221,392 | 409,000 | 630,392 | 711,476 |
| Due in more than one year | 1,843,531 | 2,280,000 | 4,123,531 | 4,748,612 |
| Net Pension Liability | 401,288 | 169,285 | 570,573 | 562,267 |
| Total Liabilities | 2,511,538 | 2,949,588 | 5,461,126 | 6,155,680 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Related to Pensions | 222,055 | 49,826 | 271,881 | 459,066 |
| <u>Net Position</u> | | | | |
| Invested in Capital Assets | 2,227,666 | 1,652,494 | 3,880,160 | 3,341,901 |
| Restricted for: | | | | |
| Library | 338,837 | | 338,837 | 295,470 |
| Debt Service | 648,582 | | 648,582 | 628,456 |
| Unrestricted | 2,058,049 | 249,055 | 2,307,104 | 2,707,001 |
| Total Net Position | 5,273,134 | 1,901,549 | 7,174,683 | 6,972,828 |
| Total Liabilities and Net Position | 8,006,727 | 4,900,963 | 12,907,690 | 13,587,574 |

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| <u>Functions</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---------------------------------|-----------------|-------------------------|----------------------|----------------------|
| | | <u>Charges For</u> | <u>Operating</u> | <u>Capital</u> |
| | | <u>Services</u> | <u>Grants and</u> | <u>Grants and</u> |
| | | | <u>Contributions</u> | <u>Contributions</u> |
| Governmental Activities: | | | | |
| General Government | 339,598 | 23,615 | | |
| Public Safety | 533,962 | | 43,965 | |
| Public Works | 444,234 | 240 | | |
| Cultural | 104,263 | | | |
| Park and Recreation | 234,596 | | | |
| Economic Development | 63,823 | | | |
| Miscellaneous | 119,963 | | | |
| Interest on Long-Term Debt | 140,314 | | | |
| Total Governmental Activities | 1,980,753 | 23,855 | 43,965 | -0- |
| Business-Type Activities | | | | |
| Liquor | 464,864 | 459,399 | | |
| Water | 777,642 | 897,366 | | |
| Refuse | 113,504 | 117,480 | | |
| Armory Housing | 65,352 | 66,670 | | |
| Total Business-Type Activities | 1,421,362 | 1,540,915 | -0- | -0- |
| Total Government | 3,402,115 | 1,564,770 | 43,965 | -0- |

General Revenues

Property Taxes and Assessments
State Aid Not Restricted to Specific Purposes
Unrestricted Investment Earnings
Sale of Assets
Other Revenues
Transfers
Total General Revenues
Change in Net Position
Net Position - Beginning
Net Position- Ending

See accompanying notes to the financial statements.

| Net (Expense) Revenue and Changes in Net Position | | | |
|--|-----------------------------|--------------------|--------------------|
| Governmental Activities | Business-Type Activities | Total | |
| | | 2019 | 2018 |
| (315,983) | | (315,983) | (294,646) |
| (489,997) | | (489,997) | (443,760) |
| (443,994) | | (443,994) | (479,649) |
| (104,263) | | (104,263) | (113,058) |
| (234,596) | | (234,596) | (214,092) |
| (63,823) | | (63,823) | (181,155) |
| (119,963) | | (119,963) | (47,594) |
| (140,314) | | (140,314) | (120,560) |
| <u>(1,912,933)</u> | <u>-0-</u> | <u>(1,912,933)</u> | <u>(1,894,514)</u> |
| | (5,465) | (5,465) | (3,332) |
| | 119,724 | 119,724 | 118,982 |
| | 3,976 | 3,976 | 3,297 |
| | 1,318 | 1,318 | (16,082) |
| <u>-0-</u> | <u>119,553</u> | <u>119,553</u> | <u>102,865</u> |
| <u>(1,912,933)</u> | <u>119,553</u> | <u>(1,793,380)</u> | <u>(1,791,649)</u> |
| 1,160,119 | | 1,160,119 | 1,180,411 |
| 589,884 | | 589,884 | 606,408 |
| 42,940 | 4,860 | 47,800 | 26,841 |
| 8 | | 8 | 2,426 |
| 193,982 | 3,442 | 197,424 | 322,823 |
| <u>(54,000)</u> | <u>54,000</u> | | |
| <u>1,932,933</u> | <u>62,302</u> | <u>1,995,235</u> | <u>2,138,909</u> |
| 20,000 | 181,855 | 201,855 | 347,260 |
| <u>5,253,134</u> | <u>1,719,694</u> | <u>6,972,828</u> | <u>6,625,568</u> |
| <u>5,273,134</u> | <u>1,901,549</u> | <u>7,174,683</u> | <u>6,972,828</u> |

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

| <u>Assets</u> | <u>General</u> | <u>Library</u> | <u>Permanent Improvement Revolving</u> | <u>Road and Bridge</u> |
|--|-----------------------|-----------------------|---|-----------------------------------|
| Cash and Investments | 460,708 | 201,821 | 275,749 | 237,974 |
| Receivables: | | | | |
| Accounts | 6,130 | 113 | | |
| Interest | | 18 | | |
| Taxes and Special Assesments | 66,624 | | | 39,041 |
| Notes | | | | |
| Due From Other Funds | 85,061 | 42,644 | | |
| Prepaid Items | 43,906 | 2,505 | | 19,907 |
| Restricted Cash | | 338,837 | | |
| Land Held For Investment | 46,875 | | | |
| Total Assets | <u>709,304</u> | <u>585,938</u> | <u>275,749</u> | <u>296,922</u> |
| <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u> | | | | |
| <u>Liabilities</u> | | | | |
| Accounts Payable | 3,150 | 461 | | 3,051 |
| Wages Payable | 9,654 | 192 | | 5,334 |
| Sales Tax Payable | | 35 | | |
| Unearned Revenue | | 1,086 | | |
| Due To Other Funds | 24,305 | | | |
| Total Liabilities | <u>37,109</u> | <u>1,774</u> | <u>-0-</u> | <u>8,385</u> |
| <u>Deferred Inflows of Resources</u> | | | | |
| Unavailable Revenue-Taxes | 51,625 | | | 39,042 |
| Unavailable Revenue-Notes | | | | |
| Total Deferred Inflows of Resources | <u>51,625</u> | <u>-0-</u> | <u>-0-</u> | <u>39,042</u> |
| <u>Fund Balances</u> | | | | |
| Fund Balance - Non-Spendable | 90,781 | 2,505 | | 19,907 |
| Fund Balance - Restricted | | 338,837 | | |
| Fund Balance - Committed | | 242,822 | 275,749 | 229,588 |
| Fund Balance - Unassigned | 529,789 | | | |
| Total Fund Equity | <u>620,570</u> | <u>584,164</u> | <u>275,749</u> | <u>249,495</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Equity | <u>709,304</u> | <u>585,938</u> | <u>275,749</u> | <u>296,922</u> |

See accompanying notes to the financial statements.

Exhibit C

| Other Governmental Funds | Total Governmental Funds | |
|---|---------------------------------|------------------|
| | 2019 | 2018 |
| 1,322,239 | 2,498,491 | 2,785,365 |
| | 6,243 | 17,316 |
| | 18 | 18 |
| 243,737 | 349,402 | 307,421 |
| 254,779 | 254,779 | 316,146 |
| 24,305 | 152,010 | 127,584 |
| 26,539 | 92,857 | 70,770 |
| | 338,837 | 295,470 |
| 78,300 | 125,175 | 125,175 |
| <u>1,949,899</u> | <u>3,817,812</u> | <u>4,045,265</u> |
| | | |
| 21,789 | 28,451 | 46,824 |
| | 15,180 | 15,055 |
| | 35 | 62 |
| 575 | 1,661 | 1,609 |
| 127,705 | 152,010 | 127,584 |
| <u>150,069</u> | <u>197,337</u> | <u>191,134</u> |
| | | |
| 242,607 | 333,274 | 296,526 |
| 254,779 | 254,779 | 316,146 |
| <u>497,386</u> | <u>588,053</u> | <u>612,672</u> |
| | | |
| 104,839 | 218,032 | 195,945 |
| 648,582 | 987,419 | 923,926 |
| 634,432 | 1,382,591 | 1,619,481 |
| (85,409) | 444,380 | 502,107 |
| <u>1,302,444</u> | <u>3,032,422</u> | <u>3,241,459</u> |
| <u>1,949,899</u> | <u>3,817,812</u> | <u>4,045,265</u> |

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RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

| | <u>2019</u> | <u>2018</u> |
|---|------------------------------|------------------------------|
| Total Governmental Fund Balances | 3,032,422 | 3,241,459 |
| Amounts Reported in Governmental Activities in the Statement of Net Position are Different Because: | | |
| Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds | | |
| Cost of Capital Assets | 13,547,016 | 13,255,651 |
| Less: Accumulated Depreciation | <u>(9,254,427)</u> 4,292,589 | <u>(8,913,791)</u> 4,341,860 |
| Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred inflows of resources in the governmental funds. | | |
| | 588,053 | 612,672 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. | | |
| Deferred Outflows of Resources - Related to Pensions | 48,336 | 201,062 |
| Deferred Inflows of Resources - Related to Pensions | <u>(222,055)</u> (173,719) | <u>(385,891)</u> (184,829) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end-consist of : | | |
| Bonds / Notes Payable | (2,064,923) | (2,363,088) |
| Pension Benefits Payable | <u>(401,288)</u> (2,466,211) | <u>(394,940)</u> (2,758,028) |
| Total Net Position of Governmental Activities | <u>5,273,134</u> | <u>5,253,134</u> |

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>General Fund</u> | <u>Library Fund</u> | <u>Permanent Improvement Revolving Fund</u> | <u>Road and Bridge Fund</u> |
|--|--------------------------------|--------------------------------|--|--|
| <u>Revenues</u> | | | | |
| Taxes and Special Assessments | 349,964 | 65,885 | 59,580 | 264,996 |
| State Aid | 400,603 | 50,000 | | 102,127 |
| Licenses and Permits | 1,835 | | | |
| Fines and Forfeits | 5,100 | | | |
| Other Local Government | | | | 12,180 |
| Charges for Services | 23,615 | | | 240 |
| Interest | 10,913 | 8,684 | 1,827 | 1,690 |
| Donations | 7,184 | | | |
| Miscellaneous Revenues | 45,379 | 713 | | |
| Total Revenues | <u>844,593</u> | <u>125,282</u> | <u>61,407</u> | <u>381,233</u> |
| <u>Expenditures</u> | | | | |
| General Government | 331,788 | | | |
| Public Safety | 346,806 | | | |
| Public Works | 45,385 | | | 422,172 |
| Bus Transit | 15,138 | | | |
| Economic Development | 6,777 | | | |
| Parks and Recreation | | | | |
| Library | | 100,758 | | |
| Flood Levee Project | 104,825 | | | |
| Capital Outlay | | | | |
| Debt Service: | | | | |
| Principal | | | | |
| Interest and Other Charges | | | 53,258 | |
| Total Expenditures | <u>850,719</u> | <u>100,758</u> | <u>53,258</u> | <u>422,172</u> |
| Excess of Revenues (Expenditures) | <u>(6,126)</u> | <u>24,524</u> | <u>8,149</u> | <u>(40,939)</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Sale of Assets | 8 | | | |
| Transfer In | | | | |
| Transfer Out | (17,349) | | (54,000) | |
| Total Other Financing Sources (Uses) | <u>(17,341)</u> | <u>-0-</u> | <u>(54,000)</u> | <u>-0-</u> |
| Net Change in Fund Balances | (23,467) | 24,524 | (45,851) | (40,939) |
| Fund Balance-Beginning | 644,037 | 559,640 | 321,600 | 290,434 |
| Fund Balance-Ending | <u>620,570</u> | <u>584,164</u> | <u>275,749</u> | <u>249,495</u> |

See accompanying notes to the financial statements.

| Other Governmental Funds | Total Governmental Funds | |
|--------------------------------|--------------------------|-----------|
| | 2019 | 2018 |
| 444,313 | 1,184,738 | 1,183,933 |
| 81,119 | 633,849 | 655,874 |
| | 1,835 | 2,338 |
| | 5,100 | 3,275 |
| 17,349 | 29,529 | 27,716 |
| | 23,855 | 43,161 |
| 19,826 | 42,940 | 25,178 |
| 25,475 | 32,659 | 24,830 |
| 78,767 | 124,859 | 256,915 |
| 666,849 | 2,079,364 | 2,223,220 |
| | 331,788 | 339,854 |
| 216,695 | 563,501 | 501,535 |
| | 467,557 | 395,073 |
| | 15,138 | 14,260 |
| 57,046 | 63,823 | 181,155 |
| 211,769 | 211,769 | 181,903 |
| | 100,758 | 109,553 |
| | 104,825 | 33,334 |
| 72,347 | 72,347 | |
| 162,589 | 162,589 | 161,982 |
| 87,056 | 140,314 | 120,560 |
| 807,502 | 2,234,409 | 2,039,209 |
| (140,653) | (155,045) | 184,011 |
| | 8 | 2,426 |
| 17,349 | 17,349 | 14,746 |
| | (71,349) | (33,825) |
| 17,349 | (53,992) | (16,653) |
| (123,304) | (209,037) | 167,358 |
| 1,425,748 | 3,241,459 | 3,074,101 |
| 1,302,444 | 3,032,422 | 3,241,459 |

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|
| Net Change in Governmental Fund Balances | (209,037) | 167,358 |

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

Governmental funds report capital outlays as expenditures, however, in the statement of activities, assets with an initial, individual cost of more than \$5,000.00 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period

| | | | | |
|----------------------|------------------|----------|------------------|-----------|
| Capital Outlay | 291,365 | | 171,040 | |
| Depreciation Expense | <u>(340,636)</u> | (49,271) | <u>(322,741)</u> | (151,701) |

A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related proceeds, is included in the change in net assets. However, only the sale proceeds are included in the change in fund balances.

Governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues. The net effect of these differences is as follows:

(99,513)

| | | | | |
|---|----------------|---------|----------------|---------|
| Net Change in Accrual for Vacation/Sick Leave | (5,311) | | (2,444) | |
| Payment of Bond Principal | <u>303,476</u> | 298,165 | <u>278,982</u> | 276,538 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | | | |
|-----------------------------|-------|--|--|--------|
| Change in Pension Liability | 4,762 | | | 26,744 |
|-----------------------------|-------|--|--|--------|

Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

| | | | | |
|--|-----------------|--|--|----------------|
| Property Taxes and Special Assessments | <u>(24,619)</u> | | | <u>(8,487)</u> |
|--|-----------------|--|--|----------------|

| | | | | |
|---|---------------|--|--|----------------|
| Change in Net Position of Governmental Activities | <u>20,000</u> | | | <u>210,939</u> |
|---|---------------|--|--|----------------|

See accompanying notes to the financial statements.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---------------------------------------|-------------------------|--------------|----------------|----------------------|
| <u>Revenues</u> | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| Taxes | 380,329 | 380,329 | 349,964 | (30,365) |
| State Aid | 380,626 | 380,626 | 400,603 | 19,977 |
| Licenses and Permits | 2,100 | 2,100 | 1,835 | (265) |
| Fines and Forfeits | 8,750 | 8,750 | 5,100 | (3,650) |
| Charges for Services | 26,430 | 26,430 | 23,615 | (2,815) |
| Interest | | | 10,913 | 10,913 |
| Donations | 1,000 | 1,000 | 7,184 | 6,184 |
| Miscellaneous Revenues | 46,910 | 46,910 | 45,379 | (1,531) |
| Total Revenues | 846,145 | 846,145 | 844,593 | (1,552) |
| <u>Expenditures</u> | | | | |
| General Government | 371,965 | 371,965 | 331,788 | 40,177 |
| Public Safety | 344,380 | 344,380 | 346,806 | (2,426) |
| Public Works | 44,675 | 44,675 | 45,385 | (710) |
| Transit | 20,750 | 20,750 | 15,138 | 5,612 |
| Economic Development | 9,000 | 9,000 | 6,777 | 2,223 |
| Flood Levee Project | 35,375 | 35,375 | 104,825 | (69,450) |
| Total Expenditures | 826,145 | 826,145 | 850,719 | (24,574) |
| Excess of Expenditures Over Revenues | 20,000 | 20,000 | (6,126) | (26,126) |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Sale of Assets | | | 8 | 8 |
| Transfer Out | (20,000) | (20,000) | (17,349) | 2,651 |
| Total Other Financing Sources (Uses) | (20,000) | (20,000) | (17,341) | 2,659 |
| Net Change in Fund Balances | <u>-0-</u> | <u>-0-</u> | (23,467) | <u>(23,467)</u> |
| Fund Balance-Beginning | | | 644,037 | |
| Fund Balance-Ending | | | <u>620,570</u> | |

See accompanying notes to the financial statements.

LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---------------------------------------|-------------------------|--------------|----------------|----------------------|
| <u>Revenues</u> | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| Taxes and Special Assessments | 65,885 | 65,885 | 65,885 | |
| State Aid | 50,000 | 50,000 | 50,000 | |
| Miscellaneous Revenues | 3,375 | 3,375 | 9,397 | 6,022 |
| Total Revenues | 119,260 | 119,260 | 125,282 | 6,022 |
| <u>Expenditures</u> | | | | |
| Subscriptions and Membership | 58,650 | 58,650 | 58,269 | 381 |
| Salaries | 6,800 | 6,800 | 8,902 | (2,102) |
| Insurance and Payroll Taxes | 4,960 | 4,960 | 5,486 | (526) |
| Utilities | 14,150 | 14,150 | 13,048 | 1,102 |
| General Supplies | 25,450 | 25,450 | 11,109 | 14,341 |
| Capital Outlay | 8,250 | 8,250 | 3,944 | 4,306 |
| Total Expenditures | 118,260 | 118,260 | 100,758 | 17,502 |
| Excess of Revenues (Expenditures) | 1,000 | 1,000 | 24,524 | 23,524 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfer In | (1,000) | (1,000) | | 1,000 |
| Total Other Financing Sources (Uses) | (1,000) | (1,000) | -0- | 1,000 |
| Net Change in Fund Balances | -0- | -0- | 24,524 | 24,524 |
| Fund Balance-Beginning | | | 559,640 | |
| Fund Balance-Ending | | | 584,164 | |

See accompanying notes to the financial statements.

PERMANENT IMPROVEMENT REVOLVING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|---------------------------------------|-------------------------|--------------|----------------|----------------------|
| <u>Revenues</u> | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| Taxes and Special Assessments | 59,580 | 59,580 | 59,580 | |
| Refunds and Reimbursements | 5,000 | 5,000 | | (5,000) |
| Interest Income | | | 1,827 | 1,827 |
| Total Revenue | 64,580 | 64,580 | 61,407 | (3,173) |
| <u>Expenditures</u> | | | | |
| Capital Outlay | 28,230 | 28,230 | 18,442 | 9,788 |
| Principal | 11,000 | 11,000 | 22,887 | (11,887) |
| Interest | | | 5,561 | (5,561) |
| Maintenance and Repair | | | 6,068 | (6,068) |
| Professional Services | 350 | 350 | 300 | 50 |
| Total Expenditures | 39,580 | 39,580 | 53,258 | (13,678) |
| Excess of Revenues (Expenditures) | 25,000 | 25,000 | 8,149 | (16,851) |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfer Out | (25,000) | (25,000) | (54,000) | (29,000) |
| Total Other Financing Sources (Uses) | (25,000) | (25,000) | (54,000) | (29,000) |
| Net Change in Fund Balances | <u>-0-</u> | <u>-0-</u> | (45,851) | <u>(45,851)</u> |
| Fund Balance-Beginning | | | 321,600 | |
| Fund Balance-Ending | | | <u>275,749</u> | |

See accompanying notes to the financial statements.

ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
-BUDGET AND ACTUAL-
FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|--------------------------------------|-------------------------|----------------|----------------|----------------------|
| <u>Revenues</u> | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| Taxes and Special Assessments | 262,078 | 262,078 | 264,996 | 2,918 |
| State Aid | 102,127 | 102,127 | 102,127 | |
| Miscellaneous Revenues | 9,070 | 9,070 | 14,110 | 5,040 |
| Total Revenues | <u>373,275</u> | <u>373,275</u> | <u>381,233</u> | <u>7,958</u> |
| <u>Expenditures</u> | | | | |
| Streets and Alleys | 349,750 | 349,750 | 406,259 | (56,509) |
| Bridges | 260 | 260 | 222 | 38 |
| Street Maintenance Shop | 20,465 | 20,465 | 15,527 | 4,938 |
| Traffic Signs | 500 | 500 | | 500 |
| Trees | 2,300 | 2,300 | 164 | 2,136 |
| Total Expenditures | <u>373,275</u> | <u>373,275</u> | <u>422,172</u> | <u>(48,897)</u> |
| Excess of Revenues Over Expenditures | <u>-0-</u> | <u>-0-</u> | (40,939) | <u>(40,939)</u> |
| Fund Balance-Beginning | | | 290,434 | |
| Fund Balance-Ending | | | <u>249,495</u> | |

See accompanying notes to the financial statements.

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PROPRIETARY FUND TYPES
STATEMENT OF NET POSITION
DECEMBER 31, 2019

| | <u>Liquor</u> | <u>Water</u> |
|---|------------------|--------------------|
| <u>Assets</u> | | |
| <u>Current Assets</u> | | |
| Cash | 138,582 | 23,363 |
| Receivables | | |
| Accounts | 3,888 | 85,968 |
| Taxes and Special Assessments | | 6,593 |
| Inventory | 44,476 | |
| Prepaid Items | 5,747 | 17,453 |
| Bond Discount | | |
| Total Current Assets | <u>192,693</u> | <u>133,377</u> |
| <u>Noncurrent Assets</u> | | |
| Capital Assets | | |
| Land | 15,000 | 14,725 |
| Buildings and Improvements | 142,217 | 7,685,228 |
| Equipment | 70,084 | 767,198 |
| Less: Accumulated Depreciation | <u>(171,711)</u> | <u>(4,327,069)</u> |
| Total Noncurrent Assets | <u>55,590</u> | <u>4,140,082</u> |
| Total Assets | <u>248,283</u> | <u>4,273,459</u> |
| <u>Deferred Outflows of Resources</u> | | |
| Related to Pensions | 4,569 | 10,241 |
| Total Assets and Deferred Outflows of Resources | <u>252,852</u> | <u>4,283,700</u> |
| <u>Liabilities</u> | | |
| <u>Current Liabilities</u> | | |
| Accounts Payable | 4,922 | 2,891 |
| Interest Expense Payable | | 23,785 |
| Wages Payable | 18,286 | 20,864 |
| Deposits Payable | | |
| Unearned Revenue | | 6,593 |
| Current Portion of Debt | | 384,000 |
| Total Current Liabilities | <u>23,208</u> | <u>438,133</u> |
| <u>Noncurrent Liabilities</u> | | |
| Notes Payable | | 549,000 |
| Bonds Payable | | 1,566,000 |
| Net Pension Liability | 52,230 | 117,055 |
| Total Noncurrent Liabilities | <u>52,230</u> | <u>2,232,055</u> |
| Total Liabilities | <u>75,438</u> | <u>2,670,188</u> |
| <u>Deferred Inflows of Resources</u> | | |
| Related to Pensions | 15,373 | 34,453 |
| Total Liabilities and Deferred Inflows of Resources | <u>90,811</u> | <u>2,704,641</u> |
| <u>Net Position</u> | | |
| Invested in Capital Assets, Net of Related Debt | 55,590 | 1,641,082 |
| Unrestricted | <u>106,451</u> | <u>(62,023)</u> |
| Total Net Position | <u>162,041</u> | <u>1,579,059</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>252,852</u> | <u>4,283,700</u> |

See accompanying notes to the financial statements.

| Refuse | Armory Housing | Total | |
|----------------|-------------------|--------------------|--------------------|
| | | 2019 | 2018 |
| 146,675 | 59,599 | 368,219 | 473,602 |
| 10,293 | | 100,149 | 86,203 |
| | | 6,593 | 4,496 |
| | | 44,476 | 44,572 |
| | | 23,200 | 20,983 |
| | 2,022 | 2,022 | 2,319 |
| <u>156,968</u> | <u>61,621</u> | <u>544,659</u> | <u>632,175</u> |
| | | 29,725 | 29,725 |
| | 624,959 | 8,452,404 | 8,452,404 |
| 3,619 | | 840,901 | 674,212 |
| <u>(3,619)</u> | <u>(479,137)</u> | <u>(4,981,536)</u> | <u>(4,696,212)</u> |
| <u>-0-</u> | <u>145,822</u> | <u>4,341,494</u> | <u>4,460,129</u> |
| 156,968 | 207,443 | 4,886,153 | 5,092,304 |
| | | 14,810 | 34,667 |
| <u>156,968</u> | <u>207,443</u> | <u>4,900,963</u> | <u>5,126,971</u> |
| 8,603 | 2,159 | 18,575 | 25,726 |
| | | 23,785 | |
| | | 39,150 | 38,591 |
| | 3,200 | 3,200 | 2,700 |
| | | 6,593 | 2,758 |
| | 25,000 | 409,000 | 408,000 |
| <u>8,603</u> | <u>30,359</u> | <u>500,303</u> | <u>477,775</u> |
| | | 549,000 | 709,000 |
| | 165,000 | 1,731,000 | 1,980,000 |
| | | 169,285 | 167,327 |
| <u>-0-</u> | <u>165,000</u> | <u>2,449,285</u> | <u>2,856,327</u> |
| 8,603 | 195,359 | 2,949,588 | 3,334,102 |
| | | 49,826 | 73,175 |
| <u>8,603</u> | <u>195,359</u> | <u>2,999,414</u> | <u>3,407,277</u> |
| | (44,178) | 1,652,494 | 1,363,129 |
| 148,365 | 56,262 | 249,055 | 356,565 |
| <u>148,365</u> | <u>12,084</u> | <u>1,901,549</u> | <u>1,719,694</u> |
| <u>156,968</u> | <u>207,443</u> | <u>4,900,963</u> | <u>5,126,971</u> |

PROPRIETARY FUND TYPES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | | |
|---|----------------------|---------------------|----------------------|
| <u>Operating Revenues</u> | <u>Liquor</u> | <u>Water</u> | <u>Refuse</u> |
| Sales and Customer Use Fees | 459,399 | 897,366 | 117,480 |
| Total Revenues/Gross Margin | 459,399 | 897,366 | 117,480 |
| <u>Operating Expenses</u> | | | |
| Cost of Sales and Services | 323,120 | | 98,540 |
| Administration | 133,505 | 435,049 | 14,964 |
| Depreciation | 8,239 | 254,443 | |
| Total Operating Expenses | 464,864 | 689,492 | 113,504 |
| Operating Income (Loss) | (5,465) | 207,874 | 3,976 |
| <u>Non-Operating Revenues (Expenses)</u> | | | |
| Refunds and Reimbursements | | 2,159 | |
| Interest Income | 1,616 | | 2,921 |
| Transfer In | | 54,000 | |
| Miscellaneous Income | | | |
| Amortization of Bond Issuance Costs | | | |
| Interest Expense | | (88,150) | |
| Total Non-Operating Revenues (Expenses) | 1,616 | (31,991) | 2,921 |
| Change in Net Position | (3,849) | 175,883 | 6,897 |
| Total Net Position - January 1 | 165,890 | 1,403,176 | 141,468 |
| Total Net Position- December 31 | 162,041 | 1,579,059 | 148,365 |

See accompanying notes to the financial statements.

| Armory Housing | Total | |
|---------------------------|------------------|------------------|
| | 2019 | 2018 |
| <u>66,670</u> | <u>1,540,915</u> | <u>1,446,541</u> |
| 66,670 | 1,540,915 | 1,446,541 |
| | | |
| | 421,660 | 427,487 |
| 33,628 | 617,146 | 554,863 |
| <u>22,642</u> | <u>285,324</u> | <u>272,970</u> |
| <u>56,270</u> | <u>1,324,130</u> | <u>1,255,320</u> |
| 10,400 | 216,785 | 191,221 |
| | | |
| | 2,159 | 2,914 |
| 323 | 4,860 | 1,663 |
| | 54,000 | 19,079 |
| 1,283 | 1,283 | 4,835 |
| (297) | (297) | (297) |
| <u>(8,785)</u> | <u>(96,935)</u> | <u>(83,094)</u> |
| <u>(7,476)</u> | <u>(34,930)</u> | <u>(54,900)</u> |
| | | |
| 2,924 | 181,855 | 136,321 |
| <u>9,160</u> | <u>1,719,694</u> | <u>1,583,373</u> |
| <u>12,084</u> | <u>1,901,549</u> | <u>1,719,694</u> |

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>Business-Type Activities</u> | |
|--|--|---------------------|
| <u>Cash Flows From Operating Activities</u> | <u>Liquor</u> | <u>Water</u> |
| Receipts from Customers and Users | 455,548 | 891,727 |
| Payments to Vendors and Suppliers | (378,893) | (280,015) |
| Payments to Employees | (80,653) | (140,269) |
| Net Cash Provided By Operating Activities | (3,998) | 471,443 |
| <u>Cash Flows From Noncapital Financing Activities</u> | | |
| Increase (Decrease) in Pension Liability | (473) | (1,061) |
| Refunds and Reimbursements | | 54,000 |
| Net Cash Provided (Used) By Noncapital Financing Activities | (473) | 52,939 |
| <u>Cash Flows From Capital and Related Financing Activities</u> | | |
| Purchase of Capital Assets | | (166,689) |
| Principal Paid on Long-Term Debt | | (388,000) |
| Interest Paid on Long-Term Debt | | (88,150) |
| Net Cash Provided (Used) By Capital and Related Financing Activities | -0- | (642,839) |
| <u>Cash Flows From Investing Activities</u> | | |
| Miscellaneous Income | | |
| Interest Income | 1,616 | 2,159 |
| Net Cash Provided By Investing Activities | 1,616 | 2,159 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (2,855) | (116,298) |
| Cash and Cash Equivalents, January 1 | 141,437 | 139,661 |
| Cash and Cash Equivalents, December 31 | 138,582 | 23,363 |
| <u>Reconciliation of Operating Income To Net</u> | | |
| <u>Cash Provided (Used) By Operating Activities</u> | | |
| Operating Income | (5,465) | 207,874 |
| Depreciation | 8,239 | 254,443 |
| (Increase) Decrease in Receivables | (3,851) | (9,473) |
| (Increase) Decrease in Other Current Assets | (478) | (3,738) |
| Increase (Decrease) in Payables | (2,443) | 18,503 |
| Increase (Decrease) in Unearned Revenue | | 3,834 |
| Net Cash Provided By Operating Activities | (3,998) | 471,443 |

See accompanying notes to the financial statements.

| -- Enterprise Funds | | Total | |
|---------------------|-------------------|-----------|-----------|
| Refuse | Armory Housing | 2019 | 2018 |
| 116,858 | 66,670 | 1,530,803 | 1,443,612 |
| (112,442) | (25,058) | (796,408) | (762,800) |
| | (8,000) | (228,922) | (209,468) |
| 4,416 | 33,612 | 505,473 | 471,344 |
| | | (1,534) | (6,533) |
| | | 54,000 | 19,079 |
| -0- | -0- | 52,466 | 12,546 |
| | | (166,689) | (93,188) |
| | (20,000) | (408,000) | (404,000) |
| | (8,785) | (96,935) | (83,094) |
| -0- | (28,785) | (671,624) | (580,282) |
| | 1,283 | 1,283 | 4,835 |
| 2,921 | 323 | 7,019 | 4,577 |
| 2,921 | 1,606 | 8,302 | 9,412 |
| 7,337 | 6,433 | (105,383) | (86,980) |
| 139,338 | 53,166 | 473,602 | 560,582 |
| 146,675 | 59,599 | 368,219 | 473,602 |
| 3,976 | 10,400 | 216,785 | 191,221 |
| | 22,642 | 285,324 | 272,970 |
| (622) | | (13,946) | 6,404 |
| | | (4,216) | 7,474 |
| 1,062 | 570 | 17,692 | 2,608 |
| | | 3,834 | (9,333) |
| 4,416 | 33,612 | 505,473 | 471,344 |

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

| | <u>Payroll</u> | <u>Centennial Committee</u> | <u>Total</u> |
|----------------------------|-----------------------|--|----------------------|
| <u>Assets</u> | | | |
| Cash and Investments | <u>1,480</u> | <u>11,066</u> | <u>12,546</u> |
| Total Assets | <u><u>1,480</u></u> | <u><u>11,066</u></u> | <u><u>12,546</u></u> |
| <u>Liabilities</u> | | | |
| | -0- | -0- | -0- |
| <u>Net Position</u> | | | |
| Held in Trust | <u><u>1,480</u></u> | <u><u>11,066</u></u> | <u><u>12,546</u></u> |

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>Payroll</u> | <u>Centennial Committee</u> | <u>Total</u> |
|----------------------------------|----------------|---------------------------------|---------------|
| <u>Additions</u> | | | |
| Interest Income | 12 | 331 | 343 |
| Total Additions | 12 | 331 | 343 |
| <u>Deductions</u> | | | |
| Total Expenses | -0- | -0- | -0- |
| Change in Net Position | 12 | 331 | 343 |
| Net Position - Beginning of Year | 1,468 | 10,735 | 12,203 |
| Net Position - End of Year | <u>1,480</u> | <u>11,066</u> | <u>12,546</u> |

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1

Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the City of Dawson have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B.

Financial Reporting Entity

The City of Dawson, Dawson, Minnesota, was formed and operates pursuant to applicable Minnesota laws and statutes. The City of Dawson operates under an elected Mayor and six-member Council form of government. The Council has control over all activities related to the City of Dawson.

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable.

Component units are legally separate entities for which the City (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon the potential component unit. Based on these criteria, there are no organizations considered to be component units of the City.

C.

Basic Financial Statements Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1

Summary of Significant Accounting Policies - continued

C. Basic Financial Statements Presentation - continued

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

D.

Basis of Accounting and Measurement Focus

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined. 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. Property taxes are considered to be available if collected within 60 days of fiscal year-end. Federal revenue is recorded in the year in which the related expenditure is made. State Revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Other miscellaneous revenue (except investment earnings) is recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

All major revenues are susceptible to accrual. Property tax revenues for all funds, which are payable by property owners on a calendar-year basis, are recognized as revenues in the fiscal years for which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of state or federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year.

The City reports unavailable revenue on its balance sheet. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurring qualified expenditures. In subsequent periods, when both revenue

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1

Summary of Significant Accounting Policies - continued

D. Basis of Accounting and Measurement Focus - continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The City reports the following **major governmental funds**:

General Fund

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

Library Fund

The Library Fund is a special revenue fund that accounts for the operation of the Library.

Permanent Improvement Revolving Fund

The Permanent Improvement Revolving fund is a special revenue fund that accounts for the replacement of government assets.

Road and Bridge Fund

The Road and Bridge Fund is a special revenue fund that accounts for the maintenance and repairs to the city's streets and bridges.

The government reports the following **major proprietary funds**:

Liquor Fund

The Liquor Fund is used to account for the operation of the municipal liquor store.

Water Fund

The Water Fund is used to account for the operation, maintenance, and capital improvements of the City's water and sewer systems.

Refuse Fund

The refuse fund is used to account for the operation, maintenance, and capital improvements of the City's refuse system.

Armory Housing Fund

The Armory Housing Fund is used to account for the operation, maintenance, and capital improvements of the City owned apartment building.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1

Summary of Significant Accounting Policies - continued

D. Basis of Accounting and Measurement Focus - continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

E. Budgets and Budgetary Accounting

The budgeted amounts included in the statement of revenues and expenditures were accounted for and presented on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. The budgets are prepared by City personnel and approved by the council. Encumbrances are not considered in the budget process or in the regular City accounting.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1

Summary of Significant Accounting Policies - continued
E. Budgets and Budgetary Accounting - continued

Once a budget is approved, City personnel can amend it with approval by the council. Amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year-end as dictated by law. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

F.

Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

G.

Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the City. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

H.

Inventories

Inventories are valued at cost based upon a first in, first out basis. The Liquor Fund is the only fund with inventory in the City.

I.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as expenditure at the time of consumption.

J.

Property Tax Recognition

The levy certification is made in December of each year. The tax levy is collectible as of January 2nd of the following year and the taxes are due to the county treasurer in May and October of the following year. In Minnesota, counties act as collection agents for all property taxes.

The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies. The County provides tax settlements to Cities and other taxing districts three times a year in January, June and December. Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1

Summary of Significant Accounting Policies - continued
K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated fair market value at the date of donation. The City defines capital assets as those with an initial, individual cost of \$5,000 or more for equipment and vehicles, \$25,000 or more for buildings & improvements, and \$100,000 for infrastructure which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 15 to 50 years for buildings and improvements, 5 to 20 years for equipment and vehicles, and 20 to 50 years for public domain infrastructure. Land is not depreciated.

L.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the period incurred.

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 or discounts on debt issuances are reported as other financing sources or uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently the City has only one item that qualifies for reporting in this category: "Related to Pensions". 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 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 item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category (unearned property taxes and amounts related to pensions). Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1

Summary of Significant Accounting Policies - continued
N. Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the city is bound to observe constraints imposed upon the use of resources reported in governmental funds. These following are the five fund balance categories used by the city:

Non-Spendable Fund Balance

Fund balance amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance

Fund balance amounts that can be spent only for specific purposes imposed by laws or regulations, external resource providers, constitutional provisions or enabling legislation.

Committed Fund Balance

Fund balance amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision making authority.

The City's highest level of decision making authority is the city council. In order to establish, modify or rescind a committed fund balance amount, the council would need to approve the action at a council meeting.

Assigned Fund Balance

Fund balance amounts that are intended to be used by the government for a specific purpose, but do not meet the criteria to be classified as restricted or committed.

The city council has delegated the authority to assign fund balance amounts to the City Clerk. Assigned amounts or changes to assigned amounts are presented to the council for review.

Unassigned Fund Balance

Fund balance amounts that are available for any purpose. These amounts represent the remaining fund balance in the General Fund that has not been classified as non-spendable, restricted, committed or assigned. Also for funds other than the general fund, unassigned fund balance is used to report a deficit fund balance.

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

When any combination of committed, assigned, and unassigned resources are available for use, it is the city's policy to use committed resources first, then assigned, then unassigned resources as they are needed.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1

Summary of Significant Accounting Policies - continued
O. Net Position

Net position represents the difference between assets and liabilities in the government-wide and Fiduciary Fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

P. Pensions

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

Q. Certain Comparative Data

Certain comparative total data for the prior year have been presented in the government-wide and fund financial statements in order to provide an understanding of the changes in the financial position and operations. Such comparative total data does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

R. 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. Actual results could differ from those estimates.

S. Subsequent Events

Subsequent events have been evaluated through August 25, 2020, which is the date the financial statements were available to be issued.

Note 2

Cash and Investments

A. Deposits

Minnesota Stat. 118A.02 and 118A.04 authorize the City to designate a depository for public funds and to invest in certificates of deposit. Minnesota Stat. 118A.03 requires that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds. Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 2

Cash and Investments - continued

A. Deposits - continued

Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2019, none of the City's bank balance of \$2,281,129 was exposed to custodial credit risk because it was not insured or properly collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

B.

Investments

Minnesota Stat. 118A.04 and 118A.05 generally authorize the following types of investments as available to the City:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Stat. 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

During the years ended December 31, 2019 and 2018, the City had no investments.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 3

Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

| | <u>Balance</u> <u>1/1/19</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>12/31/19</u> |
|---------------------------------|---------------------------------|------------------|--------------------|-----------------------------------|
| Governmental Activities | | | | |
| Land | 406,382 | 18,000 | | 424,382 |
| Improvements | 1,587,120 | 92,313 | | 1,679,433 |
| Buildings | 4,762,580 | | | 4,762,580 |
| Furniture and Equipment | 1,101,039 | 11,389 | | 1,112,428 |
| Vehicles | 1,365,818 | 70,955 | | 1,436,773 |
| Infrastructure | 4,032,712 | 98,708 | | 4,131,420 |
| Less: Accumulated Depreciation | (8,913,791) | (340,636) | | (9,254,427) |
| Net Capital Assets | 4,341,860 | (49,271) | -0- | 4,292,589 |
| Business-Type Activities | | | | |
| Land | 29,725 | | | 29,725 |
| Improvements | 7,536,907 | | | 7,536,907 |
| Buildings | 915,497 | | | 915,497 |
| Furniture and Equipment | 674,212 | 166,689 | | 840,901 |
| Less: Accumulated Depreciation | (4,696,212) | (285,324) | | (4,981,536) |
| Business-Type Assets | | | | |
| Capital Assets, net | 4,460,129 | (118,635) | -0- | 4,341,494 |

Depreciation expense of \$625,960 for the year ended December 31, 2019 was charged to the following functions/programs:

| | |
|---------------------------------|----------------|
| Governmental Activities: | |
| General Government | 54,120 |
| Public Works | 133,273 |
| Parks and Recreation | 42,792 |
| Public Safety | 106,946 |
| Library | 3,505 |
| Total | <u>340,636</u> |
| Business-Type Activities | |
| Liquor | 8,239 |
| Water | 254,443 |
| Armory Housing | 22,642 |
| Total | <u>285,324</u> |

City of Dawson
Dawson, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 Long-Term Debt

A. Governmental Fund Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

| | Authorized And Issued | Interest Rate | Issue Date | Maturity Date | Year-End Balance |
|---|--------------------------|------------------|---------------|------------------|---------------------|
| General Obligation Swimming Pool Bonds of 2007-A | 1,385,000 | 4.25% | 6/28/07 | 2/1/27 | 570,000 |
| General Obligation Abatement Bonds of 2007-B | 262,105 | 5.00% | 12/18/07 | 2/1/29 | 156,398 |
| General Obligation Tax Abatement Bonds of 2008-A | 313,000 | 5.00% | 1/10/08 | 2/1/24 | 120,000 |
| General Obligation Improvement Bonds of 2012-B | 1,565,000 | .75-3.10% | 5/22/12 | 2/1/29 | 1,095,000 |
| | | | | | <u>1,941,398</u> |

Annual requirement to maturity for general obligation bonds are as follows:

| Year Ending December 31 | Principal | Interest | Total |
|----------------------------|------------------|----------------|------------------|
| 2020 | 197,226 | 64,753 | 261,979 |
| 2021 | 204,895 | 58,133 | 263,028 |
| 2022 | 206,599 | 51,129 | 257,728 |
| 2023 | 218,338 | 43,651 | 261,989 |
| 2024 | 206,114 | 35,744 | 241,858 |
| 2025-2029 | <u>908,226</u> | <u>70,115</u> | <u>978,341</u> |
| Total | <u>1,941,398</u> | <u>323,525</u> | <u>2,264,923</u> |

City of Dawson
Dawson, Minnesota

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 Long-Term Debt - continued

A. Governmental Fund Debt - continued

Note Payable

Note payable with John Deere Financial for the purchase of a payloader. The current balance of the note payable is as follows:

| | Authorized And Issued | Interest Rate | Issue Date | Maturity Date | Year-End Balance |
|--------------------------------------|--------------------------|------------------|---------------|------------------|---------------------|
| Note Payable John Deere Financial | 99,513 | 5.45% | 11/19/18 | 11/19/22 | 76,626 |

Annual requirement to maturity for general obligation bonds are as follows:

| Year Ending December 31 | Principal | Interest | Total |
|----------------------------|---------------|--------------|---------------|
| 2020 | 24,166 | 4,282 | 28,448 |
| 2021 | 25,517 | 2,931 | 28,448 |
| 2022 | 26,943 | 1,505 | 28,448 |
| Total | <u>76,626</u> | <u>8,719</u> | <u>85,344</u> |

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 Long-Term Debt - continued
B. Proprietary Fund Debt

General Obligation Bonds

These bonds were issued to finance capital improvements to the Water and Garbage Systems. These bonds will be retired from net revenue of the enterprise fund.

| | Authorized And Issued | Interest Rate | Issue Date | Maturity Date | Year-End Balance |
|----------------------------------|--------------------------|------------------|---------------|------------------|---------------------|
| Sewer Refunding Bonds 2011 | 590,000 | 3.85% | 6/10/11 | 8/1/22 | 110,000 |
| General Obligation Water & Sewer | | | | | |
| Revenue Bonds of 2012-A | 2,425,000 | 2.00% | 5/22/12 | 2/1/27 | 1,540,000 |
| General Obligation Utility | | | | | |
| Revenue Bonds of 2015-A | 240,000 | 2.50% | 11/2/15 | 2/1/23 | 140,000 |
| | | | | | <u>1,790,000</u> |

Annual requirement to maturity for general obligation bonds are as follows:

| Year Ending December 31 | Principal | Interest | Total |
|----------------------------|------------------|----------------|------------------|
| 2020 | 224,000 | 39,983 | 263,983 |
| 2021 | 245,000 | 34,473 | 279,473 |
| 2022 | 260,000 | 28,650 | 288,650 |
| 2023 | 221,000 | 22,476 | 243,476 |
| 2024 | 190,000 | 18,040 | 208,040 |
| 2025-2029 | <u>650,000</u> | <u>24,963</u> | <u>674,963</u> |
| Total | <u>1,790,000</u> | <u>168,585</u> | <u>1,958,585</u> |

Revenue Bonds

These bonds were issued to finance the construction of an apartment building. These bonds will be retired from net revenue of the enterprise fund.

| | Authorized And Issued | Interest Rate | Issue Date | Maturity Date | Year-End Balance |
|---|--------------------------|------------------|---------------|------------------|---------------------|
| Housing Development Refunding Bonds 2011-A | 370,000 | 2.5-4.5% | 2/10/11 | 1/1/27 | 190,000 |

Annual requirement to maturity for general obligation revenue bonds are as follows:

| Year Ending December 31 | Principal | Interest | Total |
|----------------------------|----------------|---------------|----------------|
| 2020 | 25,000 | 8,015 | 33,015 |
| 2021 | 25,000 | 7,053 | 32,053 |
| 2022 | 25,000 | 6,090 | 31,090 |
| 2023 | 25,000 | 5,003 | 30,003 |
| 2024 | 30,000 | 3,915 | 33,915 |
| 2025-2029 | <u>60,000</u> | <u>3,915</u> | <u>63,915</u> |
| Total | <u>190,000</u> | <u>33,991</u> | <u>223,991</u> |

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 Long-Term Debt - continued
B. Revenue Bonds - continued

These notes were issued to finance the construction of water and sewer capital improvements. These bonds will be retired from net revenue of the enterprise fund.

| | Authorized And Issued | Interest Rate | Issue Date | Maturity Date | Year-End Balance |
|---|--------------------------|------------------|---------------|------------------|---------------------|
| General Obligation Water Revenue Note-2002 | 914,497 | 3.32% | 9/20/02 | 8/20/22 | 180,000 |
| General Obligation Sewer Revenue Note-2004 | 1,788,670 | 1.73% | 8/10/04 | 8/20/24 | <u>529,000</u> |
| | | | | | <u>709,000</u> |

Annual requirement to maturity for general obligation notes payable are as follows:

General Obligation Notes Payable

| Year Ending December 31 | Principal | Interest | Total |
|----------------------------|----------------|---------------|----------------|
| 2020 | 160,000 | 15,128 | 175,128 |
| 2021 | 164,000 | 11,438 | 175,438 |
| 2022 | 168,000 | 7,646 | 175,646 |
| 2023 | 108,000 | 3,754 | 111,754 |
| 2024 | <u>109,000</u> | <u>1,886</u> | <u>110,886</u> |
| Total | <u>709,000</u> | <u>39,852</u> | <u>748,852</u> |

Interest Expense

Interest of \$173,868 for the year ended December 31, 2019 was charged to the following functions/programs:

| | | |
|---------------------------|-------------------------|---------------|
| Governmental Activities: | | |
| General Fund | - General Fund | 6,875 |
| Special Revenue | - Fire Department Fund | 345 |
| | - Road and Bridge Fund | 201 |
| | - Permanent Improvement | 5,561 |
| Debt Service | - Tax Abatement Bonds | 8,294 |
| | - Swimming Pool Fund | 26,723 |
| | - Street Project 2012 | <u>28,934</u> |
| Total | | <u>76,933</u> |
| Business-Type Activities: | | |
| Water Fund | | 88,150 |
| Armory Housing Fund | | <u>8,785</u> |
| Total | | <u>96,935</u> |

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 Long-Term Debt - continued

D. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

| | Beginning Balance | Reductions | Additions | Ending Balance | Due Within One Year |
|----------------------------------|----------------------|------------|-----------|-------------------|------------------------|
| Governmental Activities: | | | | | |
| Bonds Payable: | | | | | |
| General Obligation | 2,221,987 | 280,589 | | 1,941,398 | 197,226 |
| Note Payable | 99,513 | 22,887 | | 76,626 | 24,166 |
| Accrued Vacation/Sick Pay | 41,588 | | 5,311 | 46,899 | -0- |
| Governmental Activity | | | | | |
| Long-Term Liabilities | 2,363,088 | 303,476 | 5,311 | 2,064,923 | 221,392 |
| Business-Type Activities: | | | | | |
| Bonds Payable: | | | | | |
| General Obligation | 2,022,000 | 232,000 | | 1,790,000 | 224,000 |
| Revenue Bonds | 210,000 | 20,000 | | 190,000 | 25,000 |
| General Obligation | | | | | |
| Notes Payable | 865,000 | 156,000 | | 709,000 | 160,000 |
| Business-Type Activity | | | | | |
| Long-Term Liabilities | 3,097,000 | 408,000 | -0- | 2,689,000 | 409,000 |

Note 5 Due To/From Funds

Below is a schedule of inter-fund receivables and payables at December 31, 2019.

| Fund | Due To Other Funds | Due From Other Funds |
|-------------------------------|---------------------------|-----------------------------|
| General | 24,305 | 85,061 |
| Library | | 42,644 |
| Park | | 24,305 |
| Tax Increment Financing #9 | 12,714 | |
| Library Bonds of 1997 | 42,644 | |
| 2020 Street & Utility Project | 72,347 | |
| Total | 152,010 | 152,010 |

The inter-fund receivables and payables are the result of account misclassifications and short-term inter-fund borrowings.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 6

Fund Balance Classification

Non-Spendable Fund Balance

The city has the following non-spendable fund balances as of December 31, 2019

| | |
|-------------------------------------|----------------|
| General Fund | 90,781 |
| Library Fund | 2,505 |
| Road and Bridge Fund | 19,907 |
| Economic Development Authority Fund | 78,300 |
| Fire Department Truck Fund | 7,733 |
| Park Fund | 18,806 |
| Total Non-Spendable | 218,032 |

Restricted Fund Balances

The city has the following restricted fund balances as of December 31, 2019

| | |
|--------------------------------------|----------------|
| Library Fund | 338,837 |
| Tax Increment Financing No 6 of 1998 | 77,965 |
| Swimming Pool | 98,568 |
| Tax Abatement Industrial Site | 78,644 |
| Street Project 2012 | 393,405 |
| Total Restricted | 987,419 |

Committed Fund Balances

The city has the following committed fund balances as of December 31, 2019

| | |
|--------------------------------------|------------------|
| Library Fund | 242,822 |
| Permanent Improvement Revolving Fund | 275,749 |
| Road and Bridge Fund | 229,588 |
| Economic Development Authority Fund | 220,058 |
| Fire Department Truck Fund | 208,301 |
| Park Fund | 206,073 |
| Total Committed | 1,382,591 |

Assigned Fund Balance

The city has no assigned fund balances as of December 31, 2019.

Unassigned Fund Balance

The city has the following unassigned fund balance as of December 31, 2019

| | |
|-------------------------------|----------------|
| General Fund | 529,789 |
| Library Bonds of 1997 | (348) |
| Tax Increment Financing No. 9 | (12,714) |
| 2020 Street & Utility Project | (72,347) |
| Total Unassigned | 444,380 |

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 7

Defined Benefit Pension Plan

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.

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.

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.

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 of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be 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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 7

Defined Benefit Pension Plan - continued

B. Benefits Provided - continued

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.

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. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 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.

Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50% for the Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$31,142. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$34,832. The City's contributions were equal to the required contributions as set by state statute.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 7 Defined Benefit Pension Plan - continued
D. Pension Costs

General Employees Fund Pension Costs
At December 31, 2019, the City reported a liability of \$370,428 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 \$11,500. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion share was .0067% which was an increase of 0.0001% from its proportion measured as of June 30, 2018.

City's proportionate share of the net pension liability \$370,428

State of Minnesota's proportionate share of the net pension liability associated with the [Entity] 11,500

Total ~~\$381,928~~

For the year ended December 31, 2019, the City recognized pension expense of \$32,723 for its proportionate share of the GERS' pension expense. In addition, the City recognized an additional \$861 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, 2019, 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:

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 7 Defined Benefit Pension Plan - continued
D. Pension Costs - continued

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Differences between expected and actual economic experience | 10,824 | 30,692 |
| Changes in actuarial assumptions | | |
| Difference between projected and actual investment earnings | | 37,429 |
| Changes in Proportion | 4,161 | 40,907 |
| Contributions paid to PERA subsequent to the measurement date | 17,422 | |
| Total | 32,407 | 109,028 |

The \$32,407 reported as deferred outflows of resources related to pensions resulting from City of Dawson contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31 | Pension Expense Amount |
|------------------------|------------------------|
| 2020 | (43,945) |
| 2021 | (44,783) |
| 2022 | (5,913) |
| 2023 | 597 |

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$200,145 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion share was .0188% which was an increase of .0004% from its proportionate share measured as of June 30, 2018. The city also recognized \$2,538 for the year ended December 31, 2019 as revenue and an offsetting

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 7 Defined Benefit Pension Plan - continued

D. Pension Costs - continued

reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, until the plan is 90 percent funded or until the state Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$33,366 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, 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 | 6,355 | |
| Changes in actuarial assumptions | | 122,503 |
| Difference between projected and actual investment earnings | | 40,350 |
| Changes in Proportion | 6,553 | |
| Contributions paid to PERA subsequent to the measurement date | 17,831 | |
| Total | \$30,739 | \$162,853 |

A total of \$30,739 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 7 Defined Benefit Pension Plan - continued

D. Pension Costs - continued

| Year ended December 31 | Pension Expense Amount |
|---------------------------|------------------------|
| 2020 | (117,999) |
| 2021 | (25,732) |
| 2022 | (6,875) |
| 2023 | 660 |

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2019, was \$(6294).

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disability rates 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% per year for the General Employees Plan and 1.0 percent per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 7 Defined Benefit Pension Plan - continued
E. Actuarial Assumptions - continued

Changes in Plan Provisions:

- 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.

Police and Fire Fund

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.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Domestic Equity | 35.5% | 5.10% |
| Private Markets | 25.0% | 5.90% |
| Fixed Income | 20.0% | 0.75% |
| International Equity | 17.5% | 5.90% |
| Cash Equivalents | 2.0% | 0.00% |
| Total | 100% | |

Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Funds and the Police and Fire Fund, was projected to be available to make all projected future benefits 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.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 7 Defined Benefit Pension Plan - continued
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 1 percentage point lower or 1 percentage point higher than the current discount rate:

| | Sensitivity of Net Pension Liability at Current Single Discount Rate | | |
|-----------------------|--|----------------------|-------|
| | General Employees Fund | Police and Fire Fund | |
| 1% Lower | 6.50% | \$608,964 | 6.50% |
| Current Discount Rate | 7.50% | \$370,428 | 7.50% |
| 1% Higher | 8.50% | \$173,469 | 8.50% |
| | | | \$ 4 |

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.

Vacation and Sick Leave

Full-time employees earn five days of vacation after one year of employment. After the first year, vacation accrues based on years of experience. The maximum accumulated vacation is two times the annual amount earned. Compensated absences are recorded as a payable in the long-term debt for governmental funds and as a liability in proprietary fund types. Employees earn one day of sick leave per month with a maximum of ninety days. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Note 9 Postemployment Benefits Other Than Pension Benefits (OPEB)

The city has no liability for postemployment benefits other than pension benefits.

Note 10 Excess of Expenditures Over Appropriations

The following funds had excess expenditures over budget appropriations:

| | |
|--------------------------------------|--------|
| General Fund | 24,574 |
| Special Revenue Funds | |
| Fire Department Truck Fund | 84,155 |
| Permanent Improvement Revolving Fund | 13,678 |
| Road and Bridge Fund | 48,897 |
| Park Fund | 30,674 |
| Economic Development Authority | 36,216 |

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 11

Risk Management

The City is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and dental; and natural disasters. Risks of loss associated with workers' compensation claims are insured through participation in the League of Minnesota Cities Insurance Trust. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

Note 12

Inter-fund Transfer

The following inter-fund transfers occurred during 2018:

| | <u>Transfer In</u> | <u>Transfer Out</u> |
|--------------|--------------------|---------------------|
| General Fund | | 17,349 |
| PIR Fund | | 54,000 |
| Water Fund | 54,000 | |
| Fire Fund | <u>17,349</u> | |
| Total | <u>71,349</u> | <u>71,349</u> |

Transfers are primarily used to move funds between funds to help finance various projects as approved by the City Council.

Note 13

Deficit Fund Equity

The following funds had a deficit equity balance at December 31, 2019:

| | |
|-------------------------------|--------|
| 2020 Street & Utility Project | 72,347 |
| Tax Increment Financing No. 9 | 12,714 |
| Library Bonds of 1997 | 348 |

The City intends to fund these deficits through future levies, grants, transfers from other funds, and various other sources.

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS
PUBLIC EMPLOYERS GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2019

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| Actuarial Valuation Date | Employer's Proportionate Share of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) | Plan Fiduciary Net Position as a Percentage of the Net Pension Liability |
|--------------------------|---|---|---|---|--|
| (a) | (b) | (c) | (d) | (e) | (f) |
| Pensions PERA | | | | | |
| June 30, 2016 | 0.0081% | 657,680 | 8,383 | 490,591 | 78.28% |
| June 30, 2017 | 0.0075% | 478,795 | 6,030 | 483,933 | 75.9% |
| June 30, 2018 | 0.0066% | 366,141 | 11,981 | 378,122 | 85.09% |
| June 30, 2019 | 0.0067% | 376,428 | 11,500 | 381,928 | 79.7% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Year Ended December 31, | Statutorily Required Contributions (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (a-b) (c) | Covered-Employee Payroll (d) | Contributions as a Percentage of Covered-Employee Payroll (b/d) |
|-------------------------|--|--|-----------------------------------|------------------------------|---|
| Pensions PERA | | | | | |
| 2016 | 36,766 | 36,766 | -0- | 490,210 | 7.5% |
| 2017 | 33,486 | 33,916 | -0- | 450,880 | 7.5% |
| 2018 | 33,383 | 33,916 | -0- | 445,077 | 7.5% |
| 2019 | 35,933 | 35,933 | -0- | 478,107 | 7.5% |

See Note 7, Defined Benefit Pension Plans, for more information

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015. Information for prior years is not available. Additional years will be reported as they become available.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS
PUBLIC EMPLOYERS POLICE AND FIRE FUND
DECEMBER 31, 2019

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| Actuarial Valuation Date | Employer's Proportionate Share of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------------------|---|---|---|--|
| (a) | (b) | (c) | (d) | (e) |
| Pensions PERA | | | | |
| June 30, 2016 | 0.01809% | 722,371 | 176,071 | 410.3% |
| June 30, 2017 | 0.01809% | 243,021 | 188,043 | 129.2% |
| June 30, 2018 | 0.01849% | 196,125 | 193,414 | 101.4% |
| June 30, 2019 | 0.01888% | 200,145 | 215,019 | 93.1% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Year Ended December 31, | Contributions in Relation to the | | Contribution Deficiency (Excess) (a - b) | Covered- Employee Payroll (d) | Contributions as a Percentage of Covered- Employee Payroll (b/d) |
|----------------------------|--|--|---|-------------------------------------|--|
| | Statutorily Required Contribution (a) | Statutorily Required Contribution (b) | | | |
| Pensions | | | | | |
| PERA | | | | | |
| 2016 | 28,322 | 28,322 | -0- | 174,824 | 16.2% |
| 2017 | 30,694 | 30,694 | -0- | 189,469 | 16.2% |
| 2018 | 31,333 | 31,333 | -0- | 193,414 | 16.2% |
| 2019 | 34,833 | 34,833 | -0- | 215,019 | 16.2% |

See Note 7, Defined Benefit Pension Plans, for more information

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015. Information for prior years is not available. Additional years will be reported as they become available.

| | Fire | Special Revenue Funds | Economic Development Authority Fund |
|---|-------------------------|-----------------------|-------------------------------------|
| Assets | Dept. Truck Fund | Park Fund | Fund |
| Cash and Investments | 229,439 | 182,544 | 220,058 |
| Due from Other Funds | | 24,305 | |
| Receivables: | | | |
| Special Assessments | | 9,292 | |
| Notes | | | 254,779 |
| Prepaid Items | 7,733 | 18,806 | |
| Land | | | 78,300 |
| Total Assets | <u>237,172</u> | <u>234,947</u> | <u>553,137</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| Liabilities | | | |
| Accounts Payable | 21,138 | 651 | |
| Wages Payable | | 575 | |
| Due To Other Funds | | | |
| Total Liabilities | <u>21,138</u> | <u>1,226</u> | <u>-0-</u> |
| Deferred Inflows of Resources | | | |
| Unavailable Revenue-Taxes | | 8,842 | |
| Unavailable Revenue-Notes | | | |
| Total Deferred Inflows of Resources | <u>-0-</u> | <u>8,842</u> | <u>254,779</u> |
| Fund Equity | | | |
| Fund Balance - Non-Spendable | 7,733 | 18,806 | 78,300 |
| Fund Balance - Restricted | | | |
| Fund Balance - Committed | 208,301 | 206,073 | 220,058 |
| Fund Balance - Unassigned | | | |
| Total Fund Equity | <u>216,034</u> | <u>224,879</u> | <u>298,358</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Equity | <u>237,172</u> | <u>234,947</u> | <u>553,137</u> |

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City of Dawson
Dawson, Minnesota
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Special Revenue Funds | | |
|--|-----------------------|----------|----------------------|
| | Fire | Park | Economic Development |
| Revenues | Dept. Truck Fund | Fund | Authority Fund |
| Taxes and Special Assessments | 14,308 | 89,445 | 35,830 |
| State Aid | 24,119 | 57,000 | |
| Other Local Government | 17,349 | | |
| Interest Income | 1,832 | 1,639 | 3,392 |
| Donations | 25,475 | | |
| Miscellaneous | 12,577 | 31,103 | 35,087 |
| Total Revenues | 95,660 | 179,187 | 74,309 |
| Expenditures | | | |
| Current: | | | |
| Parks and Recreation | | 211,769 | |
| Public Safety | 216,695 | | 57,046 |
| Economic Development | | | |
| Capital Outlay | | | |
| Debt Service: | | | |
| Principal | | | |
| Interest and Other Charges | | | |
| Total Expenditures | 216,695 | 211,769 | 57,046 |
| Excess Revenues (Expenditures) | (121,035) | (32,582) | 17,263 |
| Other Financing Sources (Uses) | | | |
| Transfer In | 17,349 | | |
| Total Other Financing Sources (Uses) | 17,349 | -0- | -0- |
| Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (103,686) | (32,582) | 17,263 |
| Fund Balance - January 1 | 319,720 | 237,461 | 281,095 |
| Fund Balance - December 31 | 216,034 | 204,879 | 298,358 |

| | Debt Service | | | Capital Project | | Total |
|-----------------------------------|--------------|-----------------------|---------------------------|---------------------------|-------------------------------|-----------|
| | Tax | Library Bonds of 1997 | Increment Financing No. 9 | Improvement Swimming Pool | Tax Abatement Industrial Site | |
| Increment Financing No. 6 of 1998 | 7,497 | 44,437 | 24,340 | 82,598 | 21,183 | 124,675 |
| | | | | | | 124,675 |
| | | | | | | 9,580 |
| | | | | | | 3,383 |
| | | | | | | 134,255 |
| | | | | | | -0- |
| | | | | | | 211,769 |
| | | | | | | 216,695 |
| | | | | | | 57,046 |
| | | | | | | 72,347 |
| | | | | | | 162,589 |
| | | | | | | 87,056 |
| | | | | | | 807,502 |
| | | | | | | (140,653) |
| | | | | | | 17,349 |
| | | | | | | 17,349 |
| | | | | | | (123,304) |
| | | | | | | 1,425,748 |
| | | | | | | 1,302,444 |

**GENERAL FUND
BALANCE SHEET
DECEMBER 31, 2019**

| | 2019 | 2018 |
|---|---------|---------|
| Assets | | |
| Cash | 460,633 | 571,586 |
| Cash on Hand | 75 | 75 |
| Accounts Receivable | 6,130 | 15,061 |
| Delinquent Taxes Receivable | 66,624 | 39,911 |
| Prepaid Items | 43,906 | 34,071 |
| Due from Other Funds | 85,061 | 19,434 |
| Land | 46,875 | 46,875 |
| Total Assets | 709,304 | 727,013 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | |
| Liabilities | | |
| Accounts Payable | 3,150 | 13,948 |
| Wages Payable | 9,654 | 10,961 |
| Due to Other Funds | 24,305 | 24,305 |
| Total Liabilities | 37,109 | 49,214 |
| Deferred Inflows of Resources | | |
| Unavailable Revenue-Taxes | 51,625 | 33,762 |
| Total Deferred Inflows of Resources | 51,625 | 33,762 |
| Equity and Other Credits | | |
| Fund Balance - Non-Spendable | 90,781 | 80,946 |
| Fund Balance - Unassigned | 529,789 | 563,091 |
| Total Fund Equity | 620,570 | 644,037 |
| Total Liabilities, Deferred Inflows of Resources and Fund Equity | 709,304 | 727,013 |

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | 2019 | | 2018 | |
|---------------------------------------|---------|---------|----------------------------|---------|
| | Budget | Actual | Variance with Final Budget | Actual |
| Revenues | | | | |
| Taxes | | | | |
| Property Taxes | 380,329 | 349,964 | (30,365) | 356,399 |
| State Aid | | | | |
| Local Government Aid | 378,026 | 378,346 | 320 | 378,026 |
| Homestead/Agriculture Credit | 300 | 49 | (251) | 55 |
| Police State Aid | | 19,846 | 19,846 | 26,100 |
| Small Cities Assistance | | | | 16,965 |
| Other State Aids | 2,300 | 2,362 | 62 | 2,362 |
| Total State Aid | 380,626 | 400,603 | 19,977 | 423,508 |
| Licenses and Permits | | | | |
| Liquor Licenses and Building Permits | 2,100 | 1,835 | (265) | 2,338 |
| Fines and Forfeits | | | | |
| Court Fines, Fees and Parking Tickets | 8,750 | 5,100 | (3,650) | 3,275 |
| Charges for Service | | | | |
| Land Rent | 10,500 | 6,790 | (3,710) | 6,322 |
| Other Rentals | 430 | 315 | (115) | 625 |
| Police Service | 15,500 | 16,510 | 1,010 | 29,674 |
| Total Charges for Services | 26,430 | 23,615 | (2,815) | 36,621 |
| Miscellaneous Revenues | | | | |
| Interest | 7,500 | 10,913 | 3,413 | 9,096 |
| Refunds and Reimbursements | 25,000 | 30,045 | 5,045 | 4,556 |
| Donations | 1,000 | 7,184 | 6,184 | 1,000 |
| Franchise Fee | 14,400 | 15,318 | 918 | 15,704 |
| Grants | | | | 25,000 |
| Other | 10 | 16 | 6 | 7,403 |
| Total Miscellaneous Revenues | 47,910 | 63,476 | 15,566 | 62,759 |
| Total Revenues | 846,145 | 844,593 | (1,552) | 884,900 |

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | | 2018 | |
|---|---------------|---------------|---------------------------------------|---------------|
| | Budget | Actual | Variance with Final Budget | Actual |
| Expenditures | | | | |
| General Government | | | | |
| Mayor and Council | | | | |
| Salaries | 9,600 | 9,000 | 600 | 9,600 |
| Insurance and Payroll Taxes | 870 | 773 | 97 | 830 |
| Printing and Publishing | 500 | 567 | (67) | 488 |
| Supplies | 500 | 15 | 485 | 185 |
| Travel, Schools, Conferences | 2,800 | 1,117 | 1,683 | |
| Miscellaneous Expense | 200 | 226 | (26) | 196 |
| Total Mayor and Council | 14,470 | 11,698 | 2,772 | 11,299 |
| Administration | | | | |
| Salaries | 115,000 | 108,896 | 6,104 | 106,906 |
| Insurance and Payroll Taxes | 67,050 | 55,383 | 11,667 | 63,444 |
| Supplies | 17,800 | 5,731 | 12,069 | 8,749 |
| Maintenance and Repair | 2,400 | 2,224 | 176 | 1,545 |
| Professional Fees | 18,350 | 13,036 | 5,314 | 13,353 |
| Insurance | 16,500 | 19,047 | (2,547) | 15,659 |
| Subscriptions and Memberships | 5,000 | 5,261 | (261) | 5,605 |
| Travel, Schools, Conferences | 7,500 | 2,352 | 5,148 | 1,425 |
| Telephone | 3,100 | 2,313 | 787 | 3,143 |
| Miscellaneous Expense | 300 | 322 | (22) | 343 |
| Refunds and Reimbursements | 2,000 | 1,000 | 1,000 | 1,642 |
| Advertising | 800 | 2,277 | (1,477) | 2,364 |
| Tax Abatement | 10,120 | 18,244 | (8,244) | 14,341 |
| Ambulance | 10,014 | 10,014 | 106 | 9,914 |
| Capital Outlay | 6,068 | 6,068 | (6,068) | |
| Total Administration | 265,920 | 252,168 | 13,752 | 248,433 |
| City Assessor/Attorney/Building Inspector | | | | |
| Salaries and Fees | 36,000 | 35,200 | 800 | 35,200 |
| Total City Assessor/Attorney/ Building Inspector | 36,000 | 35,200 | 800 | 35,200 |

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | | 2018 | |
|---------------------------------|---------------|---------------|---------------------------------------|---------------|
| | Budget | Actual | Variance with Final Budget | Actual |
| Expenditures - continued | | | | |
| General Government - continued | | | | |
| City Building/Custodian | | | | |
| Salaries | 11,170 | 11,683 | (513) | 11,243 |
| Insurance and Payroll Taxes | 10,510 | 8,824 | 1,686 | 9,619 |
| Utilities | 10,125 | 8,077 | 2,048 | 8,550 |
| Supplies | 1,975 | 2,515 | (540) | 1,980 |
| Contractual Services | 3,300 | 1,406 | 1,894 | 1,073 |
| Professional Fees | 50 | 50 | | 15 |
| Miscellaneous Expense | 445 | 167 | 278 | 140 |
| Capital Outlay | 18,000 | 32,722 | 18,000 | 12,302 |
| Total City Building/Custodian | 55,575 | 32,722 | 22,853 | 44,922 |
| Total General Government | 371,965 | 331,788 | 40,177 | 339,854 |
| Public Safety | | | | |
| Police Protection | | | | |
| Salaries - Regular Employees | 179,500 | 182,517 | (3,017) | 171,073 |
| Salaries - Overtime | 13,500 | 16,512 | (3,012) | 19,775 |
| Salaries - Reserve | 8,250 | 5,254 | 2,996 | 6,794 |
| Insurance and Payroll Taxes | 98,975 | 99,683 | (708) | 97,202 |
| Supplies | 3,530 | 1,338 | 2,192 | 1,176 |
| Uniform Allowance | 3,000 | 1,352 | 1,648 | 4,602 |
| Motor Fuel and Lubricants | 7,500 | 6,038 | 1,462 | 5,465 |
| Maintenance and Repair | 7,000 | 9,774 | (2,774) | 1,840 |
| Telephone | 775 | 756 | 19 | 704 |
| Travel, School, Conference | 4,425 | 1,750 | 2,675 | 612 |
| Insurance | 7,500 | 12,427 | (4,927) | 9,349 |
| Subscriptions and Memberships | 1,000 | 699 | 301 | 514 |
| Professional Fees | 2,500 | 5,447 | (2,947) | 3,345 |
| Miscellaneous Expense | 925 | 1,247 | (322) | 1,220 |
| Refunds and Reimbursements | 1,000 | 1,000 | 1,000 | |
| Capital Outlay | 5,000 | 2,012 | 2,988 | 52,715 |
| Total Police Protection | 344,380 | 346,806 | (2,426) | 376,386 |

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | | 2018 | |
|---------------------------------|---------------|---------------|---------------------------------------|---------------|
| <u>Expenditures - continued</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> | <u>Actual</u> |
| <u>Fire Protection</u> | | | | |
| Relief Association | -0- | -0- | -0- | -0- |
| Total Fire Protection | 344,380 | 346,806 | (2,426) | 376,386 |
| <u>Public Works</u> | | | | |
| Civil Defense | | | | |
| Insurance and Payroll Taxes | 475 | 490 | (15) | 452 |
| Repairs and Maintenance | 500 | 550 | (500) | 384 |
| Professional Fees | | | | |
| Utilities | 1,700 | 1,471 | 229 | 1,399 |
| Supplies | 500 | 944 | (444) | 711 |
| Total Civil Defense | 3,175 | 3,455 | (280) | 2,946 |
| <u>Animal and Weed Control</u> | | | | |
| Miscellaneous | 1,250 | 1,186 | 64 | 816 |
| <u>Street Lights</u> | | | | |
| Repairs and Maintenance | 250 | | 250 | |
| Utilities | 40,000 | 40,744 | (744) | 42,413 |
| Total Streets and Highways | 40,250 | 40,744 | (494) | 42,413 |
| Total Public Works | 44,675 | 45,385 | (710) | 46,175 |

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | | 2018 | |
|---|---------------|---------------|---------------------------------------|---------------|
| <u>Expenditures</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> | <u>Actual</u> |
| <u>Bus Transit</u> | | | | |
| Professional Services | 15,000 | 10,389 | 4,611 | 9,609 |
| Utilities | 3,600 | 4,085 | (485) | 3,952 |
| Repairs and Maintenance | 2,000 | 523 | 1,477 | 184 |
| Insurance | 150 | 141 | 9 | 134 |
| Supplies | | | | 381 |
| Total Bus Transit | 20,750 | 15,138 | 5,612 | 14,260 |
| <u>Economic Development</u> | | | | |
| Professional Services | | (401) | 401 | 401 |
| Miscellaneous Expense | 9,000 | 7,178 | 1,822 | 6,764 |
| Total Economic Development | 9,000 | 6,777 | 2,223 | 7,165 |
| <u>Flood Levee Project</u> | | | | |
| Professional Services | 500 | | 500 | |
| Principal | 23,000 | 23,000 | | 22,000 |
| Interest | 6,875 | 6,875 | | 7,975 |
| Insurance | 1,500 | 829 | 671 | 770 |
| Miscellaneous Expense | 500 | 2,000 | (1,500) | 72 |
| Repairs and Maintenance | | 67,095 | (67,095) | |
| Utilities | 3,000 | 5,026 | (2,026) | 2,517 |
| Total Flood Levee Project | 35,375 | 104,825 | (69,450) | 33,334 |
| Total Expenditures | 826,145 | 850,719 | (24,574) | 817,174 |
| Excess Revenues (Expenditures) | 20,000 | (6,126) | (26,126) | 67,726 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Sale of Assets | | 8 | 8 | 2,426 |
| Transfers Out | (20,000) | (17,349) | 2,651 | (14,746) |
| Total Other Financing Sources (Uses) | (20,000) | (17,341) | 2,659 | (12,320) |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | | (23,467) | (23,467) | 55,406 |
| Fund Balance - January 1 | -0- | 644,037 | | 588,631 |
| Fund Balance - December 31 | | 620,570 | | 644,037 |

ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2019

| | Fire Department Truck Fund | Library Fund | Permanent Improvement Revolving Fund | Road and Bridge Fund | Park Fund | Economic Development Authority Fund | Total (Memo Only) 2019 | 2018 |
|---|----------------------------------|-----------------|---|----------------------------|--------------|--|------------------------------|-----------|
| Assets | | | | | | | | |
| Cash and Investments | 229,439 | 201,821 | 275,749 | 237,974 | 182,544 | 220,058 | 1,347,585 | 1,543,979 |
| Accounts Receivable | | 113 | | | | | 113 | 2,255 |
| Accrued Interest Receivable | | 18 | | | | | 18 | 18 |
| Special Assessments Receivable | | | | 5,116 | 4,400 | | 9,516 | 3,651 |
| Special Assessments Deferred | | | | 33,925 | 4,892 | | 38,817 | 3,134 |
| Due From Other Funds | | 42,644 | | | 24,305 | | 66,949 | 108,150 |
| Notes Receivable | | | | | | 254,779 | 254,779 | 316,146 |
| Prepaid Items | 7,733 | 2,505 | | 19,907 | 18,806 | | 48,951 | 36,699 |
| Restricted Assets-Cash | | 338,837 | | | | | 338,837 | 295,470 |
| Land | | | | | | | 78,300 | 78,300 |
| Total Assets | 237,172 | 585,938 | 275,749 | 296,922 | 234,947 | 553,137 | 2,183,865 | 2,387,802 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts Payable | 21,138 | 461 | | 3,051 | 651 | | 25,301 | 32,876 |
| Wages Payable | | 192 | | 5,334 | 575 | | 6,101 | 4,617 |
| Sales Tax Payable | | 35 | | | | | 35 | 62 |
| Unearned Revenue | | 1,086 | | | | | 1,086 | 1,086 |
| Total Liabilities | 21,138 | 1,774 | -0- | 8,385 | 1,226 | -0- | 32,523 | 38,641 |
| Deferred Inflows of Resources | | | | | | | | |
| Unavailable Revenue-Taxes | | | | 39,042 | 8,842 | | 47,884 | 3,065 |
| Unavailable Revenue-Notes | | | | | | 254,779 | 254,779 | 316,146 |
| Total Deferred Inflows of Resources | -0- | -0- | -0- | 39,042 | 8,842 | 254,779 | 302,663 | 319,211 |
| Fund Equity | | | | | | | | |
| Fund Balance - Non-Spendable | 7,733 | 2,505 | | 19,907 | 18,806 | 78,300 | 127,251 | 114,999 |
| Fund Balance - Restricted | | 338,837 | | | | | 338,837 | 295,470 |
| Fund Balance - Committed | 208,301 | 242,822 | 275,749 | 229,588 | 206,073 | 220,058 | 1,382,591 | 1,619,481 |
| Total Fund Equity | 216,034 | 584,164 | 275,749 | 249,495 | 224,879 | 298,358 | 1,848,679 | 2,029,950 |
| Total Liabilities, Deferred Inflows of Resources and Fund Equity | 237,172 | 585,938 | 275,749 | 296,922 | 234,947 | 553,137 | 2,183,865 | 2,387,802 |

ALL SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Fire Department Truck Fund | Library Fund | Permanent Improvement Revolving Fund | Road and Bridge Fund | Park Fund | Economic Development Authority Fund | Total (Memo Only) |
|---|----------------------------------|-----------------|---|----------------------------|--------------|--|----------------------|
| Revenues | | | | | | | |
| Taxes and Special Assessments | 14,308 | 65,885 | 59,580 | 264,996 | 89,445 | 35,830 | 530,044 |
| State Aid | 24,119 | 50,000 | | 102,127 | 57,000 | | 233,246 |
| Charges for Services | | | | 240 | 29,654 | | 29,894 |
| Interest Income | 1,832 | 8,684 | 1,827 | 1,690 | 1,639 | 3,392 | 19,064 |
| Refunds and Reimbursements | 12,577 | | | | 1,449 | | 14,026 |
| Other | 42,824 | 713 | | 12,180 | | 35,087 | 90,804 |
| Total Revenues | 95,660 | 125,282 | 61,407 | 381,233 | 179,187 | 74,309 | 917,078 |
| Expenditures | | | | | | | |
| Public Safety | 216,695 | | | | | | 216,695 |
| Parks and Recreation | | | | | 211,769 | | 211,769 |
| Economic Development and Housing | | 100,758 | | 422,172 | 57,046 | | 57,046 |
| Culture | | | 34,816 | | | | 100,758 |
| Public Works | | | 18,442 | | | | 422,172 |
| Permanent Improvement | | | 53,238 | | | | 34,816 |
| Capital Outlay | | | | | | | 18,442 |
| Total Expenditures | 216,695 | 100,758 | 53,238 | 422,172 | 211,769 | 57,046 | 1,061,698 |
| Excess Revenues (Expenditures) | (121,035) | 24,524 | 8,149 | (40,939) | (32,582) | 17,263 | (144,620) |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers In | 17,349 | | (54,000) | | | | 17,349 |
| Transfers Out | | | | | | | (54,000) |
| Total Other Financing Sources (Uses) | 17,349 | -0- | (54,000) | -0- | -0- | -0- | (36,651) |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (103,686) | 24,524 | (45,851) | (40,939) | (32,582) | 17,263 | (181,271) |
| Fund Balance-January 1 | 319,720 | 559,640 | 321,600 | 290,434 | 257,461 | 281,095 | 2,029,950 |
| Fund Balance-December 31 | 216,034 | 584,164 | 275,749 | 249,495 | 224,879 | 298,358 | 1,848,679 |

FIRE DEPARTMENT TRUCK FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | | 2018 | |
|--|----------|-----------|--------------|----------|
| | Budget | Actual | Final Budget | Actual |
| Revenues | | | | |
| Fire Calls | 8,000 | 25,475 | (8,000) | 4,060 |
| Donations | 1,400 | 14,308 | 24,075 | 23,830 |
| Property Taxes | 14,308 | 24,119 | (881) | 16,127 |
| Other State Aids | 25,000 | 17,349 | (7,651) | 14,746 |
| Township Assessments | 1,000 | 1,832 | 832 | 1,698 |
| Interest Income | 1,200 | 12,577 | 11,377 | 802 |
| Refunds and Reimbursements | 1,000 | 95,660 | (1,000) | 100 |
| Miscellaneous | 76,908 | | 18,752 | 84,729 |
| Total Revenues | | | | |
| Expenditures | | | | |
| Meetings, Conventions and Dues | 2,200 | 7,434 | (5,234) | 1,189 |
| Repairs and Supplies | 6,500 | 6,160 | 340 | 4,362 |
| Fuel | 1,750 | 1,425 | 325 | 1,014 |
| Advertising | 1,600 | 1,172 | 428 | 1,562 |
| Professional Fees | 3,950 | 2,832 | 1,118 | 1,330 |
| Telephone | 1,375 | 861 | 514 | 860 |
| Insurance | 11,750 | 7,812 | 3,938 | 16,650 |
| General Supplies | 5,420 | 2,332 | 3,068 | 2,192 |
| Relief Association | 25,000 | 27,940 | (2,940) | 23,366 |
| Capital Outlay | 5,000 | 91,104 | (86,104) | 6,361 |
| Equipment and Clothing | 2,500 | 2,151 | 349 | 52 |
| Interest | 345 | 345 | | 973 |
| Principal | 60,000 | 60,000 | | 60,000 |
| Utilities | 4,400 | 4,795 | (395) | 4,166 |
| Bond Issuance Costs | 300 | | 300 | 284 |
| Miscellaneous | 450 | 312 | 138 | 788 |
| Total Expenditures | 132,540 | 216,695 | (84,155) | 125,149 |
| Excess Revenues (Expenditures) | (55,632) | (121,035) | (65,403) | (40,420) |
| Other Financing Sources (Uses) | | | | |
| Transfers In | | 17,349 | 17,349 | 14,746 |
| Total Other Financing Sources | -0- | 17,349 | 17,349 | 14,746 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures | | | | |
| and Other Financing Uses | (55,632) | (103,686) | (48,054) | (25,674) |
| Fund Balance-January 1 | | 319,720 | | 345,394 |
| Fund Balance-December 31 | | 216,034 | | 319,720 |

LIBRARY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | | 2018 | |
|--|---------|---------|--------------|---------|
| | Budget | Actual | Final Budget | Actual |
| Revenues | | | | |
| Taxes and Special Assessment | | | | |
| Property Taxes | 65,885 | 65,885 | | 56,685 |
| State Aid | | | | |
| Local Government Aid | 50,000 | 50,000 | | 50,000 |
| Total State Aid | 50,000 | 50,000 | -0- | 50,000 |
| Miscellaneous Revenue | | | | |
| Facility and Equipment Rent | 600 | 613 | 13 | 905 |
| Donations | 175 | 100 | (75) | 4,668 |
| Refunds and Reimbursements | 2,600 | | (2,600) | 318 |
| Interest Income | | 8,684 | 8,684 | 7,050 |
| Total Miscellaneous Revenue | 3,375 | 9,397 | 6,022 | 12,941 |
| Total Revenues | 119,260 | 125,282 | 6,022 | 119,626 |
| Expenditures | | | | |
| Salaries and Wages | 6,800 | 8,902 | (2,102) | 6,746 |
| Insurance and Payroll Taxes | 4,960 | 5,486 | (526) | 6,502 |
| Supplies | 2,250 | 2,035 | 215 | 2,014 |
| Repair and Maintenance | 13,980 | 3,690 | 10,290 | 8,473 |
| Professional Fees | 3,000 | 2,536 | 464 | 2,441 |
| Sales Tax Expense | 105 | 140 | (35) | 167 |
| Insurance | 6,000 | 2,647 | 3,353 | 2,505 |
| Utilities | 14,150 | 13,048 | 1,102 | 12,473 |
| Subscriptions and Membership | 58,650 | 58,269 | 381 | 56,136 |
| Capital Outlay | 8,250 | 3,944 | 4,306 | 12,007 |
| Miscellaneous | 115 | 61 | 54 | 89 |
| Total Expenditures | 118,260 | 100,758 | 17,502 | 109,553 |
| Excess Revenues (Expenditures) | 1,000 | 24,524 | 23,524 | 10,073 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | (1,000) | | 1,000 | -0- |
| Total Other Financing Sources | (1,000) | -0- | 1,000 | -0- |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures | | | | |
| and Other Financing Uses | -0- | 24,524 | 24,524 | 10,073 |
| Fund Balance-January 1 | | 559,640 | | 549,567 |
| Fund Balance-December 31 | | 584,164 | | 559,640 |

PERMANENT IMPROVEMENT REVOLVING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| <u>Revenues</u> | <u>2019</u> | | <u>2018</u> | |
|---|---------------|---------------|-----------------------------------|---------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> | <u>Actual</u> |
| <u>Taxes and Special Assessments</u> | | | | |
| Property Taxes | 59,580 | 59,580 | | 76,667 |
| Miscellaneous Revenue | | | | |
| Refunds and Reimbursements | 5,000 | 1,827 | (5,000) | |
| Interest Income | | 1,827 | 1,827 | 971 |
| Total Miscellaneous Revenues | 5,000 | 1,827 | (3,173) | 971 |
| Total Revenues | 64,580 | 61,407 | (3,173) | 77,638 |
| <u>Expenditures</u> | | | | |
| Capital Outlay | | | | |
| Principal | 28,230 | 18,442 | 9,788 | 12,879 |
| Interest | 11,000 | 22,887 | (11,887) | |
| Repair and Maintenance | | 5,561 | (5,561) | |
| Professional Services | | 6,068 | (6,068) | |
| Total Expenditures | 39,580 | 300 | 50 | 9,895 |
| Excess Revenues (Expenditures) | 25,000 | 53,258 | (13,678) | 22,774 |
| | | 8,149 | (16,851) | 54,864 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers Out | (25,000) | (54,000) | (29,000) | (19,079) |
| Total Other Financing Sources | (25,000) | (54,000) | (29,000) | (19,079) |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | -0- | (45,851) | (45,851) | 35,785 |
| Fund Balance-January 1 | | 321,600 | | 285,815 |
| Fund Balance-December 31 | | 275,749 | | 321,600 |

ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| <u>Revenues</u> | <u>2019</u> | | <u>2018</u> | |
|--------------------------------------|---------------|---------------|-----------------------------------|---------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> | <u>Actual</u> |
| <u>Taxes and Special Assessments</u> | | | | |
| Property Taxes | 261,928 | 261,928 | | 254,660 |
| Special Assessment | 150 | 3,068 | 2,918 | 45 |
| Total Taxes and Special Assessments | 262,078 | 264,996 | 2,918 | 254,705 |
| State Aid | | | | |
| Local Government Aid | 102,127 | 102,127 | | 102,000 |
| Total State Aid | 102,127 | 102,127 | -0- | 102,000 |
| Miscellaneous Revenues | | | | |
| Charges for Services | 450 | 240 | (210) | 2,480 |
| Interest Income | | 1,690 | 1,690 | 520 |
| Highway Maintenance Grant | 8,120 | 12,180 | 4,060 | 12,970 |
| Refunds and Reimbursements | 500 | | (500) | 7,353 |
| Total Miscellaneous Revenues | 9,070 | 14,110 | 5,040 | 23,323 |
| Total Revenues | 373,275 | 381,233 | 7,958 | 380,028 |
| <u>Expenditures</u> | | | | |
| <u>Streets and Alleys</u> | | | | |
| Salaries and Wages | 122,500 | 121,276 | 1,224 | 119,887 |
| Insurance and Payroll Taxes | 84,800 | 73,880 | 10,920 | 89,410 |
| Engineering and Improvements | 60,000 | 26,548 | 33,452 | 25,571 |
| Fuels and Lubricants | 10,600 | 15,671 | (5,071) | 13,214 |
| Repair and Maintenance | 17,000 | 29,262 | (12,262) | 27,239 |
| General Supplies | 5,500 | 1,138 | 4,362 | 5,193 |
| Principal | 35,000 | 35,000 | | 35,000 |
| Interest | 202 | 201 | 1 | 570 |
| Professional Services | 8,800 | 2,325 | 6,475 | 13,896 |
| Bond Insurance Costs | 300 | | 300 | 167 |
| Miscellaneous | 5,048 | 2,250 | 2,798 | 4,020 |
| Capital Outlay | | 98,708 | (98,708) | |
| Total Streets and Alleys | 349,750 | 406,259 | (56,509) | 334,167 |
| <u>Bridges</u> | | | | |
| Utilities | 260 | 222 | 38 | 235 |

ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | | 2018 | |
|---------------------------------|---------|----------|-------------------------------|---------|
| | Budget | Actual | Variance with Final Budget | Actual |
| Expenditures - continued | | | | |
| Street Maintenance Shop | | | | |
| Supplies | 4,250 | 4,228 | 22 | 1,915 |
| Repair and Maintenance | 2,225 | 333 | 1,892 | 870 |
| Telephone | 650 | 671 | (21) | 622 |
| Travel, School and Conferences | 900 | 251 | 649 | 212 |
| Insurance | 5,750 | 4,315 | 1,435 | 4,120 |
| Utilities | 5,000 | 5,042 | (42) | 4,212 |
| Professional Services | 400 | | 400 | 226 |
| Miscellaneous | 790 | 687 | 103 | 1,193 |
| Capital Outlay | 500 | | 500 | |
| Total Street Maintenance Shop | 20,465 | 15,527 | 4,938 | 13,370 |
| Traffic Signs | | | | |
| General Supplies | 500 | | 500 | |
| Trees | | | | |
| Labor | 2,000 | | 2,000 | 400 |
| General Supplies | 300 | 164 | 136 | 726 |
| Total Trees | 2,300 | 164 | 2,136 | 1,126 |
| Total Expenditures | 373,275 | 422,172 | (48,897) | 348,898 |
| Excess Revenues (Expenditures) | -0- | (40,939) | (40,939) | 31,130 |
| Fund Balance-January 1 | | 290,434 | | 259,304 |
| Fund Balance-December 31 | | 249,495 | | 290,434 |

PARK FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | | 2018 | |
|------------------------------------|---------|---------|-------------------------------|---------|
| | Budget | Actual | Variance with Final Budget | Actual |
| Revenues | | | | |
| Taxes | | | | |
| Property Taxes | 89,445 | 89,445 | | 76,586 |
| Special Assessment | | | | 5,449 |
| Total Taxes and Special Assessment | 89,445 | 89,445 | -0- | 82,035 |
| State Aid | | | | |
| Local Government Aid | 57,000 | 57,000 | | 57,000 |
| Total State Aid | 57,000 | 57,000 | -0- | 57,000 |
| Miscellaneous Revenues | | | | |
| Candy Sales | 4,400 | 3,907 | (493) | 3,882 |
| Baseball and Softball Dues | 1,100 | 1,100 | | 1,300 |
| Swimming Pool Sales | 20,450 | 19,347 | (1,103) | 21,157 |
| Donations | 300 | | (300) | 566 |
| Interest Income | | 1,639 | 1,639 | 505 |
| Refunds and Reimbursements | 150 | 1,449 | 1,299 | 3,567 |
| Miscellaneous | 8,250 | 5,300 | (2,950) | 12,950 |
| Total Miscellaneous Revenues | 34,650 | 32,742 | (1,908) | 43,927 |
| Total Revenues | 181,095 | 179,187 | (1,908) | 182,962 |
| Expenditures | | | | |
| Municipal Parks | | | | |
| Salaries and Wages | 31,500 | 39,173 | (7,673) | 29,168 |
| Insurance and Payroll Taxes | 21,200 | 18,530 | 2,670 | 15,840 |
| Fuel and Lubricants | 2,500 | 2,040 | 460 | 2,169 |
| Repair and Maintenance | 5,750 | 8,567 | (2,817) | 2,189 |
| Supplies | 7,700 | 8,363 | (663) | 6,168 |
| Professional Fees | 5,700 | 743 | 4,957 | 746 |
| Sales Tax | 800 | 394 | 406 | 2,556 |
| Advertising | 100 | 207 | (107) | 64 |
| Miscellaneous | 8,675 | 10,477 | (1,802) | 6,273 |
| Insurance | 13,250 | 14,269 | (1,019) | 14,276 |
| Travel, School and Conferences | 250 | 90 | 160 | |
| Utilities | 5,100 | 4,740 | 360 | 5,366 |
| Capital Outlay | 8,000 | 29,841 | (21,841) | 23,188 |
| Total Municipal Parks | 110,525 | 137,434 | (26,909) | 108,003 |

PARK FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | | 2018 | |
|---------------------------------|----------------|-----------------|---------------------------------------|----------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> | <u>Actual</u> |
| Expenditures - continued | | | | |
| Swimming Pool | | | | |
| Supplies | 2,950 | 2,102 | 848 | 1,237 |
| Insurance | 3,950 | 3,848 | 102 | 5,209 |
| Repair and Maintenance | 7,100 | 8,429 | (1,329) | 6,565 |
| Salaries | 27,500 | 25,026 | 2,474 | 28,739 |
| Sales Tax | 1,750 | 1,574 | 176 | |
| Utilities | 13,250 | 15,731 | (2,481) | 13,237 |
| Miscellaneous | | 367 | (367) | |
| Capital Outlay | | | | 4,416 |
| Advertising | 370 | 576 | (206) | 333 |
| Total Swimming Pool | <u>56,870</u> | <u>57,653</u> | <u>(783)</u> | <u>59,736</u> |
| Organized Recreation | | | | |
| Recreation Director | 3,000 | 3,000 | | 3,000 |
| Baseball and Softball | 9,700 | 12,787 | (3,087) | 9,359 |
| Skating Rink | 1,000 | 895 | 105 | 1,805 |
| Total Organized Recreation | <u>13,700</u> | <u>16,682</u> | <u>(2,982)</u> | <u>14,164</u> |
| Total Expenditures | <u>181,095</u> | <u>211,769</u> | <u>(30,674)</u> | <u>181,903</u> |
| Excess Revenues (Expenditures) | <u>-0-</u> | <u>(32,582)</u> | <u>(32,582)</u> | <u>1,059</u> |
| Fund Balance-January 1 | | <u>257,461</u> | | <u>256,402</u> |
| Fund Balance-December 31 | | <u>224,879</u> | | <u>257,461</u> |

ECONOMIC DEVELOPMENT AUTHORITY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | | 2018 | |
|---|-----------------|----------------|---------------------------------------|----------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> | <u>Actual</u> |
| Revenues | | | | |
| Taxes | | | | |
| Property Taxes | 35,830 | 35,830 | | 34,680 |
| Total Taxes | <u>35,830</u> | <u>35,830</u> | <u>-0-</u> | <u>34,680</u> |
| Miscellaneous Revenues | | | | |
| SCDG Revolving Loan Principal | | 33,752 | 33,752 | 14,135 |
| SCDG Revolving Loan Interest | | 1,335 | 1,335 | 1,308 |
| Small Cities Grant | | | | 118,741 |
| Grant Revenue | | | | 10,000 |
| Interest Income | | 3,392 | 3,392 | 1,270 |
| Refunds and Reimbursements | | | | 2,500 |
| Total Miscellaneous Revenues | <u>-0-</u> | <u>38,479</u> | <u>38,479</u> | <u>147,954</u> |
| Total Revenues | <u>35,830</u> | <u>74,309</u> | <u>38,479</u> | <u>182,634</u> |
| Expenditures | | | | |
| Salaries-Commissioners | 4,200 | 3,900 | 300 | 4,200 |
| Insurance and Payroll Taxes | 330 | 298 | 32 | 321 |
| Professional Services | 12,600 | 34,570 | (21,970) | 150,514 |
| General Supplies | 50 | | 50 | 24 |
| Taxes | 3,600 | 3,278 | 322 | 3,124 |
| Payments to County EDA | | 15,000 | (15,000) | 15,000 |
| Advertising | | 50 | 50 | 701 |
| Travel, School and Conferences | | | | 106 |
| Total Expenditures | <u>20,830</u> | <u>57,046</u> | <u>(36,216)</u> | <u>173,990</u> |
| Excess Revenues (Expenditures) | <u>15,000</u> | <u>17,263</u> | <u>2,263</u> | <u>8,644</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | <u>(15,000)</u> | | <u>15,000</u> | <u>-0-</u> |
| Total Other Financing Sources | <u>(15,000)</u> | <u>-0-</u> | <u>15,000</u> | |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | <u>-0-</u> | <u>17,263</u> | <u>17,263</u> | <u>8,644</u> |
| Fund Balance-January 1 | | <u>281,095</u> | | <u>272,451</u> |
| Fund Balance-December 31 | | <u>298,358</u> | | <u>281,095</u> |

**DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2019**

| | Tax Increment Financing No. 6 of 1998 77,965 | Library Bonds of 1997 42,296 | Tax Increment Financing No. 9 - |
|---|--|---------------------------------------|---|
| Assets | | | |
| Cash and Investments | | | |
| Taxes Receivable | | | |
| Total Assets | 77,965 | 42,296 | - |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| Liabilities | | | |
| Due To Other Funds | - | 42,644 | 12,714 |
| Total Liabilities | - | 42,644 | 12,714 |
| Deferred Inflows of Resources | | | |
| Unavailable Revenue-Taxes | - | - | - |
| Total Deferred Inflows of Resource | - | - | - |
| Fund Equity | | | |
| Fund Balance - Restricted | 77,965 | | |
| Fund Balance - Unassigned | | (348) | (12,714) |
| Total Fund Equity | 77,965 | (348) | (12,714) |
| Total Liabilities Deferred Inflows of Resource and Fund Equity | 77,965 | 42,296 | - |

| | Improvement Swimming Pool | Tax Abatement Industrial Site | Street Project 2012 | Total (Memo Only) 2019 2018 |
|--|---------------------------------|--|---------------------------|-----------------------------------|
| | 98,568 | 78,644 | 392,725 | 690,198 669,725 |
| | 98,568 | 78,644 | 234,445 | 234,445 260,725 |
| | | | 627,170 | 924,643 930,450 |
| | - | - | - | 55,358 103,279 |
| | - | - | 233,765 | 233,765 259,699 |
| | 98,568 | 78,644 | 393,405 | 648,582 628,456 |
| | 98,568 | 78,644 | 393,405 | (13,062) (60,984) |
| | 98,568 | 78,644 | 627,170 | 635,520 567,472 |
| | 98,568 | 78,644 | | 924,643 930,450 |

City of Dawson
Dawson, Minnesota

DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Tax Increment Financing No. 6 of 1998 | Library Bonds of 1997 | Tax Increment Financing No. 9 | Improvement Swimming Pool | Tax Abatement Industrial Site | Street Project | Total (Memo Only) |
|-------------------------------|--|--------------------------------------|--|--|--|---------------------------|------------------------------|
| Revenues | | | | | | | |
| Property Taxes | | 44,437 | 24,340 | 82,598 | 21,183 | 89,384 | 261,942 |
| Special Assessments | | | | | | | 265,509 |
| Tax Increments | 7,497 | | | | | 35,291 | 34,645 |
| Interest Income | | | | 3,383 | | 7,497 | 6,481 |
| Total Revenues | 7,497 | 44,437 | 24,340 | 85,981 | 21,183 | 134,255 | 317,693 |
| | | | | | | | 310,703 |
| Expenditures | | | | | | | |
| Principal | | | | 55,000 | 12,589 | 95,000 | 162,589 |
| Interest | | | | 26,723 | 8,294 | 28,934 | 66,886 |
| Paying / Agent Fees | | 2,935 | | 475 | | 475 | 72,771 |
| Professional Services | 300 | 300 | | | 300 | 400 | 950 |
| Tax Abatement | | | | 300 | | | 1,000 |
| Total Expenditures | 300 | 3,235 | 17,375 | 82,498 | 21,183 | 124,809 | 21,315 |
| | | | | | | | 259,768 |
| Excess Revenue (Expenditures) | 7,197 | 41,202 | 6,720 | 3,483 | -0- | 9,446 | 68,048 |
| Fund Balance-January 1 | 70,768 | (41,550) | (19,434) | 95,085 | 78,644 | 383,959 | 567,472 |
| Fund Balance-December 31 | 77,965 | (348) | (12,714) | 98,568 | 78,644 | 393,405 | 635,520 |
| | | | | | | | 567,472 |

TAX INCREMENT FINANCING NO. 6 OF 1998
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| <u>Revenues</u> | <u>2019</u> | <u>2018</u> |
|--------------------------------|---------------|---------------|
| Tax Increments | 7,497 | 6,481 |
| Total Revenues | <u>7,497</u> | <u>6,481</u> |
| <u>Expenditures</u> | | |
| Professional Fees | 300 | 300 |
| Total Expenditures | <u>300</u> | <u>300</u> |
| Excess Revenues (Expenditures) | 7,197 | 6,181 |
| Fund Balance-January 1 | 70,768 | 64,587 |
| Fund Balance-December 31 | <u>77,965</u> | <u>70,768</u> |

LIBRARY BONDS OF 1997
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| <u>Revenues</u> | <u>2019</u> | <u>2018</u> |
|--------------------------------|---------------|-----------------|
| Taxes | | |
| Local Property Taxes | 44,437 | 44,440 |
| Total Revenues | <u>44,437</u> | <u>44,440</u> |
| <u>Expenditures</u> | | |
| Interest | 2,935 | 4,328 |
| Professional Fees | 300 | 300 |
| Total Expenditures | <u>3,235</u> | <u>4,628</u> |
| Excess Revenues (Expenditures) | 41,202 | 39,812 |
| Fund Balance-January 1 | (41,550) | (81,362) |
| Fund Balance-December 31 | <u>(348)</u> | <u>(41,550)</u> |

TAX INCREMENT FINANCING NO. 9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | 2018 |
|--------------------------------|----------|----------|
| Revenues | | |
| Local Property Taxes | 24,340 | 24,342 |
| Expenditures | | |
| Professional Services | 245 | 1,080 |
| Tax Abatement | 17,375 | 21,315 |
| Total Expenditures | 17,620 | 22,395 |
| Excess Revenues (Expenditures) | 6,720 | 1,947 |
| Fund Balance-January 1 | (19,434) | (21,381) |
| Fund Balance-December 31 | (12,714) | (19,434) |

IMPROVEMENT SWIMMING POOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | 2018 |
|--------------------------------|--------|--------|
| Revenues | | |
| Local Property Taxes | 82,598 | 84,938 |
| Interest Income | 3,383 | 1,040 |
| Total Revenues | 85,981 | 85,978 |
| Expenditures | | |
| Principal | 55,000 | 55,000 |
| Interest | 26,723 | 29,088 |
| Professional Services | 300 | 300 |
| Paying Agent Fees | 475 | 550 |
| Total Expenditures | 82,498 | 84,938 |
| Excess Revenues (Expenditures) | 3,483 | 1,040 |
| Fund Balance-January 1 | 95,085 | 94,045 |
| Fund Balance-December 31 | 98,568 | 95,085 |

TAX ABATEMENT INDUSTRIAL SITE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| <u>Revenues</u> | <u>2019</u> | <u>2018</u> |
|--------------------------------|-------------|-------------|
| Local Property Taxes | 21,183 | 20,884 |
| <u>Expenditures</u> | | |
| Principal | 12,589 | 11,982 |
| Interest | 8,294 | 8,901 |
| Professional Services | 300 | 300 |
| Total Expenditures | 21,183 | 21,183 |
| Excess Revenues (Expenditures) | -0- | (299) |
| Fund Balance-January 1 | 78,644 | 78,943 |
| Fund Balance-December 31 | 78,644 | 78,644 |

STREET PROJECT 2012
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| <u>Revenues</u> | <u>2019</u> | <u>2018</u> |
|--------------------------------|-------------|-------------|
| Property Taxes | 89,384 | 90,905 |
| Special Assessments | 35,291 | 34,645 |
| Interest Income | 9,580 | 3,028 |
| Total Revenues | 134,255 | 128,578 |
| <u>Expenditures</u> | | |
| Professional Services | 400 | 420 |
| Principal | 95,000 | 95,000 |
| Interest | 28,934 | 30,454 |
| Bond Issuance Costs | 475 | 450 |
| Total Expenditures | 124,809 | 126,324 |
| Excess Revenues (Expenditures) | 9,446 | 2,254 |
| Fund Balance-January 1 | 383,959 | 381,705 |
| Fund Balance-December 31 | 393,405 | 383,959 |

City of Dawson
Dawson, Minnesota

CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2020 |
|--------------------------------|-----------------------------|
| Revenues | Street & Utility |
| Total Revenues | <u>Project</u> |
| | -0- |
| Expenditures | |
| Capital Outlay | <u>72,347</u> |
| Total Expenditures | <u>72,347</u> |
| Excess Revenues (Expenditures) | (72,347) |
| Fund Balance-January 1 | <u>-0-</u> |
| Fund Balance-December 31 | <u>(72,347)</u> |

City of Dawson
Dawson, Minnesota

CAPITAL PROJECTS FUND
BALANCE SHEET
DECEMBER 31, 2019

| | 2020 |
|------------------------------------|-----------------------------|
| Assets | Street & Utility |
| Total Assets | <u>Project</u> |
| | -0- |
| Liabilities and Fund Equity | |
| Liabilities | |
| Due From Other Funds | <u>72,347</u> |
| Total Liabilities | <u>72,347</u> |
| Fund Equity | |
| Fund Balance- Restricted | <u>(72,347)</u> |
| Total Fund Equity | <u>(72,347)</u> |
| Total Liabilities and Fund Equity | <u>-0-</u> |

City of Dawson
Dawson, Minnesota

Schedule 25

**ENTERPRISE FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2019**

| | Liquor | Water | Refuse | Armory Housing | Totals (Memo Only) | |
|--|-----------|-------------|---------|-------------------|-----------------------|-------------|
| Assets | | | | | 2019 | 2018 |
| Cash and Investments | 138,097 | 23,213 | 146,675 | 59,599 | 367,584 | 472,967 |
| Cash on Hand | 485 | 150 | | | 635 | 635 |
| Accounts Receivable | 3,888 | 85,968 | 10,293 | | 100,149 | 86,203 |
| Special Assessment Receivable | | 6,593 | | | 6,593 | 4,496 |
| Inventory | 44,476 | | | | 44,476 | 44,572 |
| Prepaid Items | 5,747 | 17,453 | | | 23,200 | 20,983 |
| Bond Discount | | | | 2,022 | 2,022 | 2,319 |
| Land | 15,000 | 14,725 | | | 29,725 | 29,725 |
| Building and Improvements | 142,217 | 7,685,228 | | 624,959 | 8,452,404 | 8,452,404 |
| Equipment | 70,084 | 767,198 | | | 840,901 | 674,212 |
| Accumulated Depreciation | (171,711) | (4,327,069) | 3,619 | (479,137) | (4,981,536) | (4,696,212) |
| Related To Pensions | 4,569 | 10,241 | (3,619) | | 14,810 | 34,667 |
| Total Assets | 252,852 | 4,283,700 | 156,968 | 207,443 | 4,900,963 | 5,126,971 |
| Liabilities and Retained Earnings | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | 868 | 2,403 | 7,673 | 2,159 | 13,103 | 20,566 |
| Interest Expense Payable | | 23,785 | | | 23,785 | |
| Wages Payable | 18,286 | 20,864 | | | 39,150 | 38,591 |
| Sales Tax Payable | 4,054 | 488 | 930 | | 5,472 | 5,160 |
| Customer Deposits | | | | 3,200 | 3,200 | 2,700 |
| Unearned Revenue: | | | | | | |
| Special Assessments | | 6,593 | | | 6,593 | 2,758 |
| Net Pension Liability | 52,230 | 117,055 | | | 169,285 | 167,327 |
| Related To Pensions | 15,373 | 34,453 | | | 49,826 | 73,175 |
| Notes Payable | | 709,000 | | | 709,000 | 865,000 |
| Bonds Payable | | 1,790,000 | | 190,000 | 1,980,000 | 2,232,000 |
| Total Liabilities | 90,811 | 2,704,641 | 8,603 | 195,359 | 2,999,414 | 3,407,277 |
| Retained Earnings | | | | | | |
| Unreserved, Undesignated | 162,041 | 1,579,059 | 148,365 | 12,084 | 1,901,549 | 1,719,694 |
| Total Retained Earnings | 162,041 | 1,579,059 | 148,365 | 12,084 | 1,901,549 | 1,719,694 |
| Total Liabilities and Retained Earnings | 252,852 | 4,283,700 | 156,968 | 207,443 | 4,900,963 | 5,126,971 |

ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | <u>Liquor</u> | <u>Water</u> | <u>Totals</u> <u>(Memo Only)</u> | |
|--|---------------|--------------|-------------------------------------|-----------|
| Operating Revenues | | | | |
| Sales | 459,399 | 897,366 | 2019 | 2018 |
| Rent Income | | | 1,474,245 | 1,386,456 |
| Special Assessments | | | 66,670 | 55,120 |
| Total Operating Revenues | 459,399 | 897,366 | 1,540,915 | 1,446,541 |
| Cost of Sales | 323,120 | | 323,120 | 328,669 |
| Total Revenues/Gross Margin | 136,279 | 897,366 | 1,217,795 | 1,117,872 |
| Operating Expenses | 141,744 | 689,492 | | |
| Net Operating Income (Loss) | (5,465) | 207,874 | 1,001,010 | 926,651 |
| Non-Operating Revenues (Expenses) | | | 216,785 | 191,221 |
| Interest Income | 1,616 | 2,159 | | |
| Miscellaneous Income | | | 7,019 | 4,577 |
| Transfers In | | 54,000 | 1,283 | 4,835 |
| Amortization of Bond Issuance Costs | | | 54,000 | 19,079 |
| Interest Expense | | (88,150) | (297) | (297) |
| Total Non-Operating Revenues (Expenses) | 1,616 | (31,991) | (96,935) | (83,094) |
| Net Income (Loss) | (3,849) | 175,883 | (34,930) | (54,900) |
| Retained Earnings-January 1 | 165,890 | 1,403,176 | 181,855 | 136,321 |
| Retained Earnings-December 31 | 162,041 | 1,579,059 | 1,719,694 | 1,583,373 |
| | | | 1,901,549 | 1,719,694 |

LIQUOR FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

| <u>Operating Revenues</u> | 2019 | 2018 |
|--|---------|---------|
| Liquor Sales | 264,564 | 263,665 |
| Wine Sales | 41,766 | 40,420 |
| Beer Sales | 142,690 | 142,983 |
| Miscellaneous Merchandise Sales | 10,379 | 11,496 |
| Total Operating Revenues | 459,399 | 458,564 |
| Cost of Sales | | |
| Inventory-January 1 | 44,572 | 49,211 |
| Purchases | 320,641 | 320,801 |
| Freight | 2,479 | 3,229 |
| Total | 367,692 | 373,241 |
| Inventory-December 31 | 44,572 | 44,572 |
| Cost of Goods Sold | 323,120 | 328,669 |
| Gross Margin | 136,279 | 129,895 |
| Gross Margin Percentage | 29.7% | 28.3% |
| <u>Operating Expenses</u> | | |
| Salaries and Wages | 80,653 | 79,346 |
| Insurance and Payroll Taxes | 26,999 | 22,284 |
| Office Supplies | 1,729 | 1,137 |
| General Supplies | 6,396 | 5,559 |
| Repair and Maintenance | 2,229 | 964 |
| Professional Services | 1,500 | 1,500 |
| Telephone | 1,282 | 1,331 |
| Contracted Services | 186 | 211 |
| Conferences and Schools | 1,072 | 695 |
| Travel | 168 | 160 |
| Insurance | 2,672 | 2,622 |
| Utilities | 7,119 | 7,847 |
| Advertising | 950 | 782 |
| Subscriptions and Memberships | 550 | 550 |
| Depreciation | 8,239 | 8,239 |
| Total Operating Expenses | 141,744 | 133,227 |
| Net Operating Income (Loss) | (5,465) | (3,332) |
| <u>Non-Operating Revenues (Expenses)</u> | | |
| Interest Income | 1,616 | 666 |
| Total Non-Operating Revenues (Expenses) | 1,616 | 666 |
| Net Income (Loss) | (3,849) | (2,666) |
| Retained Earnings-January 1 | 165,890 | 168,556 |
| Retained Earnings-December 31 | 162,041 | 165,890 |

WATER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

| <u>Operating Revenues</u> | 2019 | 2018 |
|-------------------------------|---------|---------|
| Sales | | |
| Water/Sewer Sales | 885,173 | 798,681 |
| Water Testing and Meter Sales | 12,193 | 12,251 |
| Total Sales | 897,366 | 810,932 |
| Special Assessments | | 4,965 |
| Total Operating Revenues | 897,366 | 815,897 |
| <u>Operating Expenses</u> | | |
| Water | | |
| Salaries | 56,594 | 49,375 |
| Insurance and Payroll Taxes | 37,896 | 26,292 |
| Fuels and Lubricants | 702 | 592 |
| Supplies | 1,471 | 1,311 |
| Repair and Maintenance | 24,818 | 12,997 |
| Insurance | 1,068 | 7,588 |
| Utilities | 17,389 | 13,911 |
| Contractual Services | 9,317 | 1,356 |
| Telephone | 2,877 | 2,592 |
| Watertower | 246 | 3,756 |
| Depreciation | 254,443 | 242,089 |
| Capital Outlay | | 583 |
| Professional Services | 19,522 | 11,955 |
| Total Water | 426,343 | 374,397 |
| Waste Water Plant | | |
| Salaries | 69,817 | 69,799 |
| Insurance and Payroll Taxes | 37,855 | 44,163 |
| Utilities | 44,955 | 43,833 |
| Contractual Services | 14,374 | 3,626 |
| Repair and Maintenance | 13,920 | 10,846 |
| Supplies | 1,614 | 2,558 |
| Fuels and Lubricants | 3,531 | 1,559 |
| Professional Services | 24,305 | 28,992 |
| Testing Fees | 4,786 | 4,942 |
| Refuse Removal | 6,943 | 6,277 |
| Miscellaneous | 6,206 | 3,738 |
| Total Waste Water Plant | 228,306 | 220,333 |

WATER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | 2018 |
|--|-----------|-----------|
| Operating Expenses - continued | | |
| Administration | | |
| Salaries and Wages | 13,858 | 4,048 |
| Insurance and Payroll Taxes | 3,915 | 5,266 |
| Office Supplies | 3,062 | 4,516 |
| Travel, Schools and Conferences | 1,853 | 986 |
| Professional Services | 8,054 | 6,030 |
| Repair and Maintenance | 516 | |
| Insurance | 2,265 | 2,169 |
| Subscriptions and Memberships | 1,320 | 858 |
| Total Administration | 34,843 | 23,873 |
| Total Operating Expenses | 689,492 | 618,603 |
| Net Income (Loss) From Operations | 207,874 | 197,294 |
| Non-Operating Revenues (Expenses) | | |
| Refunds and Reimbursements | 2,159 | 2,914 |
| Transfers In | 54,000 | 19,079 |
| Interest Expense | (88,150) | (73,347) |
| Total Non-Operating Revenues (Expenses) | (31,991) | (51,354) |
| Net Income (Loss) | 175,883 | 145,940 |
| Retained Earnings-January 1 | 1,403,176 | 1,257,236 |
| Retained Earnings-December 31 | 1,579,059 | 1,403,176 |

REFUSE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | 2018 |
|--|---------|---------|
| Operating Revenues | | |
| Collection Charges | 117,480 | 116,960 |
| Operating Expenses | | |
| Contractual Services | 98,540 | 98,818 |
| Sales Tax | 10,482 | 10,437 |
| Professional Services | 4,482 | 4,408 |
| Total Operating Expenses | 113,504 | 113,663 |
| Non-Operating Revenues (Expenses) | | |
| Interest Income | 2,921 | 898 |
| Total Non-Operating Revenues (Expenses) | 2,921 | 898 |
| Net Income (Loss) | 6,897 | 4,195 |
| Retained Earnings-January 1 | 141,468 | 137,273 |
| Retained Earnings-December 31 | 148,365 | 141,468 |

ARMORY HOUSING FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | |
|--|----------------|----------------|
| <u>Operating Revenues</u> | <u>2019</u> | <u>2018</u> |
| Rent | 66,670 | 55,120 |
| <u>Operating Expenses</u> | | |
| Depreciation | 22,642 | 22,642 |
| Salaries | 8,000 | 6,900 |
| Repair & Maintenance | 10,082 | 15,706 |
| Insurance | 3,287 | 3,117 |
| Utilities | 7,238 | 8,033 |
| Property Taxes | 2,756 | 3,154 |
| Professional Fees | 1,475 | 1,350 |
| Supplies | 790 | 163 |
| Miscellaneous | | 93 |
| Total Operating Expenses | <u>56,270</u> | <u>61,158</u> |
| Net Operating Income (Loss) | 10,400 | (6,038) |
| <u>Non-Operating Revenues (Expenses)</u> | | |
| Interest Income | 323 | 99 |
| Miscellaneous Income | 1,283 | 4,835 |
| Amortization | (297) | (297) |
| Interest Expense | (8,785) | (9,747) |
| Total Non-Operating Revenues (Expenses) | <u>(7,476)</u> | <u>(5,110)</u> |
| Net Income (Loss) | 2,924 | (11,148) |
| Retained Earnings-January 1 | 9,160 | 20,308 |
| Retained Earnings-December 31 | <u>12,084</u> | <u>9,160</u> |

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City of Dawson
Dawson, Minnesota

Schedule 31

SCHEDULE OF LONG TERM DEBT
DECEMBER 31, 2019

| Fund and Issue | Interest Rate | Issue Date | Final Maturity | Balance Outstanding 12-31-18 | New Issues | Redemptions | Balance Outstanding 12-31-19 | 2020 Payments Schedule |
|---|----------------------|-------------------|-----------------------|-------------------------------------|-------------------|--------------------|-------------------------------------|------------------------------------|
| Governmental Fund Debt | | | | | | | | |
| G.O. Tax Abatement Bonds of 2007 B | 5.0% | 12-18-07 | 2-01-29 | 168,987 | | 12,589 | 156,398 | Principal 13,226 Interest 7,657 |
| G.O. Swimming Pool Bonds of 2007 A | 4.25% | 6-28-07 | 2-01-27 | 625,000 | | 55,000 | 570,000 | 60,000 24,220 |
| G.O. Tax Abatement Bonds Series 2008 A | 5.0% | 1-10-08 | 2-1-24 | 143,000 | | 23,000 | 120,000 | 24,000 5,700 |
| G.O. Improvement Bonds 2012B | .75% - 3.1% | 5-22-12 | 2-1-29 | 1,190,000 | | 95,000 | 1,095,000 | 100,000 27,176 |
| G.O. Equipment Bonds 2013A | .45% - 1.15% | 6-6-13 | 2-1-19 | 95,000 | | 95,000 | | |
| John Deere Financial | 5.45% | 11-19-18 | 11-19-22 | 99,513 | | 22,887 | 76,626 | 24,166 4,282 |
| Employee Benefits-Vacation Accrued | N/A | N/A | N/A | 41,588 | \$311 | | 46,899 | |
| Total Governmental Fund Debt | | | | 2,363,088 | 5,311 | 303,476 | 2,064,923 | 221,392 69,035 |
| Proprietary Fund Debt | | | | | | | | |
| Bonds Payable | | | | | | | | |
| Water Fund | | | | | | | | |
| G.O. Water & Sewer Revenue Bonds 2012A | 2.0% | 5-22-12 | 2-1-27 | 1,680,000 | | 140,000 | 1,540,000 | 155,000 32,673 |
| G.O. Utility Revenue Bonds 2015A | 2.50% | 11-2-15 | 2-1-23 | 172,000 | | 32,000 | 140,000 | 34,000 3,075 |
| G.O. Water & Sewer Refunding Bonds 2011 A | 3.85% | 2-10-11 | 8-1-22 | 170,000 | | 60,000 | 110,000 | 35,000 4,235 |
| Total Water Fund | | | | 2,022,000 | | 232,000 | 1,790,000 | 234,000 39,983 |
| Armory Housing Fund | | | | | | | | |
| Housing Development Refunding Bonds | 2.55-4.35% | 2-10-11 | 1-1-27 | 210,000 | | 20,000 | 190,000 | 25,000 8,015 |
| Total Armory Housing Fund | | | | 210,000 | | 20,000 | 190,000 | 25,000 8,015 |
| Total Bonds Payable | | | | 2,232,000 | | 252,000 | 1,980,000 | 249,000 47,998 |
| Notes Payable | | | | | | | | |
| Water Fund | | | | | | | | |
| G.O. Water Revenue Note - Public Facilities | 3.32% | 9-20-02 | 8-20-22 | 236,000 | | 56,000 | 180,000 | 58,000 5,976 |
| G.O. Sewer Revenue Note - Public Facilities | 1.73% | 8-10-04 | 8-20-24 | 629,000 | | 100,000 | 529,000 | 102,000 9,152 |
| Total Notes Payable | | | | 865,000 | -0- | 156,000 | 709,000 | 160,000 15,128 |
| Total Enterprise Fund Debt | | | | 3,097,000 | -0- | 408,000 | 2,689,000 | 409,000 63,126 |

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**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**

Honorable Mayor and
Members of the City Council
Dawson, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dawson, Dawson, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Dawson, Minnesota's basic financial statements and have issued our report thereon dated August 25, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses of significant deficiencies and therefore, material

weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be material weaknesses (2019-I and 2019-II).

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and Tax Increment Financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Dawson, Dawson, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 of Dawson, Dawson, Minnesota's noncompliance with the above reference provisions.

City of Dawson, Minnesota's Response to Findings

City of Dawson, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. City of Dawson, Minnesota'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.

Meulebroeck, Taubert & Co., PLLP

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

August 25, 2020

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

| | | |
|-----------------|---|--|
| 2019-I | Lack of segregation of duties. | |
| Condition: | The City has limited personnel available to perform accounting duties. | |
| Criteria: | Internal controls should be in place that provide reasonable assurance that a proper segregation of duties has been established. | |
| Effect: | As a result of the lack of segregation, personnel are performing duties which for internal control purposes should be performed by separate individuals. | |
| Recommendation: | The City should design internal controls to provide for proper segregation of duties. | |
| Response: | This is not unusual in a City of this size. The City has studied the situation and found that it is economically infeasible to design the system of internal control to adequately provide for the segregation of duties. The Council will monitor personnel duties. | |
| 2019-II | Lack of Expertise by City personnel to prepare financial statements in accordance with generally accepted accounting principles. | |
| Condition: | The City personnel lack the expertise to prepare financial statements in accordance with generally accepted accounting principles. | |
| Criteria: | Internal controls should be in place that provide reasonable assurance that financial statements are prepared in accordance with generally accepted accounting principles. | |
| Effect: | City personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles. | |
| Recommendation: | The City should provide personnel with adequate training to develop expertise to prepare financial statements in accordance with generally accepted accounting principles. | |
| Response: | This is not unusual in a City of this size. It is economically infeasible for the City to provide the necessary training for personnel to acquire and maintain this expertise. The City will continue to have the auditing firm prepare the financial statements and will have a review of the statements with the auditor. | |

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF LEGAL OPINION

\$ _____
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2020A
CITY OF DAWSON
LAC QUI PARLE COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Dawson, Lac Qui Parle County, Minnesota (the "Issuer"), of its \$ _____ General Obligation Improvement Bonds, Series 2020A, bearing a date of original issue of October 29, 2020 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

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

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

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

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

TAFT STETTINIUS & HOLLISTER LLP

BOOK-ENTRY-ONLY SYSTEM

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Dawson, Minnesota (the "Issuer"), in connection with the issuance of its \$_____ General Obligation Improvement Bonds, Series 2020A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on October 13, 2020 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated _____, 2020, prepared in connection with the Bonds.

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

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

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

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

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2020, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2021, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

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

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

Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

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

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

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

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: _____, 2020

CITY OF DAWSON, MINNESOTA

By _____
Its Mayor

By _____
Its City Manager

APPENDIX E

TERMS OF PROPOSAL

\$2,075,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2020A CITY OF DAWSON, MINNESOTA

Proposals for the purchase of \$2,075,000* General Obligation Improvement Bonds, Series 2020A (the "Bonds") of the City of Dawson, 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 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on October 20, 2020, 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 5:30 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 October 29, 2020, 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> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 2023 | \$35,000 | 2028 | \$185,000 | 2033 | \$200,000 |
| 2024 | 65,000 | 2029 | 190,000 | 2034 | 205,000 |
| 2025 | 70,000 | 2030 | 190,000 | 2035 | 210,000 |
| 2026 | 60,000 | 2031 | 195,000 | 2036 | 215,000 |
| 2027 | 60,000 | 2032 | 195,000 | | |

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2021, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2030 shall be subject to optional redemption prior to maturity on February 1, 2029 or any date thereafter, at a price of par plus accrued interest.

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

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

DELIVERY

On or about October 29, 2020, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$2,050,100 plus accrued interest on the principal sum of \$2,075,000 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 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

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

A good faith deposit ("Deposit") in the amount of \$41,500 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 True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

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

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

CUSIP NUMBERS

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

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

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

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

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

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

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

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the City Council

City of Dawson, Minnesota

PROPOSAL FORM

The City Council
City of Dawson, Minnesota

October 20, 2020

RE: \$2,075,000* General Obligation Improvement Bonds, Series 2020A (the "Bonds")
DATED: October 29, 2020

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 \$2,050,100) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

| | | | | | |
|-------------|------|-------------|------|-------------|------|
| _____ % due | 2023 | _____ % due | 2028 | _____ % due | 2033 |
| _____ % due | 2024 | _____ % due | 2029 | _____ % due | 2034 |
| _____ % due | 2025 | _____ % due | 2030 | _____ % due | 2035 |
| _____ % due | 2026 | _____ % due | 2031 | _____ % due | 2036 |
| _____ % due | 2027 | _____ % due | 2032 | | |

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

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$41,500 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 October 29, 2020.

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 the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from October 29, 2020 of the above proposal is \$ _____ and the true interest cost (TIC) is _____ %.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Dawson, Minnesota, on October 20, 2020.

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