

**New Issue**

**ADDENDUM DATED JUNE 20, 2022  
TO PRELIMINARY OFFICIAL STATEMENT DATED JUNE 9, 2022**

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

**\$1,935,000 GENERAL OBLIGATION WATER REVENUE BONDS,  
SERIES 2022A**

**PROPOSAL OPENING:** June 28, 2022, 10:30 AM C.T.

The above-referenced sale originally scheduled for June 21, 2022, 10:30 AM C.T. has been changed to June 28, 2022, 10:30 AM C.T.

Following is the revised Preliminary Official Statement dated June 9, 2022.

## PRELIMINARY OFFICIAL STATEMENT DATED JUNE 9, 2022

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 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 or 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 of a Final Official Statement.

In the opinion of Ohnstad Twichell, P.C., Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. Such interest is included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions and in adjusted current earnings of corporations for federal alternative minimum tax purposes. See "Tax Exemption and Related Tax Considerations" herein.

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

**New Issue**

**Rating Application Made: S&P Global Ratings**

### CITY OF SABIN, MINNESOTA (Clay County)

(Minnesota City Credit Enhancement Program)

## \$1,935,000\* GENERAL OBLIGATION WATER REVENUE BONDS, SERIES 2022A

**PROPOSAL OPENING:** June 28, 2022, 10:30 A.M., C.T.

**CONSIDERATION:** June 28, 2022, 7:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$1,935,000\* General Obligation Water Revenue Bonds, Series 2022A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, by the City of Sabin, Minnesota (the "City") for the purpose of financing the construction of various improvements to the City's water treatment plant and water tower. 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 Ohnstad Twichell, P.C., West Fargo, North Dakota.

**DATE OF BONDS:**

July 14, 2022

**MATURITY:**

February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2026	\$45,000	2035	\$60,000	2044	\$80,000
2027	45,000	2036	60,000	2045	85,000
2028	50,000	2037	65,000	2046	85,000
2029	50,000	2038	65,000	2047	90,000
2030	50,000	2039	70,000	2048	95,000
2031	55,000	2040	70,000	2049	100,000
2032	55,000	2041	75,000	2050	100,000
2033	55,000	2042	75,000	2051	105,000
2034	60,000	2043	80,000	2052	110,000

**MATURITY  
ADJUSTMENTS:**

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

**TERM BONDS:**

See "Term Bond Option" herein.

**INTEREST:**

February 1, 2023 and semiannually thereafter.

**OPTIONAL REDEMPTION:**

Bonds maturing on February 1, 2033 and thereafter are subject to call for prior optional redemption on February 1, 2032 and any date thereafter, at a price of par plus accrued interest.

**MINIMUM PROPOSAL:**

\$1,909,845

**GOOD FAITH DEPOSIT:**

A good faith deposit in the amount of \$38,700 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:**

Bond Trust Services Corporation

**BOND COUNSEL:**

Ohnstad Twichell, P.C.

**MUNICIPAL ADVISOR:**

Ehlers and Associates, Inc.

**BOOK-ENTRY-ONLY:**

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



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## 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 SABIN CITY COUNCIL**

		<u>Term Expires</u>
Bob Dablow	Mayor	January 2023
Tom Berglind	Vice Mayor	January 2023
Adam Jenstead	Council Member	January 2025
Drew Schwan	Council Member	January 2023
Toran Thornton	Council Member	January 2025

## **ADMINISTRATION**

Wendy Otte, City Clerk

## **PROFESSIONAL SERVICES**

Ohnstad Twichell, P.C., Bond Counsel, West Fargo, North Dakota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota  
*(Other office located in Waukesha, Wisconsin)*

## INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Sabin, Minnesota (the "City") and the issuance of its \$1,935,000\* General Obligation Water Revenue Bonds, Series 2022A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on June 28, 2022.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at [www.ehlers-inc.com](http://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 July 14, 2022. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2023, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 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, 2033 shall be subject to optional redemption prior to maturity on February 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

**AUTHORITY; PURPOSE**

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, by the City for the purpose of financing the construction of various improvements to the City's water treatment plant and water tower.

**ESTIMATED SOURCES AND USES\***

<b>Sources</b>		
Par Amount of Bonds	<u>\$1,935,000</u>	
<b>Total Sources</b>		<b>\$1,935,000</b>
<b>Uses</b>		
Total Underwriter's Discount (1.500%)	\$29,025	
Costs of Issuance	43,000	
Deposit to Capitalized Interest (CIF) Fund	140,685	
Deposit to Project Construction Fund	1,720,000	
Rounding Amount	<u>2,290</u>	
<b>Total Uses</b>		<b>\$1,935,000</b>

\*Preliminary, subject to change.

**SECURITY**

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

**RATING**

The City will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a rating from S&P Global Ratings ("S&P"). The "AAA" rating is based on the State of Minnesota's current "AAA" rating from S&P. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM" for further details.

The City does not currently have an underlying rating, however, has requested an underlying rating on this issue from S&P. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the 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.

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

By resolution adopted for this issue on May 17, 2022 (the "Resolution"), the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086 (the "Act"), which provides for payment by the State of Minnesota in the event of a potential default of certain obligations. The City has entered into a Credit Enhancement Program Agreement (the "Agreement") with the Minnesota Public Facilities Authority (the "Authority"), which is acting on behalf of the State of Minnesota. The provisions of the Agreement shall be binding on the City as long as any obligations of the issue remain outstanding.

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

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



## **CONTINUING DISCLOSURE**

In order to assist 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.

In the previous five years, the City has not been subject to any undertakings under the Rule, and therefore the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities, including the two new material events, to help ensure compliance in the future.

## **LEGAL OPINION**

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Ohnstad Twichell, P.C., West Fargo, North Dakota, 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**

In the opinion of Bond Counsel, interest on the Bonds is not includable in the "gross income" of the owners thereof for purposes of federal and State of Minnesota income taxation.

Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986 (the "Code") and covenants of the Resolution may result in the inclusion of interest on the Bonds in the federal and Minnesota "gross income" of the owners thereof retroactive to the date of issuance of the Bonds. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation.

The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. Interest on the Bonds will not be treated as a preference item in calculating the federal alternative minimum taxable income of individuals and corporations. However, interest on tax exempt obligations, including the Bonds, is included in computing adjusted current earnings when calculating the Alternative Minimum Tax on corporations.

Prospective purchasers of the Bonds should also be aware that (i) Section 265 of the Code, denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, a portion of a holder's interest expense allocated to interest on the Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25 percent of the gross receipts of such Subchapter S Corporation is passive investment income and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Bonds.

### **Legislative Proposals**

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status of municipal bonds. For example, legislation has been proposed by President Obama that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt bonds cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any such change in law.

### **Original Issue Discount**

Certain maturities of the Bonds may be issued at a discount from the principal amount payable on such Bonds at maturity (collectively, the "Discount Bonds"). Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrued on a compound basis. The amount of original issue discount that accrues to an owner of a Discount Certificate during any accrual period generally equals (i) the issue price of such Discount Certificate plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Certificate (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period, less (iii) any interest payable on such Discount Certificate during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will not be includable in gross income for federal income tax purposes or in taxable net income of individuals, estates or trusts for state income tax purposes, and will increase the owner's tax basis in such Discount Certificate. Any gain realized by an owner from a sale, exchange, payment or redemption of a Discount Certificate will be treated as gain from the sale or exchange of such Discount Certificate.

## **Bond Premium**

Certain maturities of the Bonds may be issued at a premium to the principal amount payable at maturity. Such excess of the purchase price of such Premium Bonds over the stated redemption price at maturity constitutes original issue premium with respect to such Premium Bonds. A purchaser of a Premium Bond must amortize any original issue premium over the term of such Premium Bond using constant yield principles, based on the purchaser's yield to maturity. As original issue premium is amortized, the purchaser's basis in such Premium Bonds is reduced by a corresponding amount, resulting in an increase in the gain (or a decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bonds prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Premium Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

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

## **MUNICIPAL ADVISOR**

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. 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, 2021 have been audited by CarlsonSV, Fergus Falls, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

## RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor extended the peacetime emergency by 30 days. On May 14, 2021, the Governor signed Executive Order 21-23 to end the statewide mask requirement and align with new Centers for Disease Control and Prevention (CDC) guidance on face coverings. The Minnesota Legislature ended the peacetime emergency declaration on July 1, 2021. The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which provides local governments an additional \$130.2 billion through the Coronavirus Local Fiscal Recovery Fund. These funds can be used to mitigate increased expenditures, lost revenue and economic hardship related to the COVID-19 pandemic.

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

# VALUATIONS

## OVERVIEW

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

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

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

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

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

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

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

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

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

## CURRENT PROPERTY VALUATIONS

2020/21 Economic Market Value <sup>1</sup>		<u><u>\$48,800,693<sup>2</sup></u></u>
	<b>2021/22 Assessor's Estimated Market Value</b>	<b>2021/22 Net Tax Capacity</b>
Real Estate	\$46,351,200	\$443,260
Personal Property	251,300	4,331
Total Valuation	<u><u>\$46,602,500</u></u>	<u><u>\$447,591</u></u>

## 2021/22 NET TAX CAPACITY BY CLASSIFICATION

	<b>2021/22 Net Tax Capacity</b>	<b>Percent of Total Net Tax Capacity</b>
Residential homestead	\$355,105	79.34%
Agricultural	5,194	1.16%
Commercial/industrial	44,347	9.91%
Non-homestead residential	38,614	8.63%
Personal property	4,331	0.97%
Total	<u><u>\$447,591</u></u>	<u><u>100.00%</u></u>

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

<sup>2</sup> According to the Minnesota Department of Revenue, the 2020/2021 Assessor's Estimated Market Value (the "AEMV") for the City is about 93.39% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in a 2020/2021 Economic Market Value ("EMV") for the City of \$48,800,693.



## TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity <sup>1</sup>	Taxable Net Tax Capacity <sup>2</sup>	Percent Increase/Decrease in Estimated Market Value
2017/18	\$38,034,000	\$34,210,000	\$354,266	\$354,266	9.68%
2018/19	44,142,000	40,620,700	428,669	428,669	16.06%
2019/20	45,628,500	42,010,200	441,016	441,016	3.37%
2020/21	45,551,100	41,786,200	438,309	438,309	-0.17%
2021/22	46,602,500	42,979,500	447,591	447,591	2.31%

## LARGER TAXPAYERS

Taxpayer	Type of Property	2021/22 Net Tax Capacity	Percent of City's Total Net Tax Capacity
BASF Agricultural Solutions Canola US, LLC	Commercial	\$24,289	5.43%
Otter Tail Valley Railroad	Commercial	7,622	1.70%
Kragnes Farmers Elevator Co.	Commercial	4,505	1.01%
Individual	Residential	4,500	1.01%
Pearl Property Partners, LLC	Commercial	4,388	0.98%
Individual	Residential	4,271	0.95%
Individual	Residential	4,226	0.94%
Individual	Residential	4,130	0.92%
Individual	Agricultural	3,941	0.88%
Individual	Residential	3,932	0.88%
Total		<u>\$65,804</u>	<u>14.70%</u>

City's Total 2021/22 Net Tax Capacity                      \$447,591

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

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

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

## DEBT

### DIRECT DEBT<sup>1</sup>

#### General Obligation Debt (see schedules following)

Total G.O. debt secured by taxes	\$517,267
Total G.O. debt secured by utility revenues (includes the Bonds)*	<u>1,935,000</u>
Total General Obligation Debt*	<u><u>\$2,452,267</u></u>

\*Preliminary, subject to change.

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

**City of Sabin, Minnesota**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Secured by Taxes**  
**(As of 07/14/2022)**

		Clean Water State Loan		GO Improvement Refunding Bonds	
		Series 2005A		Series 2017A	
Dated Amount		07/19/2005 \$167,267	03/14/2017 \$830,000		
Maturity		08/20	02/01		
Calendar Year Ending		Principal	Interest	Principal	Interest
2022		54,000	2,275	0	4,360
2023		56,000	3,081	90,000	7,663
2024		57,267	1,558	95,000	5,489
2025				80,000	3,313
2026				85,000	1,126
		167,267	6,913	350,000	21,950
		Total Principal	Total Interest	Total P & I	Principal Outstanding
		54,000	6,635	60,635	463,267
		146,000	10,743	156,743	317,267
		152,267	7,046	159,314	165,000
		80,000	3,313	83,313	85,000
		85,000	1,126	86,126	0
		517,267	28,863	546,130	
Calendar Year Ending				% Paid	Calendar Year Ending
2022				10.44%	2022
2023				38.66%	2023
2024				68.10%	2024
2025				83.57%	2025
2026				100.00%	2026

City of Sabin, Minnesota  
Schedule of Bonded Indebtedness  
General Obligation Debt Secured by Utility Revenues  
(As of 07/14/2022)

GO Water Revenue Bonds  
Series 2022A

Dated Amount	07/14/2022 \$1,935,000*							
Maturity	02/01							
Calendar Year Ending	Principal	Estimated Interest						
2023	0	71,965	0	71,965	71,965	1,935,000	.00%	2023
2024	0	68,720	0	68,720	68,720	1,935,000	.00%	2024
2025	0	68,720	0	68,720	68,720	1,935,000	.00%	2025
2026	45,000	68,101	45,000	68,101	113,101	1,890,000	2.33%	2026
2027	45,000	66,853	45,000	66,853	111,853	1,845,000	4.65%	2027
2028	50,000	65,510	50,000	65,510	115,510	1,795,000	7.24%	2028
2029	50,000	64,060	50,000	64,060	114,060	1,745,000	9.82%	2029
2030	50,000	62,560	50,000	62,560	112,560	1,695,000	12.40%	2030
2031	55,000	60,945	55,000	60,945	115,945	1,640,000	15.25%	2031
2032	55,000	59,226	55,000	59,226	114,226	1,585,000	18.09%	2032
2033	55,000	57,480	55,000	57,480	112,480	1,530,000	20.93%	2033
2034	60,000	55,625	60,000	55,625	115,625	1,470,000	24.03%	2034
2035	60,000	53,660	60,000	53,660	113,660	1,410,000	27.13%	2035
2036	60,000	51,665	60,000	51,665	111,665	1,350,000	30.23%	2036
2037	65,000	49,555	65,000	49,555	114,555	1,285,000	33.59%	2037
2038	65,000	47,329	65,000	47,329	112,329	1,220,000	36.95%	2038
2039	70,000	44,983	70,000	44,983	114,983	1,150,000	40.57%	2039
2040	70,000	42,515	70,000	42,515	112,515	1,080,000	44.19%	2040
2041	75,000	39,923	75,000	39,923	114,923	1,005,000	48.06%	2041
2042	75,000	37,204	75,000	37,204	112,204	930,000	51.94%	2042
2043	80,000	34,355	80,000	34,355	114,355	850,000	56.07%	2043
2044	80,000	31,375	80,000	31,375	111,375	770,000	60.21%	2044
2045	85,000	28,260	85,000	28,260	113,260	685,000	64.60%	2045
2046	85,000	25,030	85,000	25,030	110,030	600,000	68.99%	2046
2047	90,000	21,683	90,000	21,683	111,683	510,000	73.64%	2047
2048	95,000	18,121	95,000	18,121	113,121	415,000	78.55%	2048
2049	100,000	14,343	100,000	14,343	114,343	315,000	83.72%	2049
2050	100,000	10,443	100,000	10,443	110,443	215,000	88.89%	2050
2051	105,000	6,419	105,000	6,419	111,419	110,000	94.32%	2051
2052	110,000	2,173	110,000	2,173	112,173	0	100.00%	2052
	1,935,000	1,328,798	1,935,000	1,328,798	3,263,798			

\* Preliminary, subject to change.

**DEBT LIMIT**

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience (includes the Bonds); (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay judgments against the City; and other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2021/22 Assessor's Estimated Market Value	\$46,602,500
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$1,398,075
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	<u>(517,267)</u>
Unused Debt Limit	<u><u>\$880,808</u></u>

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

Taxing District	2021/22 Taxable Net Tax Capacity	% In City	Total G.O. Debt <sup>2</sup>	City's Proportionate Share
County of:				
Clay	\$72,528,429	0.6171%	\$65,440,000	\$403,830
School District of: <sup>3</sup>				
I.S.D. No. 152 (Moorhead Area Public Schools)	43,609,881	1.0051%	189,785,000 <sup>4</sup>	1,907,529
City's Share of Total Overlapping Debt				<u>\$2,311,359</u>

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

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

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

<sup>4</sup> Currently, the State of Minnesota is paying approximately 5.30% of the principal and interest on the Moorhead School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is \$10,058,605.

## DEBT RATIOS

	<b>G.O. Debt</b>	<b>Debt/Economic Market Value \$48,800,693</b>	<b>Debt/ Per Capita 619<sup>1</sup></b>
Direct G.O. Debt Secured By:			
Taxes	\$517,267		
Utility Revenues*	<u>1,935,000</u>		
Total General Obligation Debt (includes the Bonds)*	\$2,452,267		
Less: G.O. Debt Paid Entirely from Revenues <sup>2</sup>	<u>(1,935,000)</u>		
Tax Supported General Obligation Debt*	\$517,267	1.06%	\$835.65
 City's Share of Total Overlapping Debt <sup>3</sup>	 <u>\$2,311,359</u>	 <u>4.74%</u>	 <u>\$3,734.02</u>
 Total*	 <u><u>\$2,828,626</u></u>	 <u><u>5.80%</u></u>	 <u><u>\$4,569.67</u></u>

\*Preliminary, subject to change.

## DEBT PAYMENT HISTORY

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

## FUTURE FINANCING

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

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<sup>1</sup> 2020 U.S. Census population.

<sup>2</sup> Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

<sup>3</sup> After deducting the City's proportionate share of the agricultural land valuation applicable to the overlapping school districts of \$101,099, the City's net overlapping debt is \$2,210,260, which results in a net overlapping debt/market value ratio of 4.53% and net overlapping debt/current population estimate ratio of \$3,570.69.

## TAX RATES, LEVIES AND COLLECTIONS

### TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy <sup>1</sup>	Total Collected Following Year	Collected to Date <sup>2</sup>	% Collected
2017/18	\$187,176	\$184,018	\$187,054	99.93%
2018/19	192,116	189,735	191,780	99.83%
2019/20	192,123	189,084	191,207	99.52%
2020/21	192,125	188,323	188,323	98.02%
2021/22	192,119	In process of collection		

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

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.

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

<sup>2</sup> Collections are through December 31, 2021.

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



## TAX CAPACITY RATES<sup>1</sup>

	2017/18	2018/19	2019/20	2020/21	2021/22
Clay County	47.888%	48.859%	51.180%	52.322%	53.521%
City of Sabin	53.449%	45.178%	43.912%	44.185%	43.216%
I.S.D. No. 152 (Moorhead Area Public Schools)	31.741%	30.220%	35.151%	37.633%	35.819%
Buffalo Watershed	1.706%	1.676%	1.694%	1.838%	1.905%
Clay County HRA	N/A	0.563%	0.326%	N/A	N/A

### *Referendum Market Value Rates:*

I.S.D. No. 152 (Moorhead Area Public Schools)	0.18401%	0.17882%	0.18995%	0.19914%	0.17018%
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**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Clay County.

## LEVY LIMITS

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

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

# **THE ISSUER**

## **CITY GOVERNMENT**

The City was organized as a municipality in 1881. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Clerk is responsible for administrative details and financial records.

## **EMPLOYEES; PENSIONS; UNIONS**

The City currently has one (1) full-time, three (3) part-time, and one (1) seasonal employee. 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.

The City has no recognized or certified bargaining units.

## **POST EMPLOYMENT BENEFITS**

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

## **LITIGATION**

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

## **MUNICIPAL BANKRUPTCY**

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

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

**FUNDS ON HAND** (As of May 17, 2022)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$483,874
Debt Service	5,562
Enterprise Funds	<u>236,280</u>
<b>Total Funds on Hand</b>	<b><u><u>\$725,716</u></u></b>

**ENTERPRISE FUNDS**

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

	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Water</b>			
Total Operating Revenues	\$153,476	\$163,590	\$174,690
Less: Operating Expenses	<u>(63,873)</u>	<u>(52,783)</u>	<u>(108,008)</u>
Operating Income	\$89,603	\$110,807	\$66,682
Plus: Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Revenues Available for Debt Service	<b><u><u>\$89,603</u></u></b>	<b><u><u>\$110,807</u></u></b>	<b><u><u>\$66,682</u></u></b>
<b>Sewer</b>			
Total Operating Revenues	\$62,820	\$64,556	\$61,954
Less: Operating Expenses	<u>(45,325)</u>	<u>(31,337)</u>	<u>(29,598)</u>
Operating Income	\$17,495	\$33,219	\$32,356
Plus: Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Revenues Available for Debt Service	<b><u><u>\$17,495</u></u></b>	<b><u><u>\$33,219</u></u></b>	<b><u><u>\$32,356</u></u></b>
<b>Garbage</b>			
Total Operating Revenues	\$54,761	\$59,453	\$59,975
Less: Operating Expenses	<u>(54,584)</u>	<u>(60,195)</u>	<u>(61,841)</u>
Operating Income	\$177	(\$742)	(\$1,866)
Plus: Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Revenues Available for Debt Service	<b><u><u>\$177</u></u></b>	<b><u><u>(\$742)</u></u></b>	<b><u><u>(\$1,866)</u></u></b>

## 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 2021 audited financial statements.

	FISCAL YEAR ENDING DECEMBER 31				2022
COMBINED STATEMENT	2018	2019	2020	2021	Adopted
	Audited	Audited	Audited	Audited	Budget <sup>2</sup>
Receipts					
Property taxes	\$146,921	\$153,136	\$151,429	\$157,036	\$153,000
Franchise taxes	3,086	2,834	2,562	2,416	2,400
Licenses and permits	6,086	6,480	5,229	4,937	3,250
Intergovernmental	125,873	108,173	115,191	135,560	118,066
Charges for services	30,608	46,506	35,199	43,928	36,856
Contributions and donations	0	300	2,000	0	0
Refunds	2	21,039	1,993	3,593	0
Miscellaneous	6,514	813	1,831	4,776	0
Total Revenues	\$319,090	\$339,281	\$315,434	\$352,246	\$313,572
Disbursements					
Current:					
General government	\$88,772	\$76,340	\$85,519	\$78,599	\$125,653
Public safety	55,414	35,832	45,792	36,544	35,000
Streets and highways	30,358	53,454	31,526	37,713	46,850
Culture and recreation	27,338	22,783	27,798	18,071	15,870
Debt service	41,292	41,292	41,292	41,292	41,292
Capital outlay	11,000	40,316	5,068	95,801	44,000
Total Expenditures	\$254,174	\$270,017	\$236,995	\$308,020	\$308,665
Excess of revenues over (under) expenditures	\$64,916	\$69,264	\$78,439	\$44,226	\$4,907
Other Financing Sources (Uses)					
Transfers in	\$0	\$0	\$0	\$0	\$0
Transfers (out)	(15,460)	(9,295)	(9,295)	(9,129)	(8,798)
Total Other Financing Sources (Uses)	(15,460)	(9,295)	(9,295)	(9,129)	(8,798)
Net changes in Fund Balances	\$49,456	\$59,969	\$69,144	\$35,097	(\$3,891)
General Fund Balance January 1	\$408,922	\$458,378	\$518,347	\$587,491	\$622,588
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance December 31	\$458,378	\$518,347	\$587,491	\$622,588	\$618,697
DETAILS OF DECEMBER 31 FUND BALANCE					
Unassigned	\$458,378	\$518,347	\$587,491	\$622,588	
Total	\$458,378	\$518,347	\$587,491	\$622,588	

<sup>2</sup> The 2022 budget was adopted on December 21, 2021.

## GENERAL INFORMATION

### LOCATION

The City, with a 2010 U.S. Census population of 569 and a 2020 U.S. Census population of 619, and comprising an area of 294 square miles, is located approximately 12 miles Southeast of the City of Fargo, North Dakota.

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

The City is primarily a residential community with a complement of small businesses, retail establishments and restaurants. Additional employment opportunities are available in the nearby Cities of Moorhead, MN and Fargo, ND.

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
Sanford Health Medical Center	Healthcare services	5,653
North Dakota State University	Universities & colleges	4,500
Fargo Public School District #1	Elementary and secondary education	2,400
Microsoft Corporation	Computer software	1,800
West Fargo Public School District#6	Elementary and secondary education	1,432
Moorhead Area Public Schools	Elementary and secondary education	1,341
Fargo VA Health Care Systems	Hospitals	1,200
Noridian Mutual Insurance Co	Insurance	1,000
Blue Cross Blue Shield of North Dakota	Insurance	1,000
Essentia Health	Healthcare services	600

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

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

## BUILDING PERMITS

	2018	2019	2020	2021	2022 <sup>1</sup>
<u>New Single Family Homes</u>					
No. of building permits	1	0	0	0	0
Valuation	\$312,000	\$0	\$0	\$0	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	11	15	14	13	0
Valuation	\$472,485	\$232,486	\$200,626	\$266,801	\$0

**Source:** The City.

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<sup>1</sup> As of May 17, 2022.

## U.S. CENSUS DATA

### Population Trend: The City

2010 U.S. Census population	522
2020 U.S. Census population	619
Percent of Change 2010 - 2020	18.58%

### Income and Age Statistics

	<b>The City</b>	<b>Clay County</b>	<b>State of Minnesota</b>	<b>United States</b>
2020 per capita income	\$44,799	\$31,233	\$38,881	\$35,384
2020 median household income	\$102,500	\$66,069	\$73,382	\$64,994
2020 median family income	\$111,250	\$89,413	\$92,692	\$80,069
2020 median gross rent	\$0	\$859	\$1,010	\$1,096
2020 median value owner occupied units	\$186,500	\$205,400	\$235,700	\$229,800
2020 median age	33.3 yrs.	32.7 yrs.	38.1 yrs.	38.2 yrs.

	<b>State of Minnesota</b>	<b>United States</b>
City % of 2020 per capita income	115.22%	126.61%
City % of 2020 median family income	115.22%	138.94%

### Housing Statistics

	<b><u>The City</u></b>		
	<b>2010</b>	<b>2020</b>	<b>Percent of Change</b>
All Housing Units	168	206	22.62%

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

## EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

<b>Year</b>	<b><u>Average Employment</u></b>	<b><u>Average Unemployment</u></b>	
	<b>Clay County</b>	<b>Clay County</b>	<b>State of Minnesota</b>
2018	34,766	2.9%	3.1%
2019	35,205	3.1%	3.4%
2020	34,829	3.8%	6.3%
2021	35,346	2.9%	3.4%
2022, April	36,280	1.4%	1.6%

**Source:** Minnesota Department of Employment and Economic Development.

### **FINANCIAL STATEMENTS**

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

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



**CITY OF SABIN**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**Year Ended December 31, 2021**

**CITY OF SABIN, MINNESOTA  
MAYOR AND COUNCIL MEMBERS**

**ELECTED OFFICIALS**

		Term Expires December 31
Robert Dablow	Mayor	2022
Tom Berglund	Council Member	2022
Toran Thornton	Council Member	2024
Adam Jenstead	Council Member	2024
Drew Schwan	Council Member	2022
	<b>EX OFFICIO</b>	
Wendy Otte	Clerk/Treasurer	Appointed

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INDEPENDENT AUDITOR’S REPORT

To the Honorable Mayor and Members of the City Council  
City of Sabin, Minnesota

Opinion

We have audited the accompanying regulatory basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sabin, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City of Sabin, Minnesota’s basic financial statements as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash fund balances and cash net assets of the City of Sabin, Minnesota, as of December 31, 2021, and the revenues it received and expenditures it paid for the year then ended in accordance with the financial reporting provisions “Minimum Reporting Requirements for City Financial Statements for Cities Under 2,500 in Population” as promulgated by Minnesota Statutes, Section 471.698, described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City as of December 31, 2021, or changes in net position and, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Sabin, Minnesota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the financial statements are prepared by the City of Sabin, Minnesota, on the basis of the financial reporting provisions of "Minimum Reporting Requirements for City Financial Statements for Cities Under 2,500 in Population" as allowed by *Minnesota Statutes*, Section 471.698, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Minnesota Office of the State Auditor. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material and pervasive.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of "Minimum Reporting Requirements for City Financial Statements for Cities Under 2,500 in Population" as allowed by *Minnesota Statutes*, Section 471.698. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Sabin, Minnesota's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Sabin, Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sabin, Minnesota's basic financial statements. The accompanying budget vs. actual comparison – general fund, combining and individual nonmajor fund statements, the individual fund statements for the sewer fund, and the schedules of accounts receivable and accounts payable are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2022, on our consideration of the City of Sabin, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Sabin, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sabin, Minnesota's internal control over financial reporting and compliance.

Carla M. Ait

Fergus Falls, Minnesota  
March 19, 2022

**CITY OF SARBEN, MINNESOTA**  
**STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**GOVERNMENTAL FUNDS**  
**December 31, 2021**

	General Fund	DEED Grant	American Rescue Plan Funding	2021A Refunding Bond	County Road 67	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 615,161	\$ -	\$ -	\$ 72,613	\$ -	\$ 687,772
Due from other funds	7,427	-	-	-	-	7,427
<b>TOTAL ASSETS</b>	<b>\$ 622,588</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 72,613</b>	<b>\$ -</b>	<b>\$ 695,199</b>
<b>LIABILITIES</b>						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 7,427	\$ 7,427
<b>CASH FUND BALANCES</b>						
Restricted	-	-	-	-	-	-
Unassigned	622,588	-	-	72,613	-	72,613
Total cash fund balances	622,588	-	-	72,613	7,427	635,161
<b>TOTAL LIABILITIES AND CASH FUND BALANCES</b>	<b>\$ 622,588</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 72,613</b>	<b>\$ 7,427</b>	<b>\$ 695,199</b>

(The accompanying notes are an integral part of these financial statements.)

## BASIC FINANCIAL STATEMENTS

### Fund Financial Statements

**CITY OF SABIN, MINNESOTA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
 Year Ended December 31, 2021

	General Fund	DEED Grant	American Rescue Plan Fund	2017A Refunding Bond	County Road 67	Total Governmental Funds
<b>RECEIPTS</b>						
Property taxes	\$ 157,036	\$ -	\$ -	\$ -	\$ -	\$ 157,036
Franchise taxes	2,416	-	-	-	-	2,416
Special assessments	-	-	-	79,203	8,308	87,511
Licenses and permits	4,937	-	-	-	-	4,937
Intergovernmental	13,546	73,038	30,460	-	-	238,086
Charges for services	4,328	-	-	-	-	43,928
Refunds	3,593	-	-	-	-	3,593
Miscellaneous	4,776	-	-	-	-	4,776
<b>Total Receipts</b>	<b>352,246</b>	<b>73,038</b>	<b>30,460</b>	<b>79,203</b>	<b>8,308</b>	<b>541,253</b>
<b>DISBURSEMENTS</b>						
Current						
General government	78,599	-	-	-	-	78,599
Public safety	36,544	-	-	-	-	36,544
Streets	37,713	-	-	-	-	37,713
Culture and recreation	14,071	-	-	-	-	14,071
Miscellaneous	-	73,036	-	-	-	73,036
Public service	30,764	-	-	88,300	-	120,064
Interest and other charges	1,058	-	-	11,394	-	12,452
Capital outlay	95,801	-	30,460	-	-	126,261
<b>Total Disbursements</b>	<b>300,020</b>	<b>73,036</b>	<b>30,460</b>	<b>100,694</b>	<b>-</b>	<b>512,210</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>44,226</b>	<b>-</b>	<b>-</b>	<b>(21,491)</b>	<b>8,308</b>	<b>31,043</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	18,139	-	-	-	4,000	4,000
Transfers out	(18,139)	-	-	-	-	(4,000)
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,000</b>	<b>-</b>
<b>NET CHANGE IN CASH FUND BALANCES</b>	<b>31,097</b>	<b>-</b>	<b>-</b>	<b>(21,491)</b>	<b>12,308</b>	<b>25,914</b>
<b>CASH FUND BALANCES - BEGINNING</b>	<b>587,451</b>	<b>-</b>	<b>-</b>	<b>94,103</b>	<b>(15,735)</b>	<b>661,868</b>
<b>CASH FUND BALANCES - ENDING</b>	<b>\$ 622,548</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 72,612</b>	<b>\$ (3,427)</b>	<b>\$ 687,772</b>

(The accompanying notes are an integral part of these financial statements.)

**CITY OF SABIN, MINNESOTA**  
**STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**PROPRIETARY FUNDS**  
 December 31, 2021

	Water	Sewer	Garbage	Other Enterprise Funds	Total
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ 294,802	\$ 142,501	\$ 27,926	\$ 7,497	\$ 472,726
<b>TOTAL ASSETS</b>	<b>\$ 294,802</b>	<b>\$ 142,501</b>	<b>\$ 27,926</b>	<b>\$ 7,497</b>	<b>\$ 472,726</b>
<b>NET CASH ASSETS</b>					
Restricted	\$ 22,540	\$ 22,540	\$ -	\$ -	\$ 45,080
Unrestricted	272,262	119,961	27,926	7,497	427,646
<b>TOTAL NET CASH ASSETS</b>	<b>\$ 294,802</b>	<b>\$ 142,501</b>	<b>\$ 27,926</b>	<b>\$ 7,497</b>	<b>\$ 472,726</b>

(The accompanying notes are an integral part of these financial statements.)

**CITY OF SABIN, MINNESOTA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN NET CASH ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2021**

	Business-Type Activities - Enterprise Funds				Other Enterprise Funds	Total
	Water	Sewer	Garbage			
<b>OPERATING RECEIPTS</b>						
Charges for services	\$ 173,540	\$ 61,939	\$ 59,975	\$ 10,612	\$ 306,066	
Connection fees	1,150	15	-	-	1,165	
Total Operating Receipts	<u>174,690</u>	<u>61,954</u>	<u>59,975</u>	<u>10,612</u>	<u>307,231</u>	
<b>OPERATING DISBURSEMENTS</b>						
Personnel services	16,866	16,758	3,594	4,681	41,899	
Payroll taxes	1,134	1,134	246	316	2,830	
Pension contributions	1,216	1,216	283	131	2,836	
Professional services	57,991	4,653	56,406	3,634	122,684	
Utilities	11,103	1,581	-	417	13,101	
Telephone	809	809	-	-	1,618	
Supplies	12,811	-	-	1,018	13,829	
Repairs and maintenance	-	-	-	14	14	
Testing	-	1,352	-	-	1,352	
Office expenses	1,180	388	275	210	2,053	
Dues and subscriptions	2,493	385	-	-	2,878	
Other disbursements	2,405	1,322	1,057	794	5,578	
Total Operating Disbursements	<u>108,008</u>	<u>29,598</u>	<u>61,841</u>	<u>11,215</u>	<u>210,662</u>	
<b>OPERATING INCOME (LOSS)</b>	<u>66,682</u>	<u>32,356</u>	<u>(1,866)</u>	<u>(603)</u>	<u>96,569</u>	
<b>NONOPERATING RECEIPTS (DISBURSEMENTS)</b>						
Property taxes	40,169	-	-	-	40,169	
Special assessments	3,602	-	-	-	3,602	
Debt principal	(90,480)	(2,850)	-	-	(93,330)	
Interest disbursements	(11,015)	(364)	-	-	(11,379)	
Net Nonoperating Receipts (Disbursements)	<u>(57,724)</u>	<u>388</u>	<u>-</u>	<u>-</u>	<u>(57,336)</u>	
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<u>8,958</u>	<u>32,744</u>	<u>(1,866)</u>	<u>(603)</u>	<u>39,233</u>	
<b>TRANSFERS</b>						
Transfers in	2,564	2,565	-	-	5,129	
<b>CHANGE IN NET CASH ASSETS</b>	<u>11,522</u>	<u>35,309</u>	<u>(1,866)</u>	<u>(603)</u>	<u>44,362</u>	
<b>TOTAL NET CASH ASSETS - BEGINNING</b>	<u>283,280</u>	<u>107,192</u>	<u>29,792</u>	<u>8,100</u>	<u>428,364</u>	
<b>TOTAL NET CASH ASSETS - ENDING</b>	<u>\$ 294,802</u>	<u>\$ 142,501</u>	<u>\$ 27,926</u>	<u>\$ 7,497</u>	<u>\$ 472,726</u>	

(The accompanying notes are an integral part of these financial statements.)

**CITY OF SABIN, MINNESOTA**  
**STATEMENT OF CASH FLOWS - REGULATORY BASIS**  
**PROPRIETARY FUNDS**  
**Year Ended December 31, 2021**

	Business-Type Activities - Enterprise Funds				Other Enterprise Funds	Total
	Water	Sewer	Garbage			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 174,690	\$ 61,954	\$ 59,975	\$ 30,612	\$ 307,231	
Payments to suppliers	(12,811)	-	-	(1,018)	(13,829)	
Payments to employees	(16,866)	(16,758)	(3,594)	(4,681)	(41,899)	
Payments for services provided	(69,503)	(8,395)	(56,406)	(4,065)	(138,769)	
Payments to other governments	(2,350)	(12,350)	(509)	(447)	(15,656)	
Other payments	(6,078)	(2,095)	(1,312)	(1,004)	(10,509)	
Net Cash Provided (Used) by Operating Activities	<u>66,682</u>	<u>32,356</u>	<u>(1,866)</u>	<u>(603)</u>	<u>96,569</u>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Property taxes	40,169	-	-	-	40,169	
Special assessments	3,602	-	-	-	3,602	
Transfers from other funds	2,564	2,565	-	-	5,129	
Net Cash Provided by Noncapital Financing Activities	<u>46,335</u>	<u>6,167</u>	<u>-</u>	<u>-</u>	<u>52,502</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Principal paid on capital debt	(90,480)	(2,850)	-	-	(93,330)	
Interest paid on capital debt	(11,015)	(364)	-	-	(11,379)	
Net Cash Used by Capital and Related Financing Activities	<u>(107,495)</u>	<u>(3,214)</u>	<u>-</u>	<u>-</u>	<u>(104,709)</u>	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>11,522</u>	<u>35,309</u>	<u>(1,866)</u>	<u>(603)</u>	<u>44,362</u>	
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>283,280</u>	<u>107,192</u>	<u>29,792</u>	<u>8,100</u>	<u>428,364</u>	
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 294,802</u>	<u>\$ 142,501</u>	<u>\$ 27,926</u>	<u>\$ 7,497</u>	<u>\$ 472,726</u>	

(The accompanying notes are an integral part of these financial statements.)

**CITY OF SABIN, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Sabin, Minnesota was incorporated under the laws of the State of Minnesota and operates under a mayor-council form of government. The mayor and four council members are elected by the voters of the City.

The following represents the significant accounting policies used by the City:

**Reporting Entity**

The financial statements of the reporting entity include those of the City (the primary government) and the component units for which the primary government is financially accountable. The criteria used to determine if the primary government is financially accountable for a component unit includes 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 the potential component unit is fiscally dependent on the City.

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component unit's funds are blended into those of the City by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

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

**Basis of Accounting**

The City follows the practice of reporting under "Minimum Reporting Requirements for City Financial Statements for Cities Under 2,500 in Population," as promulgated by Minnesota Statutes, Section 471.698. Under these regulatory requirements, the regulatory basis method of accounting, which is a comprehensive basis of accounting other than GAAP, is used for all funds.

The City's policy is to prepare its financial statements on the regulatory basis of accounting as prescribed by the State Auditor of Minnesota, which is a basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. All assets, other than cash in bank, and all liabilities and fund balances are accounted for through supplementary memorandum records which are not under positive general ledger control.

**CITY OF SABIN, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting (Continued)**

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

**Fund Financial Statements**

The financial statements of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, cash fund balances/net cash assets, receipts, and disbursements.

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

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.



**CITY OF SABIN, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting (Continued)

Fund Financial Statements (Continued)

The City reports the following types of funds:

Governmental Funds

General Fund – accounts for the City's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund is a major fund.

Special Revenue Funds – used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than debt service or capital projects). The City's major special revenue funds and their purposes are as follows:

DEED Grant – accounts for the revenue and expenditures passed through related to DEED grant.

American Rescue Plan Funding – accounts for the revenue and expenditures related to the COVID-19 funding received through the American Rescue Plan Act.

Debt Service Funds – used to account for the accumulation of resources for and the payment of long-term debt principal, interest, and related costs. The City's major debt service funds and their purposes are as follows:

2017A Refunding Bond – accounts for debt repayment associated with the 2017A G.O. Improvement Refunding Bonds.

County Road 67 – accounts for the expenditures and special assessments collected for the County Road 67 project.

Proprietary Funds

Enterprise Funds – account for operations that are financed and operated in a manner similar to private business enterprise – where the intent is that the cost of providing goods or services be financed or recovered primarily through user charges. In addition, the general property taxes and special assessments levied to retire the bonded indebtedness relating to the construction of the water and sewer systems are accounted for in these funds. The City's major enterprise funds and their purposes are as follows:

Water – accounts for the provision of water services to the City's residents.

Sewer – accounts for the provision of sewer services to the City's residents.

Garbage – accounts for the provision of garbage services to the City's residents.

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**CITY OF SABIN, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Temporary Investments (Including Cash Equivalents)

Available cash balances from all funds are pooled and invested in accordance with Minnesota Statutes. Each fund's share of the pool is shown on the financial statements as "cash and cash equivalents."

Accounts Receivable/Accounts Payable

Minimum reporting requirements require the City to present a schedule of accounts receivable and a schedule of accounts payable. These schedules are presented as supplementary information. These revenues and expenditures are not recorded in the fund financial statements until collected or paid.

Capital Assets

In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the fund upon acquisition.

Long-Term Debt

Long-term debt is not reported as liabilities in the fund financial statements. The face value of debt obligations is reported as other financing sources and payments of principal and interest are reported as expenditures. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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**CITY OF SABIN, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash Fund Balances and Net Cash Assets  
Governmental funds equity is classified as cash fund balances, while proprietary funds equity is classified as net cash assets. The City classifies governmental fund balance and proprietary funds net cash assets as follows:

- Nonspendable – amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements mandate funds to be maintained intact.
- Restricted – consists of fund balances with constraints placed on their use either by external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted
  - Committed – amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitments by resolution.
  - Assigned – amounts assessed for specific purposes that are internally imposed. In governmental funds other than the general fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the general fund, assigned amounts represent intended uses established by the City council itself or by an official to which the governing body delegates authority.
  - Unassigned – includes residual positive fund balance amounts within the general fund which have not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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**CITY OF SABIN, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

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

**Deficit Fund Equity**

The County Road 67 fund has a deficit balance of \$7,427 as of December 31, 2021.

**Budgetary Information**

GASB Statement No. 34 requires that budget vs. actual information be presented for the general fund and all major special revenue funds that have legally adopted budgets. Budget vs. actual information is presented as supplementary information.

The City adopts annual budgets for its general fund. The budget is adopted in accordance with *Minnesota Statutes*.

**Budgetary Accounting**

An operating budget is adopted each fiscal year for the General Fund on the same cash basis used in the fund financial statements to reflect actual cash receipts and disbursements. Budgeted amounts are as originally adopted or as amended by the Council.

Budgeted disbursement appropriations lapse at year-end. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at budgetary program level.

**Compliance**

The General Fund's disbursements exceeded budgeted appropriations by \$9,323 for the year ended December 31, 2021. The overage, considered by City management to be a result of necessary disbursements critical to operation, was approved by City Council.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**Deposits**

Minnesota Statutes authorize the City to deposit its cash and to invest in certificates of deposit in financial institutions designated by the City Council.

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**CITY OF SABIN, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

**Deposits (Continued)**  
*Minnesota Statutes* require that all deposits be protected by insurance, surety bond, or collateral. Deposits in each local area bank are insured by the FDIC up to specified limits. All financial institutions acting as a depository for the City are required to pledge collateral to secure all City funds over and above amounts guaranteed by the FDIC. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

**Custodial Credit Risk** – is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk and follows *Minnesota Statutes* for deposits. All of the bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name, therefore, as of year-end, the City is not exposed to custodial credit risk.

The deposits are presented in the financial statements as follows:

<b>CASH IN BANK</b>	<b>\$ 1,160,498</b>
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**Investments**  
Investment of City funds is restricted by *Minnesota Statutes*. Authorized investments include obligations of the U.S. Treasury and U.S. Agencies, bankers' acceptances, certain repurchase agreements and commercial paper rate A-1 by Standard & Poor's Corporate or P-1 by Moody's Commercial Paper Record. The City had no investments as of December 31, 2021.

**NOTE 4 – PROPERTY TAXES AND SPECIAL ASSESSMENTS**

**Property Taxes**

Property tax levies are set by the City Council in September of each year and are certified to Clay County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over assessable property. Such taxes become a lien on January 1. Revenues are recognized in the year received.

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**CITY OF SABIN, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

**NOTE 4 – PROPERTY TAXES AND SPECIAL ASSESSMENTS (Continued)**

Property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. The County distributes collections to the City three times each year.

**Special Assessments**

Special assessments are levied against the benefited properties for the assessable cost of improvement projects in accordance with Minnesota Statutes. Assessments are collectible over a term of years at an interest rate established by the City Council.

**NOTE 5 – INTERFUND ACTIVITY**

**Due To/From Other Funds**

The composition of interfund balances as of December 31, 2021 was as follows:

Due to other funds	Due From
COUNTY ROAD 67	Other Funds
	General Fund
	\$ 7,427

The above interfund balances are for the purpose of covering funds with deficit cash balances.

**Interfund Transfers**

The City transferred cash between funds as follows:

	Transferred From	Transferred To	Amount
General Fund		Water Fund	2,564
General Fund		Sewer Fund	2,565
General Fund		County Road 67	4,000

The transfers from the general fund to the water and sewer funds was to aid in the repayment of debt. The transfer from the general fund to County Road 67 was for the City's share of the county road project not covered by special assessments.

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**CITY OF SABIN, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

**NOTE 6 – LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations of the City:

	Balance 2020	Increases	Decreases	Balance 2021	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 721,352	\$ -	\$ 120,064	\$ 601,288	\$ 126,017
Other Long-Term Liabilities					
Net pension liability	19,604	-	5,827	13,777	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 740,956</b>	<b>\$ -</b>	<b>\$ 125,891</b>	<b>\$ 615,065</b>	<b>\$ 126,017</b>
<b>Business-Type Activities</b>					
General obligation bonds	\$ 141,560	\$ -	\$ 40,330	\$ 101,230	\$ 42,260
General obligation notes	220,267	-	53,000	167,267	54,000
Unamortized refunding charge	15,621	-	3,073	12,548	-
Net Bonds and Notes	377,448	-	96,403	281,045	96,260
Other Long-Term Liabilities					
Net pension liability	34,355	-	9,697	24,658	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 411,803</b>	<b>\$ -</b>	<b>\$ 106,100</b>	<b>\$ 305,703</b>	<b>\$ 96,260</b>

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**CITY OF SABIN, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

**NOTE 6 – LONG-TERM OBLIGATIONS (Continued)**

Long-term debt payable consisted of the following issues:

	Outstanding	Due Within Next Year
<b>Governmental Activities</b>		
General Obligation Bonds		
\$500,000 G.O. fire hall bonds, series 2006, due in semi-annual installments of \$7,071 to \$20,100, through September 2026, interest at 5.43%	\$ 178,288	\$ 32,017
\$780,200 G.O. improvement refunding bonds, series 2017A, due in annual installments of \$75,200 to \$94,000, through February 2026, interest at 1.3% (governmental portion)	423,000	94,000
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 601,288</b>	<b>\$ 126,017</b>
<b>Business-Type Activities</b>		
General Obligations		
\$949,886 drinking water revolving fund, series 2005, due in annual installments of \$48,000 to \$57,267, through August 2024, interest at 2.72%	\$ 167,267	\$ 54,000
\$419,800 G.O. water revenue bonds, series 2008, due in semi-annual installments of \$9,940 to \$18,930, through September 2023, interest at 4.65%	74,230	36,260
\$49,800 G.O. improvement refunding bonds, series 2017A, due in annual installments of \$4,800 to \$6,000, through February 2026, interest at 1.3% (water and sewer portion)	27,000	6,000
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 268,497</b>	<b>\$ 96,260</b>

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**CITY OF SABIN, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

**NOTE 6 – LONG-TERM OBLIGATIONS (Continued)**

The annual debt service requirements to maturity for all bonds and notes outstanding are as follows:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 126,017	\$ 18,411	\$ 96,260	\$ 8,156
2023	118,379	14,715	99,370	4,860
2024	124,938	10,812	62,967	1,888
2025	112,800	6,806	4,800	200
2026	119,154	2,682	5,100	68
<b>TOTAL</b>	<b>\$ 601,288</b>	<b>\$ 53,426</b>	<b>\$ 268,497</b>	<b>\$ 15,172</b>

**NOTE 7 – CASH FUND BALANCES/NET CASH ASSETS/NET POSITION**

Restricted Governmental Funds' Cash Fund Balances  
Governmental Funds' restricted cash fund balances reported on the fund financial statements are restricted for the following purposes:

Restricted for	
2017A IMPROVEMENT REFUNDING BOND REPAYMENT	<u>\$ 72,611</u>

Restricted Proprietary Funds' Net Cash Assets  
Proprietary Funds' restricted net cash assets reported on the fund financial statements are restricted for the following purposes:

Water fund	
Debt repayment	\$ 22,540
Sewer	
Debt repayment	<u>22,540</u>
<b>TOTAL RESTRICTED NET CASH ASSETS</b>	<b>\$ 45,080</b>

**CITY OF SABIN, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2021

**NOTE 8 – JOINTLY GOVERNED ORGANIZATION**

Sabin-Elmwood Fire District was established March 21, 2006, by a joint powers agreement among the City of Sabin and the Township of Elmwood. The agreement was established for the purpose of providing fire protection, rescue, and emergency medical services for the residents and property within the governmental entities. Each entity is charged for the services rendered to the particular entity.

Control is vested in the Sabin-Elmwood Fire District Board. The Board consists of two elected representatives from each governmental entity, chosen by the Board of Supervisors or City Council of each entity.

The construction of a new fire hall was completed during 2006 and a \$500,000 loan was taken out to pay for the project. The loan is in the City of Sabin's name; however, the District has taken responsibility for the repayment of the loan through the joint powers agreement. The City and Elmwood Township will assist in paying the loan through the normal annual contributions.

Complete financial statements for the Sabin-Elmwood Fire District can be obtained from its administrative office at P.O. Box 35, Sabin, MN 56580.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN**

**Plan Description**

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

General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members and survivor benefits upon death of eligible members. Benefits are established by state statute. Benefits for members of the General Employees Plan vest after five years of credited service. The defined benefit retirement plan benefits are based on a member's highest average salary for any 5 years of allowable service, age, and years of credit at termination of service.



CITY OF SABIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

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% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. 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.

For all General Employee Plan members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about 6% per year) for members retiring prior to full retirement age.

Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement with an actuarial reduction in the member's benefit.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Plan. That report may be obtained on the PERA's website at [www.mnpera.org](http://www.mnpera.org).

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CITY OF SABIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021

NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. In 2021, Coordinated Plan members were required to contribute 6.5% of their annual covered salary.

The City of Sabin makes annual contributions to the pension plans equal to the amount required by state statutes. In 2021, the City was required to contribute the following percentages of annual covered payroll: 7.5% for Coordinated Plan members.

The City's contributions to the General Employees Fund for the years ending December 31, 2021, 2020, and 2019 were \$4,552, \$4,715, and \$4,617 respectively.

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; job-related illnesses or injuries to employees and natural disasters. The City has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating as common risk management and insurance program for Minnesota cities. The City also carries commercial insurance for certain other risks of loss, including employee health insurance.

The agreement for formation of the LMCIT provides that the pool be self-sustaining through member assessments and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The LMCIT can make additional assessments to make the pool self-sustaining.

The City has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements.

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

NOTE 11 – RELATED PARTIES

Mayor, Robert Dablow, provides mowing services for the City on a part-time basis. In 2021, Robert received \$6,536 in wages for mowing services provided to the City.

Council member, Tom Berglund, provides planning and zoning services to the City. In 2021, Tom received \$3,000 in wages for planning and zoning services.

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**CITY OF SABIN, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE - REGULATORY BASIS**  
**GENERAL FUND**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance Over (Under)
	Original	Final		
<b>BEGINNING FUND BALANCE - JANUARY 1</b>	\$ 587,491	\$ 587,491	\$ 587,491	\$ -
<b>RECEIPTS</b>				
<b>Taxes</b>				
Property taxes	153,000	153,000	157,036	4,036
Franchise taxes	2,500	2,500	2,416	(84)
<b>Total Taxes</b>	<b>155,500</b>	<b>155,500</b>	<b>159,452</b>	<b>3,952</b>
<b>Licenses and permits</b>	<b>3,250</b>	<b>3,250</b>	<b>4,937</b>	<b>1,687</b>
<b>Intergovernmental</b>				
State grants and aids				
Local government aid	114,031	114,031	114,031	-
Market value credit - agricultural	-	-	172	172
Small cities assist grant	-	-	16,465	16,465
County grants and aids				
Street and highway aid	2,500	2,500	3,184	684
Recycling aid	-	-	1,708	1,708
<b>Total Intergovernmental</b>	<b>116,531</b>	<b>116,531</b>	<b>135,560</b>	<b>19,029</b>
<b>Charges For Services</b>				
General government fees	-	-	303	303
Fire hall deck reimbursement	20,646	20,646	20,646	-
Street lighting	7,200	7,200	7,219	19
Community center fees	800	800	850	50
Land rent	8,160	8,160	14,910	6,750
<b>Total Charges For Services</b>	<b>36,806</b>	<b>36,806</b>	<b>43,928</b>	<b>7,122</b>
<b>Miscellaneous</b>				
Refunds	-	-	3,993	3,993
Other	-	-	4,776	4,776
<b>Total Miscellaneous</b>	<b>-</b>	<b>-</b>	<b>8,769</b>	<b>8,769</b>
<b>Total Receipts</b>	<b>312,087</b>	<b>312,087</b>	<b>352,346</b>	<b>40,159</b>
<b>AMOUNTS AVAILABLE FOR APPROPRIATION</b>	<b>899,578</b>	<b>899,578</b>	<b>939,737</b>	<b>40,159</b>

**SUPPLEMENTARY INFORMATION**

**CITY OF SABIN, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE - REGULATORY BASIS**  
**GENERAL FUND**  
**Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance Over (Under)
	Original	Final		
<b>DISBURSEMENTS</b>				
General Government				
Major and council	\$ 6,700	\$ 6,700	\$ 6,197	\$ (503)
Clerk / finance and administration	21,770	21,770	18,459	(3,311)
Professional fees	20,700	20,700	11,608	(9,092)
Government buildings	27,000	27,000	6,659	(20,341)
Other general government	25,650	25,650	35,676	10,026
Total General Government	101,820	101,820	78,599	(23,221)
Public Safety				
Fire protection	32,500	32,500	29,930	(2,570)
Building inspection	5,200	5,200	3,651	(1,549)
Planning and zoning	3,230	3,230	2,963	(267)
Total Public Safety	40,930	40,930	36,544	(4,386)
Streets				
Maintenance	3,250	3,250	17,941	14,691
Snow and ice removal	35,000	35,000	11,445	(23,555)
Street lighting	8,500	8,500	8,327	(173)
Total Streets and Highways	46,750	46,750	37,713	(9,037)
Culture and Recreation				
Community center	22,500	22,500	5,311	(17,189)
Parks	15,405	15,405	12,760	(2,645)
Total Culture and Recreation	37,905	37,905	18,071	(19,834)
Debt Service				
Principal	30,347	30,347	30,764	417
Interest	10,945	10,945	10,528	(417)
Total Debt Service	41,292	41,292	41,292	-
Capital Outlay				
General government	30,000	30,000	25,000	(5,000)
Community center	-	-	70,801	70,801
Total capital outlay	30,000	30,000	95,801	65,801
Total Disbursements	298,697	298,697	308,020	9,323
Other Financing Uses				
Transfers to other funds	9,129	9,129	9,129	-
Total disbursements and other financing uses (Charges to appropriations)	307,826	307,826	317,149	9,323
<b>ENDING BUDGETARY FUND BALANCE - DECEMBER 31</b>	<b>\$ 591,752</b>	<b>\$ 591,752</b>	<b>\$ 622,588</b>	<b>\$ 30,836</b>

**CITY OF SABIN, MINNESOTA**  
**COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN NET CASH ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**Year Ended December 31, 2021**

	Business-Type Activities - Enterprise Funds		
	Mosquito	Recycle	Total
<b>OPERATING RECEIPTS</b>			
Charges for services	\$ 5,038	\$ 5,574	\$ 10,612
<b>OPERATING DISBURSEMENTS</b>			
Personnel services	1,797	2,884	4,681
Payroll taxes	123	193	316
Pension contributions	131	-	131
Professional services	-	3,634	3,634
Utilities	45	372	417
Supplies	1,018	-	1,018
Repairs and maintenance	-	14	14
Office expenses	210	-	210
Other disbursements	794	-	794
Total Operating Disbursements	4,118	7,087	11,215
<b>CHANGE IN NET CASH ASSETS</b>	920	(1,523)	(603)
<b>TOTAL NET CASH ASSETS - BEGINNING</b>	6,550	1,550	8,100
<b>TOTAL NET CASH ASSETS - ENDING</b>	<b>\$ 7,470</b>	<b>\$ 27</b>	<b>\$ 7,497</b>



**CITY OF SABIN, MINNESOTA**  
**COMBINING STATEMENT OF CASH FLOWS - REGULATORY BASIS**  
**NONMAJOR PROPRIETARY FUNDS**  
**Year Ended December 31, 2021**

	Business-Type Activities - Enterprise Funds		
	Mosquito	Recycle	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 5,038	\$ 5,574	\$ 10,612
Payments to suppliers	(1,018)	-	(1,018)
Payments to employees	(1,797)	(2,884)	(4,681)
Payments for services provided	(45)	(4,020)	(4,065)
Payments to other governments	(254)	(193)	(447)
Other payments	(1,004)	-	(1,004)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>920</b>	<b>(1,523)</b>	<b>(603)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>6,550</b>	<b>1,550</b>	<b>8,100</b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b>\$ 7,470</b>	<b>\$ 27</b>	<b>\$ 7,497</b>

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**CITY OF SABIN, MINNESOTA**  
**SCHEDULE OF NET POSITION**  
**WATER FUND**  
**December 31, 2021**

<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 294,802
Accounts receivable	13,186
Due from other governments	193
Property taxes receivable	1,303
Special assessments receivable	2,191
Total Current Assets	<u>311,675</u>
Noncurrent Assets	
Capital assets	
Capital assets not being depreciated	79,554
Capital assets, net of accumulated depreciation	995,719
Capital assets, net	<u>1,075,273</u>
Total Noncurrent Assets	<u>1,075,273</u>
Total Assets	<u>1,386,948</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	5,400
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	67,212
Accrued interest payable	2,856
Current portion of long-term bonds payable	93,260
Total Current Liabilities	<u>163,328</u>
Noncurrent Liabilities	
Compensated absences	174,285
Bonds payable, net of refunding charge	10,610
Net pension liability	184,895
Total Noncurrent Liabilities	<u>348,223</u>
Total Liabilities	<u>501,551</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension	9,288
<b>NET POSITION</b>	
Net investment in capital assets	807,728
Restricted for debt service	22,540
Unrestricted	205,569
<b>TOTAL NET POSITION</b>	<u>\$ 1,035,837</u>

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**CITY OF SABIN, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**WATER FUND**  
**Year Ended December 31, 2021**

<b>OPERATING REVENUES</b>	
Charges for services	\$ 173,199
Connection fees	1,150
Total Operating Revenues	<u>174,349</u>
<b>OPERATING EXPENSES</b>	
Personnel services	16,222
Payroll taxes	1,134
Pension expense	(52)
Professional services	44,733
Utilities	11,250
Telephone	809
Supplies	12,811
Office expenses	1,180
Dues and subscriptions	2,493
Miscellaneous expense	2,405
Depreciation	29,077
Total Operating Expenses	<u>122,062</u>
<b>OPERATING INCOME</b>	52,287
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Property taxes	39,297
Interest expense	(6,945)
Net Nonoperating Revenues (Expenses)	<u>32,352</u>
<b>NET INCOME BEFORE TRANSFERS</b>	84,639
<b>TRANSFERS</b>	
Transfers in	<u>2,554</u>
<b>CHANGE IN NET POSITION</b>	87,203
<b>TOTAL NET POSITION - BEGINNING</b>	<u>948,634</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 1,035,837</u>

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**CITY OF SABIN, MINNESOTA**  
**SCHEDULE OF ACCOUNTS RECEIVABLE**  
**December 31, 2021**

<b>FUND</b>	<b>SOURCE OF REVENUE AND PURPOSE</b>	<b>AMOUNT</b>
General	Street lighting	\$ 727
Water	December customer billings	13,186
Sewer	December customer billings	5,701
Garbage	December customer billings	5,731
Mosquito	December customer billings	496
<b>TOTAL</b>		<u>\$ 25,841</u>

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**CITY OF SABIN, MINNESOTA**  
**SCHEDULE OF ACCOUNTS PAYABLE**  
**December 31, 2021**

<u>FUND</u>	<u>VENDOR NAME</u>	<u>ITEM AND PURPOSE</u>	<u>AMOUNT</u>
General	Fitzgerald Construction Inc. Xcel Energy	December snow removal December electric	\$ 9,713 1,214 <u>10,927</u>
Water	Moore Engineering, Inc. Kurita America Inc. Randall's Excavating, Inc. LTP Enterprises, Inc. Sweeney Controls Company Xcel Energy	Engineering fees Pilot study Hydrant repairs Well repairs Repairs and maintenance December electric	26,582 24,696 7,685 4,202 3,131 916 <u>67,212</u>
Sewer	Xcel Energy	December electric	232
Garbage	Fuchs Sanitation	December services	4,201
Recycle	Fuchs Sanitation Xcel Energy	December services December electric	310 19 <u>329</u>
<b>TOTAL</b>			<b>\$ 82,901</b>

**OTHER REPORTS**



## 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

To the Honorable Mayor and Members of the City Council  
City of Sabin, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sabin, Minnesota as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 19, 2022.

### Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of current year findings and responses as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

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### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### The City's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Sabin's response to the findings identified in our audit and described in the accompanying schedule of current year findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### Purpose of this Report

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

*Carlson SV*

Fergus Falls, Minnesota  
March 19, 2022

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**CITY OF SABIN, MINNESOTA**  
**SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**  
 December 31, 2021

**2021-001. Segregation of Duties**

*Criteria:* Internal controls should be in place that provides reasonable assurance that proper segregation of duties is achieved.

*Condition:* The City has a limited number of office personnel and, accordingly, does not have adequate separation of duties in cash receipts, cash disbursements, accounts payable and purchasing, payroll and related liabilities, and general ledger maintenance and reconciliation. An effective internal control structure provides an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

*Cause:* The City has a limited number of office personnel and inadequate internal controls.

*Effect:* The failure to properly segregate duties increases the risk that misstatements may occur and not be detected within a time period by employees in the normal course of performing their assigned functions.

*Recommendation:* While we recognize the City's office staff is not large enough to permit an adequate segregation of duties in all respects for an effective internal control structure, it is important that the City be aware of this condition and look for opportunities to improve segregation of duties or add mitigating controls to prevent material misstatement of the financial statements.

*Management's Response and Actions Planned:* The City's management is aware of this condition and believes that it is not economically feasible to attain the ideal segregation of duties. Management is attempting to mitigate the associated risks by doing the following:

1. Identifying areas lacking segregation of duties and where there is higher risk of fraud occurring.
2. Implementing limited segregation to the extent possible to reduce risks without impairing efficiency.
3. Using the knowledge of management and the Council to review accounting records and reports.

**CITY OF SABIN, MINNESOTA**  
**SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES**  
 December 31, 2021

**2021-002. Preparation of Financial Statements and Related Footnotes**

*Criteria:* Internal controls over financial reporting include those related to the actual preparation and review of the audited financial statements. In order to prepare a complete set of financial statements in conformity with the regulatory basis of accounting, the preparer must have the necessary expertise.

*Condition:* The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. City personnel do prepare periodic financial statements and other financial information for internal use that meets the needs of management and council. However, the City does not have the internal resources to prepare full-disclosure financial statements required by the regulatory basis of accounting for external reporting. As auditors, we were requested to draft the financial statements and accompanying footnotes.

*Cause:* The City does not have the resources to compile their own financial statements.

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

*Recommendation:* This control deficiency is not unusual in a small City. However, it is the responsibility of management and the Council to decide whether to accept the degree of risk associated with this condition based on the cost of correction and other considerations.

*Management's Response and Actions Planned:* The City's management is aware of this significant deficiency. Management reviews and approves the draft annual audited financial statements and distributes them to users. For entities of this size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting. Management recognizes this and feels it is effectively handling its reporting responsibilities with the procedures described above.

**FORM OF LEGAL OPINION**

(See following pages)

(An Opinion in substantially the following form will be delivered by Ohnstad Twichell, P.C., upon delivery of the Bonds, assuming no material change in facts or law.)

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BOND OPINION

\$1,935,000 GENERAL OBLIGATION WATER REVENUE BONDS,  
SERIES 2022A  
SABIN, MINNESOTA

We have acted as Bond Counsel in connection with the issuance by the City of Sabin, Minnesota (the "Issuer") of its General Obligation Water Revenue Bonds, Series 2022A, dated as of July 14, 2022, in the total principal amount of \$1,935,000 (the "Bonds"), pursuant to a resolution adopted by the Issuer on June 21, 2022 (the "Resolution"). We have examined the law, such certified proceedings and other papers as we deem necessary to render this opinion.

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.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

Based on the foregoing, we are of the opinion that under existing law:

1. The Issuer is duly created and validly existing under the Constitution and laws of the State of Minnesota.
2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.
3. The Bonds are valid and binding general obligations of the Issuer.
4. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.
5. The Issuer has designated the Bonds as a qualified tax-exempt obligation pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institution's interest expense allocable to interest on the Bonds.

6. 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 it 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 arising with respect to ownership of the Bonds.

It is to be understood 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 generally, and by equitable principles, whether considered at law or in equity.

OHNSTAD TWICHELL, P.C.



### BOOK-ENTRY-ONLY SYSTEM

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

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

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

(See following pages)

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Sabin, Minnesota (the "Issuer") in connection with the Issuer's \$1,935,000 General Obligation Water Revenue Bonds, Series 2022A (the "Bonds"). The Bonds are being issued pursuant to the Authorizing Resolution adopted by the governing body of the Issuer on June 21, 2022 (the "Resolution") and delivered to the Purchaser on the date hereof. The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds in order to assist the Participating Underwriters within the meaning of SEC Rule 15c2-12(b)(5) (the "Rule") in complying with the Rule. This Disclosure Certificate constitutes the written undertaking required by the Rule.

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

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in Sections 3 and 4 of this Disclosure Certificate.

"EMMA" means the Electronic Municipal Market Access system operated by the MSRB as the primary portal for complying with the continuing disclosure requirements of the Rule.

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

"Financial Statements" means audited or, if unavailable, unaudited general purpose financial statements of the Issuer prepared in accordance with generally accepted accounting principles, as in effect from time to time or as required to be modified as a matter of law. If unaudited financial statements are provided, audited financial statements will be provided when and if available.

"Fiscal Year" means the fiscal year of the Issuer.

"Final Official Statement" means the deemed final official statement dated \_\_\_\_\_, 2022, delivered in connection with the Bonds, which is available from the MSRB.

"Issuer" means the City of Sabin, Minnesota, which is the obligated person with respect to the Bonds.

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, D.C.

"Owner" means the person in whose name Bond is registered or a beneficial owner of such a Bond.

"Participating Underwriter" means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

"Repository" means EMMA.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

"SEC" means Securities and Exchange Commission.

### Section 3. Provision of Annual Financial Information and Financial Statements.

- (a) The Issuer shall, not later than 12 months after the end of the Fiscal Year (currently December 31), commencing with the fiscal year ended December 31, 2022 (which is due no later than December 31, 2023), provide the Repository with an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.
- (b) If the Issuer is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice of that fact to the Repository, and the MSRB.
- (c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. In the event that the Issuer has not completed an audit of its annual financial statements by the date required in Section 3, subsection (a), of this Disclosure Certificate then the Issuer will provide *unaudited* financial statements to the Repository. The Issuer will provide to the Repository its audited Financial Statements as soon as practicable after they are completed. The failure by the Issuer to provide an audited annual financial statement by the date required in Section 3, subsection (a) of this this Disclosure Certificate shall not be deemed a violation of the reporting obligations under this Disclosure Certificate.

Section 5. Reporting of Material Events.

- (a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events ("Material 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 security, or other material events affecting the tax status of the security;
  7. Modification 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 securities, if material;
  11. Rating changes.
  12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
  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.
- (b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within ten business days of the occurrence of the Material Event.
- (c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

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

Section 7. 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 Certificate, 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 Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertakings to violate the Rule. This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of this Disclosure Certificate may be amended without the consent of the Owners of the Bonds, but only upon the delivery by the Issuer to the Repository of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Disclosure Certificate and by the Issuer with the Rule.

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

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate 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. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13. Choice of Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Minnesota, provided that to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Section 14. Severability. If any portion of this Disclosure Certificate shall be held invalid or inoperative, then, so far as is reasonable and possible (i) the remainder of this Disclosure Certificate shall be considered valid and operative, and (ii) effect shall be given to the intent manifested by the portion held invalid or inoperative.

Section 15. Captions, Tables, and Headings. The captions, titles, and headings used in this Disclosure Certificate are for convenience only and shall not be construed in interpreting this Disclosure Certificate.

IN WITNESS WHEREOF, I have executed this Disclosure Certificate in my official capacity effective \_\_\_\_\_, 2022.

CITY OF SABIN

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Wendy Otte,  
City Clerk



## APPENDIX E

### TERMS OF PROPOSAL

#### **\$1,935,000\* GENERAL OBLIGATION WATER REVENUE BONDS, SERIES 2022A CITY OF SABIN, MINNESOTA**

Proposals for the purchase of \$1,935,000 General Obligation Water Revenue Bonds, Series 2022A (the "Bonds") of the City of Sabin, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on June 28, 2022, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

#### **PURPOSE**

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, by the City for the purpose of financing the construction of various improvements to the City's water treatment plant and water tower. 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 July 14, 2022, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2026	\$45,000	2035	\$60,000	2044	\$80,000
2027	45,000	2036	60,000	2045	85,000
2028	50,000	2037	65,000	2046	85,000
2029	50,000	2038	65,000	2047	90,000
2030	50,000	2039	70,000	2048	95,000
2031	55,000	2040	70,000	2049	100,000
2032	55,000	2041	75,000	2050	100,000
2033	55,000	2042	75,000	2051	105,000
2034	60,000	2043	80,000	2052	110,000

#### **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 February 1, 2023, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 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, 2033 shall be subject to optional redemption prior to maturity on February 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

## **DELIVERY**

On or about July 14, 2022, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

### LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Ohnstad Twichell, P.C., West Fargo, North Dakota, 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 \$1,909,845 plus accrued interest on the principal sum of \$1,935,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

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

**A good faith deposit ("Deposit") in the amount of \$38,700 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.

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

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

### **CONTINUING DISCLOSURE**

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

## NEW ISSUE PRICING

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

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

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

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

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

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the 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 (5<sup>th</sup>) 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 (5<sup>th</sup>) 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](http://www.ehlers-inc.com) by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

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

By Order of the City Council

City of Sabin, Minnesota



# PROPOSAL FORM

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

June 21, 2022

RE: \$1,935,000\* General Obligation Water Revenue Bonds, Series 2022A (the "Bonds")  
DATED: July 14, 2022

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$ \_\_\_\_\_ (not less than \$1,909,845) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2026	_____ % due	2035	_____ % due	2044
_____ % due	2027	_____ % due	2036	_____ % due	2045
_____ % due	2028	_____ % due	2037	_____ % due	2046
_____ % due	2029	_____ % due	2038	_____ % due	2047
_____ % due	2030	_____ % due	2039	_____ % due	2048
_____ % due	2031	_____ % due	2040	_____ % due	2049
_____ % due	2032	_____ % due	2041	_____ % due	2050
_____ % due	2033	_____ % due	2042	_____ % due	2051
_____ % due	2034	_____ % due	2043	_____ % due	2052

\* 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 2026 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 \$38,700 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 July 14, 2022.

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

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

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

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

If the competitive sale requirements are not met, we elect to use either the: \_\_\_\_ 10% test, or the \_\_\_\_ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_

Account Members:

**Award will be on a 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 July 14, 2022 of the above proposal is \$ \_\_\_\_\_ and the true interest cost (TIC) is \_\_\_\_\_%.

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The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Sabin, Minnesota, on June 28, 2022.

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