

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

**CITY OF NISSWA, MINNESOTA  
(Crow Wing County)**

**\$1,515,000**

**GENERAL OBLIGATION STREET RECONSTRUCTION BONDS, SERIES 2018A**

**Dated Date:** July 17, 2018

**Principal Due:** February 1, 2020 through 2026

The \$1,515,000 General Obligation Street Reconstruction Bonds, Series 2018A (the "Bonds") will be issued by the City of Nisswa, Minnesota (the "City") pursuant to Minnesota Statutes, Section 475.58, Subd. 3b. The proceeds of the Bonds will be used for the purpose of financing street reconstruction and maintenance including milling, overlaying, and the complete reconstruction of City Streets, and to pay the costs of issuance on the Bonds. The Bonds are valid and binding general obligations of the City for which its full faith, credit and unlimited taxing powers will be pledged for the payment of the principal and interest due on the Bonds.

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. The City's Registrar and Paying Agent, U.S. Bank National Association, St. Paul, Minnesota, will pay principal of the Bonds, payable annually on each February 1, beginning February 1, 2020, and interest on the Bonds, payable semiannually on February 1 and August 1, commencing February 1, 2019, to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursements to the beneficial owners of the Bonds as described herein. Interest and principal shall be paid to the registered holder of a bond as shown on the records of ownership maintained by the Registrar as of the fifteenth day of the calendar month next preceding such interest payment date (the "Record Date").

The Bonds will mature on February 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2020	\$ 185,000	5.000%	1.700%	654905 CY 2
2021	195,000	5.000%	1.850%	654905 CZ 9
2022	205,000	5.000%	2.000%	654905 DA 3
2023	215,000	5.000%	2.110%	654905 DB 1
2024	225,000	5.000%	2.250%	654905 DC 9
2025	240,000	5.000%	2.400%	654905 DD 7
2026	250,000	5.000%	2.500%	654905 DE 5

The Bonds are not subject to redemption prior to the stated maturity date.

**BANK QUALIFIED:**

The Bonds are designated as "Qualified Tax-Exempt Obligations."

**PAYING AGENT:**

U.S. Bank National Association, St. Paul, Minnesota

**LEGAL OPINION:**

Briggs & Morgan Professional Association, Minneapolis, Minnesota

**Robert W. Baird & Co., Inc.** has agreed to purchase the Bonds for an aggregate price of **\$1,689,605.02**. The Bonds will be available for delivery on or about **July 17, 2018**.

The date of this Official Statement is June 29, 2018.

(THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.)

**BAIRD**



No dealer, broker, salesman or other person has been authorized by the City, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained in this Official Statement or the Final Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the City, the Municipal Advisor or the Underwriter. This Official Statement or the Final Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but it is not to be construed as a representation by the Municipal Advisor or Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement or the Final Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the City or in any other information contained herein, since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement and any addenda thereto were prepared relying on information of the City and other sources, which are believed to be reliable.

Bond Counsel has not participated in the preparation of this Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein.

Compensation of PFM Financial Advisors LLC (the "Municipal Advisor") payable entirely by the City, is contingent upon the sale of the issue.

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Appendix A – The City’s Audited Financial Statements for the Fiscal Year Ended December 31, 2017

Appendix B – Proposed Form of Legal Opinion

Appendix C – Proposed Form of Continuing Disclosure Undertaking

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## **INTRODUCTION TO THE OFFICIAL STATEMENT**

*The following information is furnished solely to provide limited introductory information regarding issuance of the \$1,515,000 General Obligation Street Reconstruction Bonds, Series 2018A (the “Bonds”) issued by the City of Nisswa, Minnesota (the “City”), and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.*

<b>Issuer:</b>	City of Nisswa, Minnesota
<b>Authority for Issuance:</b>	The Bonds are being issued pursuant to Minnesota Statutes, Section 475.58, Subd. 3b.
<b>Security:</b>	The Bonds are valid and binding general obligations of the City payable from ad valorem taxes levied or to be levied on all taxable property in the City, which taxes are not subject to any limitation as to rate or amount.
<b>Purpose:</b>	The proceeds of the Bonds will be used for the purpose of financing street reconstruction and maintenance including milling, overlaying, and the complete reconstruction of City Streets, and to pay the costs of issuance on the Bonds.
<b>Principal Payments:</b>	Principal of the Bonds is payable annually on February 1 of the years 2020 through 2026.
<b>Interest Payments:</b>	Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2019.
<b>Redemption Provisions:</b>	The Bonds are not subject to redemption prior to their stated maturities.
<b>Denominations:</b>	\$5,000 or multiples thereof.
<b>Book-Entry Only:</b>	The Bonds will be issued as book-entry only securities through the Depository Trust Company.
<b>Tax Status:</b>	Exempt from federal and Minnesota income taxes, as further provided and described in this Official Statement. See “Tax Exemption and Related Considerations” herein. The Bonds will be designated as Qualified Tax-Exempt Obligations.
<b>Professional Consultants:</b>	<div><div><i>Municipal Advisor:</i></div><div>PFM Financial Advisors LLC Des Moines, Iowa Minneapolis, Minnesota</div><div><i>Bond Counsel:</i></div><div>Briggs &amp; Morgan, Professional Association Minneapolis, Minnesota</div><div><i>Registrar/ Paying Agent/ Escrow Agent:</i></div><div>U.S. Bank National Association St. Paul, Minnesota</div></div>
<b>Legal Matters:</b>	Validity, tax exemption, and legal matters incident to the authorization and issuance of the Bonds are subject to the opinion of Briggs & Morgan, Professional Association, Bond Counsel. The opinion will be substantially in the form set forth in Appendix B attached hereto.

**Continuing Disclosure:**

By a Continuing Disclosure Certificate, the City will covenant and agree to provide to the Municipal Securities Rulemaking Board, certain annual financial information including audited financial statements, and notice of the occurrence of certain material events. The City is the only “obligated person” in respect of the Bonds within the meaning of Securities and Exchange Commission Regulations, 17 C.F.R. Section 240.15c2-12. A copy of the proposed certificate is included in Appendix C.

The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but it is not to be construed as a representation by the Municipal Advisor or Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the City or in any other information contained herein, since the date hereof.

Questions regarding the Bonds or the Official Statement can be directed to, and additional copies of the Official Statement, the City's audited financial reports and the documents described herein may be obtained from PFM Financial Advisors LLC, 801 Grand Avenue, Suite 3300, Des Moines, Iowa 50309 (515-724-5724 and 515-243-6994 FAX) or 50 South 6th Street, Suite 2250, Minneapolis, Minnesota 55402 (612-338-3535 and 612-338-7264 FAX), the City's Municipal Advisor.

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## **DESCRIPTION OF THE BONDS**

### ***Authorization and Purpose***

The Bonds are being issued pursuant to Minnesota Statutes, Section 475.58, Subd. 3b. The proceeds of the Bonds will be used for the purpose of financing street reconstruction and maintenance including milling, overlaying, and the complete reconstruction of City Streets, and to pay the costs of issuance on the Bonds.

### ***Payment of and Security of the Bonds***

The Bonds are valid and binding general obligations of the City payable from ad valorem taxes levied or to be levied on all taxable property in the City, which taxes are not subject to any limitation as to rate or amount. The City will levy general ad valorem taxes on all taxable property in the City in an amount equal to 105% of the principal of and interest on the Bonds to pay principal of and interest on the Bonds when due.

### ***Source and Uses of Funds***

The estimated sources and uses of funds are presented in the table below.

**Table 1 Sources  
and Uses of Funds**

#### **Sources of Funds**

Par Amount	\$ 1,515,000
Reoffering Premium	184,356
City Contribution	<u>40,820</u>
Total Sources of Funds	<u>\$ 1,740,177</u>

#### **Uses of Funds**

Deposit to Project Amount	\$ 1,648,850
Cost of Issuance/Underwriter Discount	49,351
Deposit to Debt Service Fund	40,820
Contingency	<u>1,155</u>
Total Uses of Funds	<u>\$ 1,740,177</u>

### ***Interest Computation***

Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2019. Interest will be computed on a 360-day year, 30-day month basis, to the owners of record as of the close of business on the fifteenth of the immediately preceding month.

### ***Redemption Provisions***

#### **Optional Redemption**

The Bonds are not subject to redemption prior to their stated maturities.

## ***Book-Entry-Only System***

*The information contained in the following paragraphs of this subsection “Book-Entry-Only ISSUANCE” has been extracted from a schedule prepared by Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING DTC AND BOOK-ENTRY-ONLY ISSUANCE.” 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.*

The Depository Trust Company (“DTC”), New York, NY, 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.

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 (the “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 (the “Indirect Participants”). DTC has Standard & Poor’s rating: 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) and [www.dtc.org](http://www.dtc.org).

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 (the “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.

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.

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.

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 the 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.

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.

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.

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.

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.

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.

### ***Continuing Disclosure***

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the City has agreed for the benefit of the holders and beneficial owners of the Bonds to provide Audited Financial Statements relating to the City (the "Annual Report"), commencing with the fiscal year ending on December 31, 2018, and by December 31 of each year thereafter, and to provide notices of the occurrence of certain enumerated material events. The Annual Report and material event notices are to be filed with the MSRB through its Electronic Municipal Market Access system (EMMA) at [www.emma.msrb.org](http://www.emma.msrb.org). The details and terms of the undertaking, as well as the information to be contained in the annual report or the notices of material events are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the Bonds are delivered. Such undertaking will be in substantially the form attached hereto as Appendix C.

Within the past five years the City has never failed to comply in all material aspects with its previous undertakings under the Rule. A failure by the City to comply with the undertaking will not constitute an event of default on the Bonds (although holders will have any available remedy at law or in equity). Nevertheless, such a 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. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

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## **FINANCIAL SUMMARY**

(This summary is subject in all respects to more complete information contained in this Official Statement)

Economic Market Value 2017/18	\$	648,108,251
Estimated Market Value 2017/18	\$	628,953,800
Taxable Market Value 2017/18	\$	615,069,311
Net Tax Capacity 2017/18	\$	6,826,593
General Obligation Debt Supported by Tax Levies (Includes the Bonds)	\$	4,171,000
General Obligation Debt Supported by Revenue	\$	865,000
General Obligation Debt Supported by Tax Abatements	\$	370,000
Revenue Debt	\$	132,000
Indirect General Obligation Debt	\$	26,313,102
Population (2017 Estimate)		2,034 <sup>(1)</sup>

Debt Ratios:

	<u>Amount</u>	<u>Per Capita (2,034)</u>	<u>% of Economic Market Value</u>
General Obligation Debt			
Supported by Tax Levies	\$ 4,171,000	\$ 2,051	0.65%
Supported by Revenue	865,000	425	0.13%
Supported by Tax Abatements	370,000	182	0.06%
Indirect General Obligation Debt	<u>26,313,102</u>	<u>12,937</u>	<u>4.08%</u>
Total	<u>\$ 31,869,102</u>	<u>\$ 15,594</u>	<u>4.92%</u>

<sup>(1)</sup> Estimate from the State of Minnesota Demographic Center.

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## **THE CITY**

The City is located in central Minnesota in a resort area approximately 135 miles northwest of Minneapolis/St. Paul, 115 miles southwest of Duluth, and 15 miles north of Brainerd. The City is surrounded by lakes and is part of the Brainerd Micropolitan Statistical Area. The City has a land area of approximately 6,720 acres.

### ***City Government***

The City is governed as a statutory City under a Mayor Council form of government. The City Council consists of the Mayor who is elected to a two-year term, and four Council members, who are elected to two-year or four-year terms of office. City Council meetings are the third Wednesday of the month at 7:00 P.M.

The City Council and Administration is comprised of the following members:

#### **Mayor and Council**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Fred Heidmann	Mayor	12/31/2018
Don Jacobson	Councilman	12/31/2018
John Ryan	Councilman	12/31/2020
Ross Krautkremer	Councilman	12/31/2018
Gary Johnson	Councilman	12/31/2020

#### **Administration**

<u>Name</u>	<u>Position</u>
Jenny Max	City Administrator/Clerk
Tom Blomer	Public Works
Tom Pearson	City Attorney

### ***City Services***

City services include fire (26 volunteers), police (chief, sergeant and 4 officers) and sewer. Water service is not provided (only private wells). The City maintains a fire rating of 8. The City utilizes aerated ponds built in 1990 for its sewage treatment. The plant's capacity is 195,000 gallons per day. Average demand is 90,000 gallons per day. Peak demand is 220,000 gallons per day. The City also operates an on/off sale liquor store and an off sale liquor store.

### ***City Employees***

The City has a total of 40 full-time and part-time employees including 6 police officers. Four police officers are represented by the Teamsters Local Union #346 under a contract which expires on December 31, 2020. Seven department heads are represented by the Minnesota Public Employees Association, Inc. under a contract which expires on December 31, 2019.

## ***Population***

The table below shows the population of the City as recorded in the past five decennial censuses and the most recent estimate available.

**Table 2**  
**Population**

<u>Year</u>	<u>City of Nisswa</u>
2017 <sup>(1)</sup>	2,034
2010	1,971
2000	1,953
1990	1,391
1980	1,406
1970	1,011

<sup>(1)</sup> Estimate.

Sources: United States Census Bureau, [factfinder.census.gov](https://factfinder.census.gov)  
State of Minnesota Demographic Center, [www.demography.state.mn.us](http://www.demography.state.mn.us)

## ***Education***

Independent School District No. 181 (Brainerd), with 976 full-time licensed and non-licensed employees and a 2017-2018 enrollment of 6,419 students, owns and operates seven elementary school buildings, one middle school, two senior high schools, and two education centers.

Independent School District No. 186 (Pequot Lakes), with 250 full-time licensed and non-licensed employees and a 2017-2018 enrollment of 1,691 students, owns and operates one elementary school and one secondary school.

Central Lake Community and Technical College is a two-year higher education facility, located approximately 15 miles from the City, in the City of Brainerd. The College offers many different programs of study designed to help students gain employment, upgrade current skills, and prepare to transfer to a four-year college or university.

## ***Financial Services***

Banking services for residents of the City are provided by branch offices of BlackRidgeBANK. The branch offices located within the City report the following total deposits as of June 30th for each year.

**Table 3**  
**Total Annual Deposits**

<u>Year</u>	<u>BlackRidgeBANK<sup>(1)</sup></u>
2017	\$ 65,186,000
2016	65,296,000
2015	60,365,000
2014	58,313,000
2013	57,836,000

<sup>(1)</sup> Total deposits listed are for two branch offices located within the City.

Source: Federal Deposit Insurance Corporation (FDIC), [www.fdic.gov](http://www.fdic.gov).

## ***Building Permits***

The table below presents the total residential and commercial building permits during the last five calendar years.

**Table 4**  
**Building Permits**

<u>Calendar Year</u>	<u>Total Residential</u>		<u>Total Commercial</u>	
	<u>No. of Permits</u>	<u>Estimated Value</u>	<u>No. of Permits</u>	<u>Estimated Value</u>
2017	13	\$ 3,186,531	4	\$ 494,250
2016	16	3,800,660	3	135,360
2015	14	3,058,290	4	671,840
2014	19	5,559,616	3	739,000
2013	16	3,081,201	1	225,460

Source: The City.

## ***Labor Force and Unemployment Statistics***

The Minnesota Department of Employment and Economic Development computes annualized average figures for labor force and unemployment rates for the State and its municipalities. The following table presents the average labor force and unemployment rate for Crow Wing County and the State of Minnesota for the last five years and the most recent figures available. Seasonally adjusted rates are only available for state and national figures; therefore all rates presented in the table below are not seasonally adjusted figures.

**Table 5**  
**Labor Force and Unemployment Statistics**

<u>Year</u>	<u>Crow Wing County</u>		<u>State of Minnesota</u>	
	<u>Average Labor Force</u>	<u>Average Unemployment Rate</u>	<u>Average Labor Force</u>	<u>Average Unemployment Rate</u>
2018 <sup>(1)</sup>	\$ 33,474	5.5%	\$ 3,098,925	3.7%
2017	32,038	4.7%	3,063,604	3.5%
2016	31,636	5.2%	3,036,278	3.9%
2015	31,262	5.2%	2,998,353	3.7%
2014	31,350	5.9%	2,973,073	4.2%

<sup>(1)</sup> As of April, 2018.

Source: Minnesota Department of Employment and Economic Development, [www.deed.state.mn.us](http://www.deed.state.mn.us)

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## ***Largest Employers***

A representative list of larger employers in the City and Crow Wing County is presented in the table below.

**Table 6 Largest  
Employers**

<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Number of Employees</u>
<b>City of Nisswa</b>		
Grand View Lodge/The Pines Golf Course	Resort/Golf Course	800
Bluewater Development	Real Estate Management	110
Schaefer's Foods	Grocer-Retail	87
Nisswa Schools	Education	50
Nisswa American Legion	Veterans' & Military Organization	46
Viking Label Inc	Labels-Paper	45
Causeway On Gull Resort	Resort	40
Johnson Derreck N	Health Services	35
Quarterdeck Resort and Boathouse	Resort	35
Bar Harbor	Restaurant	30
Good Samaritan Society	Home Health Service	28
<b>Crow Wing County</b>		
Central Lakes Medical Center	Medical Care	1,001
Essentia Health St Joseph Medical Center	Hospital	1,000
Grand View Lodge/The Pines Golf Course	Resort/Golf Course	800
Ascensus	Insurance	500
Wal-Mart Supercenter	Discount Retail	500
Crow Wing Country Purchasing	Government Offices	480
Breezy Point Resort	Resort	400
Clow Stamping Co	Metal Stamping	400
Courage Kenny Rehab Institute	Rehabilitation Services	400
Hospital Aiken	Clinic	400
Marina Dining Room	Restaurants	375
Central Lakes College	College/University	350
Riverwood Healthcare	Hospital	322
Whitebitch Inc	Hotel	300
Good Samaritan Society-Bethany	Residential Care Homes	275

Sources: The City and Infogroup.

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## ***Pension Plans***

### **Public Employees Retirement Association of Minnesota**

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 Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by stature are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a jailer/dispatcher, or as a supervisor of correctional guards or officers or of jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PEPFF. PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by State statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

The City makes annual contributions to the pension plans equal to the amount required by Minnesota Statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50% respectively, of their annual covered salary in 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members. The City's contributions GERF for the years ended December 31, 2017, 2016 and 2015 were \$68,738, \$61,801, and \$59,443, respectively. These contributions amounts are equal to the required contributions for each year as set by Minnesota Statute.

For additional information on the City's retirement plans, see Notes 6 of the "Notes to Financial Statement" in Appendix A attached hereto.

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## **PROPERTY VALUATIONS AND TAXES**

### ***Property Values***

The County Assessor, pursuant to State law, is responsible for the assessment of all taxable property located within a county. State law provides, with certain exceptions, that all taxable property is to be valued at its market value. All real property subject to taxation must be listed and shall be valued each year with reference to its value as of January 2. The assessor views and reappraises all parcels at maximum intervals of five years. Personal property subject to taxation must also be listed and assessed annually as of January 2.

With certain exemptions, all property is valued at its Estimated Market Value ("EMV"), which is the value the assessor determines to be the price the property to be fairly worth. Taxable Market Value ("TMV") is EMV less certain exclusions, including the exclusions under the "This Old House" program for certain improvements made to homes over 45 years old and, for taxes payable in 2012 and thereafter, a homestead market value exclusion ("Homestead Exclusion") for homesteads valued at under \$413,800. The Homestead Exclusion replaces the former residential homestead market value credit ("Homestead Credit"), which provided an offset of an amount of residential homeowner property taxes with a credit, which was reimbursed to the City by the State.

Net Tax Capacity ("NTC") is the value upon which taxes are levied and collected. The NTC is computed by applying the class rate percentages specific to each type of property classification against the TMV. Class rate percentages vary depending on the type of property. The following table shows the class rates for selected property types for taxes payable in 2018.

**Table 7 Property**  
**Class Rates**

<u>Type of Property</u>	<u>Pay 2018 Class Rates</u>
<b>Residential Homestead</b>	
First \$500,000 Taxable Market Value	1.00%
Over \$500,000 Taxable Market Value	1.25%
<b>Commercial/Industrial</b>	
First \$150,000 Taxable Market Value	1.50%
Over \$150,000 Taxable Market Value	2.00%
Non-Homestead Market Rate Apartments	1.25%

Neither the net tax capacity nor the market value may accurately represent what a property's actual market value would be in the marketplace. By dividing the taxable market value used for tax purposes by the State Equalization Aid Review Committee's ("EARC") Sales Ratio for any particular year, an Economic Market Value can be calculated which approximates actual market value. Sales ratios represent the relationship between the market value used for tax purposes and actual selling prices which were obtained in real estate transactions within a governmental unit in any particular year. The 2016 Sales Ratio for the City is 97.5%.

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The table below shows the Economic Market Value, the Estimated Market Value, Taxable Market Value and Net Tax Capacity of taxable property within the City for assessment year 2016/collection year 2017.

**Table 8**  
**Property Values**

	<u>Economic Market Value<sup>(1)</sup></u>	<u>Estimated Market Value</u>	<u>Taxable Market Value</u>	<u>Net Tax Capacity</u>
Real Estate	\$ 652,802,903 <sup>(2)</sup>	\$ 632,619,100	\$ 615,438,903	\$ 6,808,856
Personal Property	3,962,800	3,962,800	3,962,800	79,239
Less: Tax Increment Captured Tax Capacity <sup>(3)</sup>	--	--	--	(55,502)
Total	<u>\$ 648,108,251</u>	<u>\$ 628,953,800</u>	<u>\$ 615,069,311</u>	<u>\$ 6,826,593</u>

(1) Economic Market Value is calculated using the Estimated Market Value of real estate divided by the sales ratio plus the Estimated Market Value of personal property.

(2) The most recent available (2016) sales ratio (97.5%) was used to calculate Economic Market Value.

(3) This value represents the captured tax capacity of a tax increment financing district(s) in the City. Taxes collected on property in the tax increment district(s) accrue to the City to pay debt service on outstanding tax increment debt.

Source: Crow Wing County.

### ***Net Tax Capacity by Class of Property***

The table below breaks down the Net Tax Capacity of real property within the City by category by the various types of property types that make up the total for the assessment year 2017.

**Table 9 Real**  
**Property by Category** <sup>(1)</sup>

	<u>Tax Capacity</u>	<u>Percentage of Total</u>
Residential Homestead	\$ 2,386,622	35.08%
Agricultural	51,389	0.76%
Commercial & Industrial	776,637	11.42%
Public Utility	5,183	0.08%
All Other Commercial/Industrial	--	0.00%
Residential Non-Homestead	484,198	7.12%
Commercial & Residential Seasonal/Recreational	3,074,977	45.20%
Other (Golf Courses)	<u>23,850</u>	<u>0.35%</u>
Total Net Tax Capacity	<u>\$ 6,802,856</u>	<u>100.00%</u>

(1) Does not reflect adjustment for fiscal disparities and captured tax increment tax capacity.

Source: Crow Wing County.

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## ***Trend of Valuations***

The table below presents the Economic Market Value, Estimated Market Value, Taxable Market Value and Net Tax Capacity values of the City for the last five years.

**Table 10 Trend of Valuation**

<u>Levy/Payable</u>	<u>Economic Market Value</u>	<u>Sales Ratio</u>	<u>Estimated Market Value</u>	<u>Taxable Market Value</u>	<u>Net Tax Capacity<sup>(1)</sup></u>
2016/17	\$ 633,336,766	97.50%	\$ 629,070,800	\$ 611,962,211	\$ 6,812,127
2015/16	646,124,164	92.51%	609,947,400	592,747,073	6,788,284
2014/15	627,368,787	92.92%	595,304,700	578,606,404	6,560,873
2013/14	636,463,801	90.53%	589,159,800	572,699,717	6,405,151
2012/13	611,038,769	95.70%	600,737,100	584,042,761	--

<sup>(1)</sup> Does not reflect adjustment for fiscal disparities and captured tax increment tax capacity.

Source: Crow Wing County.

## ***Largest Taxpayers***

A list of the principal taxpayers in the City with the highest taxable valuations for taxes payable in 2018 is presented in the table below.

**Table 11 Largest Taxpayers**

<u>Taxpayer</u>	<u>Type of Property/Business</u>	<u>Net Tax Capacity</u>	<u>% of Total Tax Capacity<sup>(1)</sup></u>
ETOC Co. Inc.	Seasonal Commercial	\$ 380,636	5.53%
Lee Anderson	Commercial	107,691	1.56%
Minnesota Power & Light	Public Utility	54,607	0.79%
Nisswa Square LLC	Commercial	38,808	0.56%
Judith McAthie	Seasonal Residential	35,388	0.51%
James & Carol Cote	Seasonal Residential	30,105	0.44%
Crow Wing Properties	Commercial	29,807	0.43%
Whistle Athletics LLC	Seasonal Commercial	27,339	0.40%
GFS Properties LLC	Ma & Pa Resort	27,299	0.40%
ETOC Company Inc.	Golf Course/Seasonal Commercial	26,644	0.39%
Total		<u>\$ 758,324</u>	<u>11.02%</u>

<sup>(1)</sup> Based on the 2017/2018 Total Net Tax Capacity of \$6,882,095. The total Net Tax Capacity includes real and personal property and is not adjusted for tax increment financing.

Source: Crow Wing County.

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## ***Tax Capacity Rates***

The table below presents the City's tax rates over a five-year period.

**Table 12 Tax  
Capacity Rates**

	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
Crow Wing County	35.269%	24.653%	33.574%	32.308%	31.741%
City of Nisswa	30.996%	31.029%	30.778%	30.428%	31.577%
Brainerd ISD No. 181	24.952%	25.520%	25.443%	27.739%	24.833%
Pequot Lakes ISD. No. 186	14.807%	13.768%	14.019%	12.954%	12.833%
Other Special Districts <sup>(1)</sup>	<u>1.874%</u>	<u>1.898%</u>	<u>1.862%</u>	<u>1.921%</u>	<u>1.960%</u>
Total Tax Rate <sup>(2)</sup>	<u>93.091%</u>	<u>83.100%</u>	<u>91.657%</u>	<u>92.396%</u>	<u>90.111%</u>

<sup>(1)</sup> Includes Regional Development District, County HRA, and Watershed District.

<sup>(2)</sup> Total tax rate for a City resident in the Brainerd ISD No. 181.

Source: Crown Wing County.

## ***Tax Levies and Collections***

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15. 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 table below sets forth the City's tax levies and collections for the current year and previous four years.

**Table 13 Tax  
Levies and Collections**

<u>Collection Year</u>	<u>Gross Tax Levy</u>	<u>Net Tax Levy</u>	<u>Tax Collections</u>	<u>% of Net Levy</u>	<u>Amount Delinquent</u>	<u>Collections as of 5/16/18</u>	<u>% of Net Levy</u>
2017/18	\$ 2,154,939	\$ 2,154,815	In process of collection.....				
2016/17	2,052,313	2,052,192	\$ 2,035,846	99.20%	\$ 16,346	\$ 2,035,846	99.20%
2015/16	1,994,277	1,993,902	1,973,752	98.99%	20,150	1,990,535	99.83%
2014/15	1,965,819	1,965,271	1,946,861	99.06%	18,410	1,962,104	99.84%
2013/14	1,930,245	1,929,431	1,905,358	98.75%	24,073	1,929,162	99.99%

Source: Crow Wing County.

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## **INDEBTEDNESS OF THE CITY**

### ***General Obligation Debt***

The tables below presents the City's general obligation debt as of the issuance of the Bonds.

**Table 14**  
**General Obligation Debt**  
**Indebtedness by Issue**

<u>Date</u> <u>Of Issue</u>	<u>Original</u> <u>Amount</u>	<u>Purpose</u>	<u>Interest Rates</u> <u>Outstanding</u>	<u>Maturities</u> <u>Outstanding</u>	<u>Principal</u> <u>Outstanding</u>
02/15/2012	\$ 1,500,000	Street Reconstruction Note	1.00%	08/20/2018-32	\$ 1,198,000
08/22/2012	1,240,000	Wastewater Improvements	0.50% - 2.60%	12/01/2018-27	865,000
03/12/2013	1,945,000	Capital Improvement	0.30% - 2.00%	02/01/2019-25	1,160,000
07/11/2013	585,000	Taxable Abatement Bonds	3.00% - 3.35%	02/01/2019-24	370,000
09/30/2014	730,000	Street Reconstruction Bonds	1.30%	06/15/2018-19	298,000
07/17/2018	1,515,000	Street Reconstruction Bonds	This Issue	02/01/2020-26	<u>1,515,000</u>
Total General Obligation Debt					<u>\$ 5,406,000</u>

**Table 15**  
**General Obligation Debt**  
**Annual Maturity Schedule**

<u>Fiscal Year</u> <u>December 31</u>	<u>Outstanding</u>		<u>Series 2018A Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 297,000	\$ 32,647	\$ --	\$ --	\$ 329,647
2019	520,000	56,780	--	40,821	617,601
2020	376,000	49,883	185,000	75,750	686,633
2021	382,000	44,008	195,000	66,500	687,508
2022	387,000	37,448	205,000	56,750	686,198
2023	393,000	30,459	215,000	46,500	684,959
2024	399,000	22,728	225,000	35,750	682,478
2025	355,000	15,720	240,000	24,500	635,220
2026	181,000	10,870	250,000	12,500	454,370
2027	181,000	7,610	--	--	188,610
2028	82,000	4,200	--	--	86,200
2029	83,000	3,380	--	--	86,380
2030	84,000	2,550	--	--	86,550
2031	85,000	1,710	--	--	86,710
2032	<u>86,000</u>	<u>860</u>	<u>--</u>	<u>--</u>	<u>86,860</u>
Total	<u>\$ 3,891,000</u>	<u>\$ 320,851</u>	<u>\$ 1,515,000</u>	<u>\$ 397,071</u>	<u>\$ 6,085,924</u>

### ***Revenue Debt***

The City has no revenue debt outstanding.

### ***Future Financing***

The City does not anticipate that it will issue any additional general obligation bonds within the next six months.

## ***Debt Payment History***

The City knows of no instance in which it has defaulted in the payment of principal and interest on its general obligation debt.

## ***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 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 its gross debt (1) obligations issued for improvements which are payable wholly or partly from special assessments levied against benefited property; (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from revenues; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) funds held as sinking funds for payment of principal and interest on debt other than those deductible under 1-4 above; (6) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance. The City's legal debt margin is calculated as follows:

**Table 16**  
**Debt Limit**

Taxable Market Value (2017/2018)	\$ 619,401,703
Legal Debt Limit	<u>3.00%</u>
Total Legal Debt Limit (100.00%)	\$ 18,582,051
General Obligation Debt Subject to Debt Limit (29.90%)	<u>5,556,000</u>
Legal Debt Margin (70.10%)	<u>\$ 13,026,051</u>

## ***Indirect General Obligation Debt***

There are three taxing jurisdictions which overlap the City and which had general obligation outstanding as of February 15, 2018, unless otherwise noted. The table below sets forth the general obligation debt for such jurisdictions and the amount of debt allocable to the City.

**Table 17** **Indirect**  
**General Obligation Debt**

<u>Taxing District</u>	<u>G.O. Debt</u>	<u>% Allocable to the City</u>	<u>Portion Allocable to City</u>
Crow Wing County	\$ 9,910,000	6.31%	\$ 624,867
Brainerd ISD. No. 181	185,630,000 <sup>(1)</sup>	13.72%	25,463,248
Pequot Lakes ISD No. 186	39,405,000	0.57%	<u>224,986</u>
Total			<u>\$ 26,313,102</u>

<sup>(1)</sup> Competitive bond sale of \$143,110,000 on May 30, 2018, expected to close on June 27, 2018.

Sources: Crow Wing County and Municipal Securities Rule Making Board, <http://emma.msrb.org>

## **FINANCIAL INFORMATION**

### ***Financial Statements***

The City's accounting system is organized and operated on a fund basis using the modified accrual basis (the proprietary funds use the accrual basis) of accounting and are audited by an independent accountant. The certified public accountant has not consented to distribution of the audited statement and has not undertaken added review of its presentation. Further information regarding the financial performance and copies of prior financial are available upon request from the City's Municipal Advisor, PFM Financial Advisors LLC. The City's December 31, 2017 Financial Statements are attached as Appendix A of this Official Statement.

### ***Results of Operations***

Statements of cash receipts, disbursements and changes in cash fund balances of the General Fund of the City have been compiled from the City's Financial Statements and have been organized in the table below in such a manner as to facilitate year-to-year comparison. The table below presents a statement of revenues and expenditures of the City's General Fund for the fiscal years ending December 31, 2015 through 2017.

**Table 18**  
**Statement of Cash Receipts, Disbursements, and**  
**Changes in Cash Balance for the General Fund**  
**(Years Ended December 31)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Receipts</b>			
Property Taxes	\$ 1,592,689	\$ 1,585,371	\$ 1,575,268
Tax Increment Financing	--	--	--
Cemetery	43,157	4,850	19,600
Licenses and Permits	23,705	25,680	24,562
Intergovernmental	359,691	145,228	258,080
Changes for Services	67,243	59,216	64,108
Fines and Forfeits	15,971	23,795	28,766
Investment Earnings	18,552	29,433	35,069
Contributions and Donations	19,515	5,820	97,597
Miscellaneous	<u>64,133</u>	<u>63,695</u>	<u>47,802</u>
Total Receipts	<u>\$ 2,204,656</u>	<u>\$ 1,943,088</u>	<u>\$ 2,150,852</u>
<b>Disbursements</b>			
Current			
General Government	\$ 354,592	\$ 341,790	\$ 409,425
Public Safety	580,465	639,603	672,804
Public Works	868,250	562,445	677,209
Cemetery	67,027	59,086	64,476
Economic Development	3,700	3,750	3,795
Parks and Recreation	23,268	708	13,425
Debt Service			
Principal	--	--	--
Interest and Other Charges	<u>--</u>	<u>850</u>	<u>--</u>
Total Disbursements	<u>\$ 1,897,302</u>	<u>\$ 1,608,232</u>	<u>\$ 1,841,134</u>
<b>Excess (Deficiency) or Receipts Over Disbursements</b>	<u>\$ 307,354</u>	<u>\$ 334,856</u>	<u>\$ 309,718</u>
Other Financing Sources (Uses)			
Transfers In	\$ 595,763	\$ 613,388	\$ 240,000
Transfers Out	<u>(412,300)</u>	<u>(243,878)</u>	<u>(261,802)</u>
Total Financing Sources (Uses)	<u>\$ 183,463</u>	<u>\$ 369,510</u>	<u>\$ (21,802)</u>
<b>Net Change in Cash Fund Balances</b>	\$ 490,817	\$ 704,366	287,916
<b>Fund Balance – Beginning</b>	<u>3,347,686</u>	<u>3,838,503</u>	<u>4,542,869</u>
<b>Fund Balance - Ending</b>	<u>\$ 3,838,503</u>	<u>\$ 4,542,869</u>	<u>\$ 4,830,785</u>

## ***Budgets for the General Fund***

The table below presents the budgeted receipts and disbursements for the general fund for the year 2018.

**Table 19 Budgets  
for the General Fund**

	2018 <u>Adopted Budget</u>
<b>Receipts</b>	
Property Taxes	\$ 2,154,969
Cemetery	5,500
Licenses, Permits and Fees	22,000
Intergovernmental	96,633
Charges for Services	61,800
Fines	15,000
Investment Income	15,000
Contributions	--
Miscellaneous	41,000
Operating Transfers In	<u>235,000</u>
Total Receipts	<u>\$ 2,646,902</u>
<b>Disbursements</b>	
General Government:	
City Clerk	\$ 198,285
Council	27,110
Elections	2,800
General Government	456,278
Public Safety:	
Police	621,416
Public Works	679,743
Cemetery	10,450
Economic Development	3,795
Parks and Recreation	--
Debt Service	
Principal	447,750
Interest and Fiscal Charges	51,845
Operating Transfers Out	<u>186,692</u>
Total Disbursements	<u>\$ 2,686,164</u>
Surplus (Deficit)	<u>\$ (39,262)</u>

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## ***Funds on Hand***

The following table presents the City's cash and investments as of December 31, 2017.

**Table 20 -  
Funds on Hand**

<u>Funds</u>	<u>Total Cash and Investment</u>
General Fund	\$ 4,830,785
Special Revenue Funds	494,534
Tax Increment Financing Projects	125,856
Enterprise	<u>1,398,853</u>
Total All Funds	<u>\$ 6,850,028</u>

Source: The City.

## **TAX MATTERS**

### ***Tax Exemption***

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

### ***Other Federal and State Tax Considerations***

#### **Other Tax Considerations**

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

### **Original Issue Premium**

The Bonds are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire Bonds at a premium, even Bonds that were not initially offered at a premium, must, from time to time, reduce their federal and Minnesota tax bases for the Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. Premium generally is amortized for federal and Minnesota income tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or Minnesota income tax purposes. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling Bonds acquired at a premium.

### **Proposed Changes in Federal and State Tax Law**

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

### **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.

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

## **RATING**

Moody's Investors Service ("Moody's") has assigned a rating of "Aa2" to the Bonds. The rating reflects only the view of the rating agency. For an explanation of the rating as described please contact the rating agency. The bond rating is subject to change or withdrawal by the rating agency at any time. Therefore, after the date hereof investors should not assume that such rating is still in effect. There is no assurance that such rating, if and when received, will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of the rating may have an effect on the market price of the Bonds.

## **MUNICIPAL ADVISOR**

The City has retained PFM Financial Advisors LLC, Des Moines, Iowa and Minneapolis, Minnesota as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

## **LITIGATION**

There is no litigation now pending or, to the knowledge of City officials, threatened which questions the validity of the Bonds or of any proceedings of the City taken with respect to the issuance or sale thereof.

## **CERTIFICATION**

The City has authorized the distribution of this Official Statement for use in connection with the initial sale of the Bonds. As of the date of the settlement of this issue, the Purchaser will be furnished with a certificate signed by the appropriate officers of the City. The certificate will state that as of the date of the Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, the Official Statement is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

## **LEGAL MATTERS**

Legal matters incident to the authorization and issuance of the Bonds are subject to the opinion of Briggs & Morgan, Professional Association, of Minneapolis, Minnesota, as to validity and tax exemption. Briggs & Morgan, Professional Association, has not participated in the preparation of this Official Statement and expresses no opinion as to its accuracy, completeness or sufficiency.

## **MISCELLANEOUS**

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by its City Administrator/Clerk has been duly authorized by the City.

**CITY OF NISSWA, MINNESOTA**

/s/ \_\_\_\_\_  
City Administrator/Clerk

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## **APPENDIX A**

**The City's Audited Financial Statements  
for the Fiscal Year Ended December 31, 2017**

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March 13, 2018

Jenny Max, City Administrator/Clerk  
City of Nisswa  
PO Box 410  
Nisswa, MN 56468

Dear Jenny:

In accordance with your request, we are attaching the accompanying PDF file, which contains an electronic final version of the financial statements of the City of Nisswa as of December 31, 2017. We understand that your request for the electronic copy has been made as a matter of convenience. You understand that electronic transmissions are not entirely secure and that it is possible for confidential financial information to be intercepted by others.

These financial statements and our report(s) on them are not to be modified in any manner. This final version supersedes all prior drafts. Any preliminary draft version of the financial statements previously provided to you in an electronic format should be deleted from your computer, and all printed copies of any superseded preliminary draft versions should likewise be destroyed.

Professional standards and our firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors, or "experts," in a document used in a public or private offering of equity or debt securities. Accordingly, as provided for and agreed to in the terms of our arrangement letter, the City of Nisswa will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, the City of Nisswa also agrees to provide us with printer's proofs final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the City of Nisswa seeks such consent, we will be under no obligation to grant such consent or approval.

Thank you for the opportunity to serve you.

Sincerely,

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

*An Independently Owned Member, RSM US Alliance*

[www.swcpcpas.com](http://www.swcpcpas.com)

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**St. Cloud**  
320.251.0286

**Little Falls**  
320.632.6311

**Albany**  
320.845.2940

**Maple Lake**  
320.963.5414

**Monticello**  
763.295.5070

**CITY OF NISSWA, MINNESOTA**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

# CITY OF NISSWA, MINNESOTA

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**INTRODUCTORY  
SECTION**

**CITY OF NISSWA, MINNESOTA  
CITY COUNCIL AND OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**CITY COUNCIL**

Term Expires

Fred Heidmann	Mayor	December 31, 2018
Don Jacobson	Council Member	December 31, 2018
Gary Johnson	Council Member	December 31, 2020
Ross Krautkremer	Council Member	December 31, 2018
John Ryan	Council Member	December 31, 2020

**CITY OFFICIALS**

Jenny Max	Administrator/Clerk	Appointed
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**FINANCIAL  
SECTION**

## INDEPENDENT AUDITORS' REPORT

March 13, 2018

Honorable Mayor and City Council  
City of Nisswa, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the City of Nisswa, Minnesota as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the State of the Minnesota's Office of the State Auditor, as described in Note 1.C. 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 Responsibility

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

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

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

## **Opinions**

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

As described in Note 1.C. of the financial statements, the financial statements are prepared by the City of Nisswa, Minnesota, on the basis of the financial reporting provisions of the State of Minnesota's Office of the State Auditor, 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.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1.C. and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### *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" paragraph, the 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 the City of Nisswa, Minnesota, as of December 31, 2017, or changes in its financial position, or cash flows thereof for the year then ended.

### *Unmodified Opinion on Regulatory Basis*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the City of Nisswa, Minnesota, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the financial reporting provisions of the State of Minnesota's Office of the State Auditor described in Note 1.C.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2018 on our consideration of the City of Nisswa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Nisswa's internal control over financial reporting and compliance.

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

In accordance with Minnesota Statutes, we have also issued our report dated March 13, 2018, on our consideration of the City of Nisswa's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the City has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF NISSWA, MINNESOTA**  
**STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,794,600	\$ 136,492	\$ 656,575	\$ 5,587,667
Due from Other Fund	<u>36,185</u>	<u>-</u>	<u>-</u>	<u>36,185</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,830,785</u></u>	<u><u>\$ 136,492</u></u>	<u><u>\$ 656,575</u></u>	<u><u>\$ 5,623,852</u></u>
<b>LIABILITIES</b>				
Due to Other Funds	\$ -	\$ -	\$ 36,185	\$ 36,185
<b>CASH FUND BALANCES</b>				
Restricted	173,895	136,492	125,856	436,243
Committed	-	-	38,237	38,237
Assigned	-	-	492,482	492,482
Unassigned	<u>4,656,890</u>	<u>-</u>	<u>(36,185)</u>	<u>4,620,705</u>
Total Cash Fund Balances	<u><u>4,830,785</u></u>	<u><u>136,492</u></u>	<u><u>620,390</u></u>	<u><u>5,587,667</u></u>
<b>TOTAL LIABILITIES AND</b>				
<b>TOTAL CASH FUND BALANCES</b>	<u><u>\$ 4,830,785</u></u>	<u><u>\$ 136,492</u></u>	<u><u>\$ 656,575</u></u>	<u><u>\$ 5,623,852</u></u>

**CITY OF NISSWA, MINNESOTA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>RECEIPTS</b>				
Property Taxes	\$ 1,575,268	\$ 487,327	\$ -	\$ 2,062,595
Tax Increment Financing	-	-	47,775	47,775
Cemetery	19,600	-	-	19,600
Licenses, Permits and Fees	24,562	-	-	24,562
Intergovernmental	258,080	-	14,168	272,248
Charges for Services	64,108	-	173,828	237,936
Fines	28,766	-	-	28,766
Investment Income	35,069	-	1,877	36,946
Contributions	97,597	-	15,838	113,435
Miscellaneous	47,802	-	445	48,247
<b>TOTAL RECEIPTS</b>	<u>2,150,852</u>	<u>487,327</u>	<u>253,931</u>	<u>2,892,110</u>
<b>DISBURSEMENTS</b>				
Current:				
General Government:				
City Clerk	203,038	-	-	203,038
Council	23,115	-	-	23,115
General Government	<u>183,272</u>	<u>-</u>	<u>4,465</u>	<u>187,737</u>
Total General Government	409,425	-	4,465	413,890
Public Safety:				
Police	672,804	-	-	672,804
Fire	<u>-</u>	<u>-</u>	<u>146,374</u>	<u>146,374</u>
Total Public Safety	672,804	-	146,374	819,178
Public Works	677,209	-	-	677,209
Cemetery	64,476	-	-	64,476
Economic Development	3,795	-	30,981	34,776
Parks and Recreation	13,425	-	275,999	289,424
Debt Service:				
Principal	-	430,000	-	430,000
Interest and Fiscal Charges	<u>-</u>	<u>52,710</u>	<u>-</u>	<u>52,710</u>
Total Debt Service	-	482,710	-	482,710
<b>TOTAL DISBURSEMENTS</b>	<u>1,841,134</u>	<u>482,710</u>	<u>457,819</u>	<u>2,781,663</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	309,718	4,617	(203,888)	110,447
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	240,000	-	261,802	501,802
Operating Transfers Out	<u>(261,802)</u>	<u>-</u>	<u>(5,000)</u>	<u>(266,802)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(21,802)</u>	<u>-</u>	<u>256,802</u>	<u>235,000</u>
<b>NET CHANGE IN CASH FUND BALANCES</b>	287,916	4,617	52,914	345,447
<b>CASH FUND BALANCES - BEGINNING</b>	<u>4,542,869</u>	<u>131,875</u>	<u>567,476</u>	<u>5,242,220</u>
<b>CASH FUND BALANCES - ENDING</b>	<u>\$ 4,830,785</u>	<u>\$ 136,492</u>	<u>\$ 620,390</u>	<u>\$ 5,587,667</u>

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

	Liquor Fund	Sewer Fund	Totals
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 279,876	\$ 1,118,977	\$ 1,398,853
Accounts Receivable	-	123,389	123,389
Inventory	406,759	-	406,759
Prepays	<u>7,122</u>	<u>943</u>	<u>8,065</u>
Total Current Assets	693,757	1,243,309	1,937,066
Noncurrent Assets			
Capital Assets not Depreciated	-	460,934	460,934
Capital Assets Being Depreciated (Net)	<u>195,112</u>	<u>2,637,489</u>	<u>2,832,601</u>
Total Noncurrent Assets	<u>195,112</u>	<u>3,098,423</u>	<u>3,293,535</u>
<b>TOTAL ASSETS</b>	888,869	4,341,732	5,230,601
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	153,141	27,426	180,567
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	27,966	8,281	36,247
Accrued Expenses	8,142	1,755	9,897
Accrued Interest	-	1,419	1,419
Compensated Absences	50,929	20,648	71,577
Bonds Due within One Year	<u>-</u>	<u>75,000</u>	<u>75,000</u>
Total Current Liabilities	87,037	107,103	194,140
Noncurrent Liabilities			
Bonds Payable	-	790,000	790,000
Net Pension Liability	<u>503,173</u>	<u>89,982</u>	<u>593,155</u>
Total Noncurrent Liabilities	<u>503,173</u>	<u>879,982</u>	<u>1,383,155</u>
<b>TOTAL LIABILITIES</b>	590,210	987,085	1,577,295
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	<u>90,146</u>	<u>16,121</u>	<u>106,267</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	195,112	2,233,423	2,428,535
Unrestricted	<u>166,542</u>	<u>1,132,529</u>	<u>1,299,071</u>
<b>TOTAL NET POSITION</b>	<u>\$ 361,654</u>	<u>\$ 3,365,952</u>	<u>\$ 3,727,606</u>

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

	Liquor Fund	Sewer Fund	Totals
<b>OPERATING REVENUES</b>			
Sales	\$ 3,516,208	\$ -	\$ 3,516,208
Cost of Sales	(2,326,679)	-	(2,326,679)
Charges for Services	<u>-</u>	<u>477,447</u>	<u>477,447</u>
<b>NET OPERATING REVENUES</b>	1,189,529	477,447	1,666,976
<b>OPERATING EXPENSES</b>			
Personnel Services	608,162	115,325	723,487
Employee Benefits	71,707	-	71,707
Repairs and Maintenance	34,755	61,428	96,183
Supplies	110,490	77,904	188,394
Rent	98,353	-	98,353
Insurance	22,193	-	22,193
Promotions	5,653	-	5,653
Entertainment	14,300	-	14,300
Other	77,087	184	77,271
Depreciation	<u>23,538</u>	<u>176,886</u>	<u>200,424</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,066,238</u>	<u>431,727</u>	<u>1,497,965</u>
<b>OPERATING INCOME</b>	123,291	45,720	169,011
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Hook Up Fees	-	56,000	56,000
Investment Income	-	2,553	2,553
Miscellaneous Revenue	2,384	33	2,417
Interest Expense	<u>-</u>	<u>(18,231)</u>	<u>(18,231)</u>
<b>NET NONOPERATING REVENUES (EXPENSES)</b>	<u>2,384</u>	<u>40,355</u>	<u>42,739</u>
<b>INCOME BEFORE TRANSFERS</b>	125,675	86,075	211,750
<b>TRANSFERS</b>			
Operating Transfers Out	<u>(235,000)</u>	<u>-</u>	<u>(235,000)</u>
<b>CHANGE IN NET POSITION</b>	(109,325)	86,075	(23,250)
<b>NET POSITION - BEG. OF YEAR</b>	<u>470,979</u>	<u>3,279,877</u>	<u>3,750,856</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 361,654</u>	<u>\$ 3,365,952</u>	<u>\$ 3,727,606</u>

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

	Liquor Fund	Sewer Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 3,516,208	\$ 480,554	\$ 3,996,762
Cash Paid to Suppliers	(2,799,083)	(139,436)	(2,938,519)
Cash Paid to Employees	<u>(563,291)</u>	<u>(111,799)</u>	<u>(675,090)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	153,834	229,319	383,153
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Other Receipts	2,384	56,033	58,417
Operating Subsidies and Transfers to Other Funds	<u>(235,000)</u>	<u>-</u>	<u>(235,000)</u>
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	(232,616)	56,033	(176,583)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of Capital Assets	-	(64,696)	(64,696)
Bond Payments	-	(75,000)	(75,000)
Cash Paid for Interest	<u>-</u>	<u>(18,300)</u>	<u>(18,300)</u>
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	-	(157,996)	(157,996)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment Income	<u>-</u>	<u>2,553</u>	<u>2,553</u>
Net Increase in Cash and Cash Equivalents	(78,782)	129,909	51,127
Cash and Cash Equivalents - Beginning of Year	<u>358,658</u>	<u>989,068</u>	<u>1,347,726</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 279,876</u></u>	<u><u>\$ 1,118,977</u></u>	<u><u>\$ 1,398,853</u></u>

**CITY OF NISSWA, MINNESOTA**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Liquor Fund	Sewer Fund	Totals
<b>RECONCILIATION OF OPERATING INCOME</b>			
<b>TO NET CASH PROVIDED</b>			
<b>BY OPERATING ACTIVITIES</b>			
Operating Income	\$ 123,291	\$ 45,720	\$ 169,011
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Noncash Operating Activities:			
Depreciation	23,538	176,886	200,424
Change in Assets and Liabilities:			
Accounts Receivable	-	3,107	3,107
Inventory	(23,223)	-	(23,223)
Prepaid	(2,715)	(114)	(2,829)
Accounts Payable	(83,635)	194	(83,441)
Accrued Wages	(50)	510	460
Deferred Outflows of			
Resources - Pension	58,922	22,087	81,009
Net Pension Liability	11,154	(24,896)	(13,742)
Deferred Inflows of			
Resources - Pension	39,634	4,327	43,961
Compensated Absences	<u>6,918</u>	<u>1,498</u>	<u>8,416</u>
<b>NET CASH PROVIDED BY</b>			
<b>OPERATING ACTIVITIES</b>	<u><u>\$ 153,834</u></u>	<u><u>\$ 229,319</u></u>	<u><u>\$ 383,153</u></u>

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Nisswa, Minnesota (the City), complies with accounting practices prescribed or permitted by the *Reporting and Publishing Requirements for City Financial Statements for Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting* prescribed by the State of Minnesota's Office of the State Auditor. See Note 1.C. for additional information.

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

**1.A. FINANCIAL REPORTING ENTITY**

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

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

**Blended Component Units**

Blended component units are separate legal entities that meet the component unit criteria describe above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has the following blend component unit:

Economic Development Authority

The Authority was established pursuant to the provisions of Minnesota Statutes Section 469.090 through 469.108 to promote and provide incentives for economic development, and to preserve and create jobs, enhance the City's tax base and promote the general welfare of the people.

The financial activity of the Authority is performed by the City of Nisswa and treated as routine City business.

**Discretely Presented Component Units**

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

**1.B. BASIS OF PRESENTATION**

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows/outflows, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. 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:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

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

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

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

**Fund Financial Statements (Continued)**

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

The *Liquor Fund* accounts for business-like activities related to running the municipal liquor store provided to the general public. These activities are financed primarily by liquor sales, and the measurement of financial activity focuses on net income measurement similar to the private sector.

The *Sewer Fund* accounts for business-like activities related to the operation of a sanitary sewer collection system provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

Additionally, the government reports the following non-major fund types:

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

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

The *Debt Service Funds* account for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City and pay-as-you-go-debt, other than debt service payments made by enterprise funds.

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

The financial statements have been prepared on the regulatory basis of accounting as described in the Minnesota's Office of the State Auditor's *Reporting and Publishing Requirements for City Audited Financial Statements for Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting*. Under this regulatory basis of accounting:

- In the governmental fund statements, receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. These statements do not give effect to receivables, payables, accrued expenses and inventories and, accordingly are not presented in accordance with accounting principles generally accepted in the United States of America.
- The proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used and are presented in accordance with accounting principles generally accepted in the United States of America.

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

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

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

The basis differs from accounting principles generally accepted in the United States of America primarily because the City has not reported a management discussion and analysis letter, government-wide statement of net position and government-wide statement of activities and the City does not recognize governmental receipts and disbursements in accordance with the modified accrual basis of accounting.

**1.D. USE OF ESTIMATES**

The preparation of financial statements in conformity with regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows/inflows of resources and disclosure of contingent assets, liabilities, and deferred outflows/inflows of resources at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

**Cash and Cash Equivalents**

For purposes of the Statement Balances Arising from Cash Transactions and proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit. Certificates of deposit are stated at cost, which approximates fair value.

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

**Prepays**

Prepays represent costs paid that relate to future periods.

**Interfund Receivables and Payables**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to/from other fund.” Long-term interfund loans are reported as “advances from and to other funds.” See Note 3.D. for details of interfund transactions, including receivables and payables at year-end.

**Receivables**

In the fund financial statements, no receivables are recorded in governmental funds. In the proprietary funds, material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end.

**Inventories**

The Liquor Fund carries inventory that consists of items held for resale. Inventory is recognized on the last cost method.

**Capital Assets**

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations:

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

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

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

**Capital Assets (Continued)**

Governmental Statements

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

Proprietary Statements

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

Capitalization Policy

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold of \$2,500 or more for capitalizing assets. The system for accumulation of capital asset cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

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

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

Buildings	25-50 years
Building Improvements	10-50 years
Infrastructure	25-50 years
Furniture and Equipment	3-20 years

**Accounts Payable**

Payables in the proprietary funds are composed almost entirely of payables to vendors.

**Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations.

Governmental Funds

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period.

Proprietary Funds

Long-term debt of the proprietary funds is to be repaid from proprietary resources and is reported as liabilities in the Statement of Net Position. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are recognized in the current period.

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

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

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

**Compensated Absences**

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave. All vacation pay is accrued when incurred in the proprietary fund financial statements.

**Net Pension Liability**

The net pension liability represents the City's allocation of their pro-rata share of the Statewide General Employees Retirement Fund net pension liability.

**PERA**

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

**Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This element represents an acquisition of net position that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources in the proprietary fund Statement of Net Position in relation to the activity of the pension funds in which City employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

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

**Equity Classifications**

**Governmental Funds**

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

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact.

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

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

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

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

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

**Equity Classifications (Continued)**

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The City does not have a minimum fund balance policy for its governmental funds.

See Note 3.E. for additional disclosures.

**Proprietary Funds**

In the proprietary fund financial statements, net position is displayed in three components:

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

Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

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

It is the City’s policy to consider restricted cash fund balances to their depletion before unrestricted cash fund balance is applied.

**1.F. REVENUES, RECEIPTS, DISBURSEMENTS, AND EXPENSES**

**Property Tax**

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

December 31 is the last day the City can certify a tax levy to the County for collection the following year. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County also collects all special assessments, except for certain prepayments paid directly to the City. The County collects all taxes and assessments, except as noted above. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

**Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and/or services in connection with a proprietary fund’s principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating items which include revenue and expenses related to capital and related to financing, noncapital financing, or investing activities.

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

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

**1.F. REVENUES, RECEIPTS, DISBURSEMENTS, AND EXPENSES (Continued)**

**Disbursements and Expenses**

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

Governmental Funds - By Character	Current (further classified by Function)
	Capital Outlay
	Debt Service
Proprietary Fund - By Operating and Nonoperating	

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

**Interfund Transfers**

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. See additional information at Note 3.D.

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

**2.A FUND ACCOUNTING REQUIREMENTS AND DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. The City complies with all state and local laws and regulations requiring the use of separate funds.

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

**2.B. BUDGETARY INFORMATION**

Annual budgets for the General Fund are adopted on the cash basis, which is a special purpose framework other than accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

Each year, all departments of the City submit requests for appropriations to the City Clerk so that a budget may be prepared. The proposed budget is presented to the Council for review. The Council adopts a preliminary maximum levy. Truth-in-taxation notices are mailed out to residents by Crow Wing County. The Council adopts a final budget and tax levy in December.

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

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

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

**2.C. DEFICIT FUND EQUITY**

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

<u>Nonmajor Fund</u>	<u>Fund Deficit</u>
Special Revenue Funds	
Community Center	<u>\$ 16,210</u>
Economic Development Authority	<u>\$ 19,975</u>

These fund deficits are expected to be covered from future revenues, tax levies or transfers.

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

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

**3.A. CASH AND CASH EQUIVALENTS**

**Deposits**

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

Authorized collateral in lieu of a corporate surety bond includes:

- United States Government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated "A" or better;
- A revenue obligation of a state or local government, with taxing powers, rated "AA" or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank's public debt is rated "AA" or better by Moody's or Standard and Poor's; or
- Time deposits insured by any federal agency.

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

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

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

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

**Deposits (Continued)**

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

**Investments**

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

The City does not hold any investments as of December 31, 2017.

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

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

**3.B.     CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not Being Depreciated				
Land	\$ 460,934	\$ -	\$ -	\$ 460,934
Capital Assets, Being Depreciated				
Equipment	954,515	64,696	34,000	985,211
Buildings	439,303	-	-	439,303
Infrastructure	<u>6,362,230</u>	<u>-</u>	<u>-</u>	<u>6,362,230</u>
Total Capital Assets Being Depreciated	7,756,048	64,696	34,000	7,786,744
Less Accumulated Depreciation for				
Equipment	766,008	44,824	34,000	776,832
Buildings	259,428	16,344	-	275,772
Infrastructure	<u>3,762,283</u>	<u>139,256</u>	<u>-</u>	<u>3,901,539</u>
Total Accumulated Depreciation	<u>4,787,719</u>	<u>200,424</u>	<u>34,000</u>	<u>4,954,143</u>
Total Capital Assets Being Depreciated, Net	<u>2,968,329</u>	<u>(135,728)</u>	<u>-</u>	<u>2,832,601</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 3,429,263</u>	<u>\$ (135,728)</u>	<u>\$ -</u>	<u>\$ 3,293,535</u>

**3.C.     NONCURRENT LIABILITIES**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental funds and amounts to be repaid from proprietary funds.

There are a number of limitations and restrictions contained in the general obligation bond indentures.

**Debt Detail**

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

Governmental Funds

General Obligation Bond					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
3/13	\$ 1,945,000	\$155,000-\$175,000	0.30-2.00%	02/25	\$ 1,320,000
9/14	730,000	\$142,000-\$150,000	1.30%	12/19	<u>298,000</u>
Total General Obligation Bond					\$ 1,618,000
Debt Due Within One Year					<u>308,000</u>
Debt Due After One Year					<u>\$ 1,310,000</u>

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

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

**3.C.    NONCURRENT LIABILITIES (Continued)**

**Debt Detail (Continued)**

Governmental Funds (Continued)

General Obligation Note					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
02/12	\$ 1,500,000	\$72,000-\$84,000	1.00%	08/32	<u>\$ 1,198,000</u>
Total General Obligation Note					\$ 1,198,000
Debt Due Within One Year					<u>74,000</u>
Debt Due After One Year					<u>\$ 1,124,000</u>

  

Taxable General Obligation Bond					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
07/13	\$ 585,000	\$50,000-\$65,000	3.00-3.35%	02/24	<u>\$ 425,000</u>
Total Taxable General Obligation Bond					\$ 425,000
Debt Due Within One Year					<u>55,000</u>
Debt Due After One Year					<u>\$ 370,000</u>

Proprietary Funds

Revenue Bonds					
Issue Date	Original Amount	Annual Payment	Interest Rate(s)	Maturity Date	Remaining Amount
8/12	\$ 1,240,000	\$75,000-\$100,000	0.50-2.60%	12/27	<u>\$ 865,000</u>
Total Revenue Bonds					\$ 865,000
Debt Due Within One Year					<u>75,000</u>
Debt Due After One Year					<u>\$ 790,000</u>

All bonds are direct obligations of the City and pledge the full faith and credit of the City.

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

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

**3.C. NONCURRENT LIABILITIES (Continued)**

**Changes in Noncurrent Liabilities**

The following is a summary of changes in long-term debt for the year ended December 31, 2017:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<i>Governmental Funds:</i>					
General Obligation Bonds	\$ 1,919,000	\$ -	\$ (301,000)	\$ 1,618,000	\$ 308,000
General Obligation Note	1,272,000	-	(74,000)	1,198,000	74,000
Taxable General Obligation Bond	<u>480,000</u>	<u>-</u>	<u>(55,000)</u>	<u>425,000</u>	<u>55,000</u>
Total Governmental Funds	<u>\$ 3,671,000</u>	<u>\$ -</u>	<u>\$ (430,000)</u>	<u>\$ 3,241,000</u>	<u>\$ 437,000</u>
<i>Proprietary Funds:</i>					
Revenue Bonds	\$ 940,000	\$ -	\$ (75,000)	\$ 865,000	\$ 75,000
Compensated Absences	63,161	19,695	(11,279)	71,577	-
Net Pension Liability	<u>606,897</u>	<u>-</u>	<u>(13,742)</u>	<u>593,155</u>	<u>-</u>
Total Proprietary Funds	<u>\$ 1,610,058</u>	<u>\$ 19,695</u>	<u>\$ (100,021)</u>	<u>\$ 1,529,732</u>	<u>\$ 75,000</u>

Governmental fund debt is typically funded through the Debt Service Funds and proprietary fund debt is funded through the Sewer Fund. Compensated absences and net pension liability are funded through the proprietary fund in which the employee's wages are recorded.

**Annual Debt Service Requirements**

At December 31, 2017, the estimated annual debt service requirements to maturity including principal and interest, and excluding compensated absences and net pension liability, are as follows:

Years Ending December 31,	Governmental Funds		
	Principal	Interest	Total
2018	\$ 437,000	\$ 46,381	\$ 483,381
2019	440,000	40,580	480,580
2020	296,000	34,883	330,883
2021	302,000	30,208	332,208
2022	307,000	25,088	332,088
2023-2027	1,039,000	52,331	1,091,331
2028-2032	<u>420,000</u>	<u>12,698</u>	<u>432,698</u>
Total	<u>\$ 3,241,000</u>	<u>\$ 242,169</u>	<u>\$ 3,483,169</u>

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

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

**3.C.    NONCURRENT LIABILITIES (Continued)**

**Annual Debt Service Requirements (Continued)**

Years Ending December 31,	Proprietary Funds		
	Principal	Interest	Total
2018	\$ 75,000	\$ 17,025	\$ 92,025
2019	80,000	16,200	96,200
2020	80,000	15,000	95,000
2021	80,000	13,800	93,800
2022	80,000	12,360	92,360
2023-2027	<u>470,000</u>	<u>35,055</u>	<u>505,055</u>
Total	<u>\$ 865,000</u>	<u>\$ 109,440</u>	<u>\$ 974,440</u>

Interest and fiscal charge expense totals \$52,710 in the Statement of Receipts, Disbursements and Changes in Cash Fund Balances-Governmental Funds. Interest expense totals \$18,231 in the Statement of Revenues, Expenses and Changes in Net Position-Proprietary Funds.

**3.D.    INTERFUND TRANSACTIONS AND BALANCES**

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

Major Funds	Transfers In				
	Transfers Out	Major Fund	Nonmajor Funds		Total
		General	Fire	Park and Recreation	
General	\$ 261,802	\$ -	\$ 80,110	\$ 181,692	\$ 261,802
Liquor	235,000	235,000	-	-	235,000
<u>Nonmajor Funds</u>					
Community Center	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
	<u>\$ 501,802</u>	<u>\$ 240,000</u>	<u>\$ 80,110</u>	<u>\$ 181,692</u>	<u>\$ 501,802</u>

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

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

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

**3.D.     INTERFUND TRANSACTIONS AND BALANCES (Continued)**

The interfund balances are as follows:

<u>Short-Term Balances</u>			
<u>Due to Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Reason</u>
General	Community Center Fund	\$ 16,210	Eliminate negative cash
	Economic Development		
General	Authority Fund	<u>19,975</u>	Eliminate negative cash
Total Interfund Balances		<u>\$ 36,185</u>	

**3.E.     FUND BALANCES**

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

General Fund	
Restricted for Police Department	\$ 25,226
Restricted for Nisswa Lake Park Trail Development	74,000
Restricted for Parks	74,669
Unassigned	<u>4,656,890</u>
Total General Fund Balance	<u>\$ 4,830,785</u>
Debt Service Fund	
Restricted for Debt Service	<u>\$ 136,492</u>
Nonmajor Governmental Funds	
Restricted for TIF District 1	\$ 50,177
Restricted for TIF District 3	15,520
Restricted for TIF District 10	53,976
Restricted for TIF District 11	4,601
Restricted for TIF District 12	1,582
Committed for Capital Projects	38,237
Assigned for Fire	394,349
Assigned for Park and Recreation	98,133
Unassigned	<u>(36,185)</u>
Total Nonmajor Governmental Funds Balance	<u>\$ 620,390</u>

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

**NOTE 4 OTHER NOTES**

**4.A. DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**Plan Description**

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

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

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

**Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by State Statute and can only be modified by the State Legislature

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

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

**Contributions**

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

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

**NOTE 4    OTHER NOTES (Continued)**

**4.A.    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**Contributions (Continued)**

General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017 total \$68,738, of which \$43,745 came from the City's proprietary funds. The City's contributions are equal to the required contributions as set by State Statute.

**Pension Costs**

General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$932,054, of which \$593,155 was reported in the City's proprietary funds, for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$11,712. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017 the City's proportionate share was 0.0146 percent which was an increase of 0.0011 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$38,540 for the portion of its proportionate share of the General Employees Plan's pension expense associated with the City's proprietary funds. In addition, the City recognized an additional \$215 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund associated with the City's proprietary funds.

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

**NOTE 4 OTHER NOTES (Continued)**

**4.A. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**Pension Costs (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 30,718	\$ 55,444
Changes in actuarial assumptions	143,083	93,439
Differences between projected and actual investment earnings	-	6,357
Changes in proportionate share	79,369	11,744
Contributions paid to PERA subsequent to the measurement date	<u>34,993</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 288,163</u>	<u>\$ 166,984</u>
Proprietary Funds - Deferred Outflows/Inflows	<u>\$ 180,567</u>	<u>\$ 106,267</u>

A total of \$34,993, of which \$19,452 was paid from proprietary funds, reported as deferred outflows of resources related to pensions resulting from related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other deferred outflow and deferred inflow balances will be amortized as noted in the following schedule, with the portion relative to the proprietary funds being recognized in pension expense:

Year Ended December 31:	Pension Expense
2018	\$ 50,398
2019	\$ 73,900
2020	\$ 1,452
2021	\$ (39,564)

**Actuarial Assumptions**

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

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

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

**NOTE 4 OTHER NOTES (Continued)**

**4.A. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**Actuarial Assumptions (Continued)**

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

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

The following changes in actuarial assumptions occurred in 2017:

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	<u>2%</u>	0.00%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**NOTE 4 OTHER NOTES (Continued)**

**4.A. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**Pension Liability Sensitivity**

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

	Sensitivity of Net Pension Liability at Current Single Discount Rate		
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Entire City	\$1,445,686	\$932,054	\$511,554
Proprietary Funds	\$920,029	\$593,155	\$325,551

**Pension Plan Fiduciary Net Position**

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

**4.B. RISK MANAGEMENT**

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

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

**4.C. COMMITMENTS**

**Operating Lease**

The City entered into a lease agreement in June 2012 with an expiration date of March 2017 and an option to extend for an additional five years. The City elected to extend the lease agreement until March 2022. Monthly rent is set for a five-year period with a current rate of \$8,266 per month. Rent expense for the year ended December 31, 2017 totals \$98,353.

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

**NOTE 4 OTHER NOTES (Continued)**

**4.C. COMMITMENTS (Continued)**

**Operating Lease (Continued)**

At December 31, 2017, estimated future minimum lease payments for non-cancelable leases are as follows:

<u>Year Ending December 31,</u>	<u>Amounts</u>
2018	\$ 99,189
2019	99,189
2020	99,189
2021	99,189
2022	<u>20,664</u>
Total	<u>\$ 417,418</u>

**Pay-as-You-Go-Tax Increment Financing**

The City has entered into Pay-as-You-Go developer agreements to finance tax increment projects. Such projects are financed with the developers of the projects. The notes are not general obligations of the City as they are payable only to the extent of future tax increments received. As such, these obligations do not appear on the City's financial statements. At December 31, 2017, the outstanding Pay-as-You-Go debt approximates \$304,712, including accrued interest of \$183,863, at rates ranging from 0.00% to 9.00% and are due over various payment terms. All payments are contingent upon collection of tax increment and are not due if such collections are not made by the City.

**Tax Increment Financing Repayment**

In recent years, the City decertified various Tax Increment Financing (TIF) Districts and closed out the corresponding funds previously reported in the annual financial statements. In 2018, the City anticipates returning approximately \$168,099 of excess increment from these districts to the County.

**Purchase Agreements**

During 2017, the City approved the purchase of materials for trail development and pavilion construction at Nisswa Lake Park in the amounts of \$53,400 and \$22,728, respectively. As the date of this report, approximately \$11,000 has been expended for trail development at Nisswa Lake Park.

**4.D. TAX INCREMENT FINANCING**

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

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

**NOTE 4    OTHER NOTES** (Continued)

**4.D.    TAX INCREMENT FINANCING** (Continued)

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

Name of District:	Redevelopment District #1-3
Business Name	Grand View Rentals
Purpose:	Redevelopment
Authorizing Law:	MN Statutes Sections 469.174
Year Established:	1990
Duration of District:	28 Years
Original Base Net Tax Capacity:	\$ <u>656</u>
Current Net Tax Capacity:	\$ <u>5,112</u>
Captured Net Tax Capacity:	
Retained by City	\$ <u>4,456</u>
Shared with Other Taxing Districts	\$ <u>-</u>
Taxes Abated in 2017:	\$ <u>-</u>
Total Notes Issued:	
Pay as you go Debt	\$ 100,000
Less: Cumulative Amounts Redeemed	<u>132,934</u>
Total Notes Outstanding - December 31, 2017	<u>\$ 232,934</u> *

\*Interest has accrued on this debt at a greater rate than the reductions from payments.

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

**NOTE 4 OTHER NOTES (Continued)**

**4.D. TAX INCREMENT FINANCING (Continued)**

Name of District:	Economic Development District #1-11
Business Name	Grand View Conference Center
Purpose:	Economic Development
Authorizing Law:	MN Statutes Sections 469.174
Year Established:	2008
Duration of District:	10 Years
Original Base Net Tax Capacity:	<u>\$ 3,362</u>
Current Net Tax Capacity:	<u>\$ 38,499</u>
Captured Net Tax Capacity:	
Retained by City	<u>\$ 35,137</u>
Shared with Other Taxing Districts	<u>\$ -</u>
Taxes Abated in 2017:	<u>\$ 21,216</u>
Total Notes Issued:	
Pay as you go Debt	\$ 215,000
Less: Cumulative Amounts Redeemed	<u>(148,269)</u>
Total Notes Outstanding - December 31, 2017	<u>\$ 66,731</u>
Name of District:	Economic Development District #1-12
Business Name	Nisswa Senior Care Facility
Purpose:	Economic Development
Authorizing Law:	MN Statutes Sections 469.174
Year Established:	2010
Duration of District:	10 Years
Original Base Net Tax Capacity:	<u>\$ 3,224</u>
Current Net Tax Capacity:	<u>\$ 17,708</u>
Captured Net Tax Capacity:	
Retained by City	<u>\$ 14,484</u>
Shared with Other Taxing Districts	<u>\$ -</u>
Taxes Abated in 2017:	<u>\$ 9,765</u>
Total Notes Issued:	
Pay as you go Debt	\$ 49,188
Less: Cumulative Amounts Redeemed	<u>(44,141)</u>
Total Notes Outstanding - December 31, 2017	<u>\$ 5,047</u>

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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

For the Measurement Year Ended Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered- Employee Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b>General Employees Retirement Fund Pension Plan</b>							
2017	0.0146%	\$ 932,054	\$ 11,712	\$ 943,766	\$ 865,813	109.0%	75.9%
2016	0.0135%	\$ 1,096,133	\$ 14,341	\$ 1,110,474	\$ 839,000	132.4%	68.9%
2015	0.0130%	\$ 673,727	\$ -	\$ 673,727	\$ 730,456	92.2%	78.2%

**SCHEDULE OF CITY CONTRIBUTIONS**  
**LAST TEN YEARS** (Presented Prospectively)

For the Calendar Year Ended December 31	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
<b>General Employees Retirement Fund Pension Plan</b>					
2017	\$ 68,738	\$ 68,738	\$ -	\$ 916,507	7.5%
2016	\$ 61,801	\$ 61,801	\$ -	\$ 824,013	7.5%
2015	\$ 59,443	\$ 59,443	\$ -	\$ 792,569	7.5%

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

## **SUPPLEMENTARY INFORMATION**

**CITY OF NISSWA, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget Amounts- Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
<b>RESOURCES (INFLOWS):</b>			
Property Taxes	\$ 1,745,523	\$ 1,575,268	\$ (170,255)
Cemetery	3,000	19,600	16,600
Licenses, Permits and Fees	22,000	24,562	2,562
Intergovernmental	141,633	258,080	116,447
Charges for Services	54,300	64,108	9,808
Fines	15,000	28,766	13,766
Investment Income	15,000	35,069	20,069
Contributions	-	97,597	97,597
Miscellaneous	5,000	47,802	42,802
Operating Transfers In	<u>235,000</u>	<u>240,000</u>	<u>5,000</u>
<b>AMOUNTS AVAILABLE</b>	2,236,456	2,390,852	154,396
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>			
Current:			
General Government:			
City Clerk	158,628	203,038	44,410
Council	27,110	23,115	(3,995)
General Government	177,125	183,272	6,147
Public Safety:			
Police	747,708	672,804	(74,904)
Public Works	666,082	677,209	11,127
Cemetery	92,557	64,476	(28,081)
Economic Development	3,795	3,795	-
Parks and Recreation	-	13,425	13,425
Debt Service:			
Principal	429,000	-	(429,000)
Interest and Fiscal Charges	54,588	-	(54,588)
Operating Transfers Out	<u>186,692</u>	<u>261,802</u>	<u>75,110</u>
<b>TOTAL CHARGES</b>	<u>2,543,285</u>	<u>2,102,936</u>	<u>(440,349)</u>
<b>NET CHANGE IN CASH FUND BALANCE</b>	<u>\$ (306,829)</u>	287,916	<u>\$ 594,745</u>
<b>CASH FUND BALANCE - BEGINNING</b>		<u>4,542,869</u>	
<b>CASH FUND BALANCE - ENDING</b>		<u>\$ 4,830,785</u>	

**CITY OF NISSWA, MINNESOTA**  
**COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	Nonmajor Capital Project Fund	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 38,237	\$ 492,482	\$ 125,856	\$ 656,575
<b>LIABILITIES</b>				
Due to Other Funds	\$ -	\$ 36,185	\$ -	\$ 36,185
<b>CASH FUND BALANCES</b>				
Restricted	-	-	125,856	125,856
Committed	38,237	-	-	38,237
Assigned	-	492,482	-	492,482
Unassigned	-	(36,185)	-	(36,185)
Total Cash Fund Balances	38,237	456,297	125,856	620,390
<b>TOTAL LIABILITIES AND TOTAL CASH FUND BALANCES</b>	<b>\$ 38,237</b>	<b>\$ 492,482</b>	<b>\$ 125,856</b>	<b>\$ 656,575</b>

**CITY OF NISSWA, MINNESOTA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Nonmajor Capital Project Fund	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
<b>RECEIPTS</b>				
Tax Increment Financing	\$ -	\$ -	\$ 47,775	\$ 47,775
Intergovernmental	-	14,168	-	14,168
Charges for Services	-	173,828	-	173,828
Investment Income	108	1,769	-	1,877
Contributions	-	15,838	-	15,838
Miscellaneous	-	445	-	445
<b>TOTAL RECEIPTS</b>	108	206,048	47,775	253,931
<b>DISBURSEMENTS</b>				
Current:				
General Government	-	-	4,465	4,465
Public Safety:				
Fire	-	146,374	-	146,374
Economic Development	-	-	30,981	30,981
Parks and Recreation	-	275,999	-	275,999
<b>TOTAL DISBURSEMENTS</b>	-	422,373	35,446	457,819
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	108	(216,325)	12,329	(203,888)
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	-	261,802	-	261,802
Operating Transfers Out	-	(5,000)	-	(5,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	256,802	-	256,802
<b>NET CHANGE IN CASH FUND BALANCES</b>	108	40,477	12,329	52,914
<b>CASH FUND BALANCES - BEGINNING</b>	38,129	415,820	113,527	567,476
<b>CASH FUND BALANCES - ENDING</b>	\$ 38,237	\$ 456,297	\$ 125,856	\$ 620,390

**CITY OF NISSWA, MINNESOTA**  
**COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	Fire	Park and Recreation	Community Center	Economic Development Authority	Total Nonmajor Special Revenue Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	<u>\$ 394,349</u>	<u>\$ 98,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 492,482</u>
<b>LIABILITIES</b>					
Due to Other Funds	\$ -	\$ -	\$ 16,210	\$ 19,975	\$ 36,185
<b>CASH FUND BALANCES</b>					
Assigned	394,349	98,133	-	-	492,482
Unassigned	<u>-</u>	<u>-</u>	<u>(16,210)</u>	<u>(19,975)</u>	<u>(36,185)</u>
Total Cash Fund Balances	<u>394,349</u>	<u>98,133</u>	<u>(16,210)</u>	<u>(19,975)</u>	<u>456,297</u>
<b>TOTAL LIABILITIES AND TOTAL CASH FUND BALANCES</b>	<u>\$ 394,349</u>	<u>\$ 98,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 492,482</u>

**CITY OF NISSWA, MINNESOTA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Fire	Park and Recreation	Community Center	Economic Development Authority	Total Nonmajor Special Revenue Governmental Funds
<b>RECEIPTS</b>					
Intergovernmental	\$ 14,168	\$ -	\$ -	\$ -	\$ 14,168
Charges for Services	130,700	21,958	21,170	-	173,828
Investment Income	1,132	637	-	-	1,769
Contributions	10,929	4,649	260	-	15,838
Miscellaneous	445	-	-	-	445
<b>TOTAL RECEIPTS</b>	<u>157,374</u>	<u>27,244</u>	<u>21,430</u>	<u>-</u>	<u>206,048</u>
<b>DISBURSEMENTS</b>					
Current:					
Public Safety:					
Fire	146,374	-	-	-	146,374
Parks and Recreation	-	242,119	33,880	-	275,999
<b>TOTAL DISBURSEMENTS</b>	<u>146,374</u>	<u>242,119</u>	<u>33,880</u>	<u>-</u>	<u>422,373</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	11,000	(214,875)	(12,450)	-	(216,325)
<b>OTHER FINANCING SOURCES</b>					
Operating Transfers In	80,110	181,692	-	-	261,802
Operating Transfers Out	-	-	(5,000)	-	(5,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>80,110</u>	<u>181,692</u>	<u>(5,000)</u>	<u>-</u>	<u>256,802</u>
<b>NET CHANGE IN CASH FUND BALANCES</b>	91,110	(33,183)	(17,450)	-	40,477
<b>CASH FUND BALANCES - BEGINNING</b>	<u>303,239</u>	<u>131,316</u>	<u>1,240</u>	<u>(19,975)</u>	<u>415,820</u>
<b>CASH FUND BALANCES - ENDING</b>	<u>\$ 394,349</u>	<u>\$ 98,133</u>	<u>\$ (16,210)</u>	<u>\$ (19,975)</u>	<u>\$ 456,297</u>

**CITY OF NISSWA, MINNESOTA**  
**COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	TIF 1-1 Nisswa Lakes Plaza	TIF 1-3 Grand View Rentals	TIF 1-10 Grand View Pool	TIF 1-11 Grand View Conference Center	TIF 1-12 Nisswa Senior Care	Total Nonmajor Debt Service Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	<u>\$ 50,177</u>	<u>\$ 15,520</u>	<u>\$ 53,976</u>	<u>\$ 4,601</u>	<u>\$ 1,582</u>	<u>\$ 125,856</u>
<b>CASH FUND BALANCES</b>						
Restricted	<u>\$ 50,177</u>	<u>\$ 15,520</u>	<u>\$ 53,976</u>	<u>\$ 4,601</u>	<u>\$ 1,582</u>	<u>\$ 125,856</u>

**CITY OF NISSWA, MINNESOTA**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES**  
**NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	TIF 1-1 Nisswa Lakes Plaza	TIF 1-3 Grand View Rentals	TIF 1-10 Grand View Pool	TIF 1-11 Grand View Conference Center	TIF 1-12 Nisswa Senior Care	Total Nonmajor Debt Service Governmental Funds
<b>RECEIPTS</b>						
Tax Increment Financing	\$ 9,882	\$ 3,470	\$ -	\$ 23,573	\$ 10,850	\$ 47,775
<b>DISBURSEMENTS</b>						
Current:						
General Government	2,665	600	600	-	600	4,465
Economic Development	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,216</u>	<u>9,765</u>	<u>30,981</u>
<b>TOTAL DISBURSEMENTS</b>	<u>2,665</u>	<u>600</u>	<u>600</u>	<u>21,216</u>	<u>10,365</u>	<u>35,446</u>
<b>NET CHANGE IN CASH FUND BALANCES</b>	7,217	2,870	(600)	2,357	485	12,329
<b>CASH FUND BALANCES - BEGINNING</b>	<u>42,960</u>	<u>12,650</u>	<u>54,576</u>	<u>2,244</u>	<u>1,097</u>	<u>113,527</u>
<b>CASH FUND BALANCES - ENDING</b>	<u>\$ 50,177</u>	<u>\$ 15,520</u>	<u>\$ 53,976</u>	<u>\$ 4,601</u>	<u>\$ 1,582</u>	<u>\$ 125,856</u>

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

	Issue Date	Interest Rate	Maturity Date	Initial Authorized Issue	Outstanding Balance 01/01/17	Issued	Paid	Outstanding Balance 12/31/17	Principal Due in 2018
<b>GOVERNMENTAL DEBTS</b>									
<u>General Obligation Bonds</u>									
G.O. Capital Imp Plan Bonds 2013A	3/12/2013	0.30-2.00%	2/1/2025	\$ 1,945,000	\$ 1,475,000	-	\$ 155,000	\$ 1,320,000	\$ 160,000
G.O. Street Recon 2014	9/30/2014	1.30%	12/15/2019	<u>730,000</u>	<u>444,000</u>	-	<u>146,000</u>	<u>298,000</u>	<u>148,000</u>
				2,675,000	1,919,000	-	301,000	1,618,000	308,000
<u>General Obligation Note</u>									
G.O. Street Recon Note 2012	2/15/2012	1.00%	8/20/2032	1,500,000	1,272,000	-	74,000	1,198,000	74,000
<u>Taxable General Obligation Bond</u>									
G.O. Abatement Bonds 2013B	7/11/2013	3.00-3.35%	2/1/2024	<u>585,000</u>	<u>480,000</u>	-	<u>55,000</u>	<u>425,000</u>	<u>55,000</u>
<b>TOTAL GOVERNMENTAL DEBTS</b>				4,760,000	3,671,000	-	430,000	3,241,000	437,000
<b>ENTERPRISE DEBT</b>									
<u>General Obligation Bonds</u>									
GO Sewer Revenue Bonds, Series 2012A	8/22/2012	0.50-2.60%	12/1/2027	<u>1,240,000</u>	<u>940,000</u>	-	<u>75,000</u>	<u>865,000</u>	<u>75,000</u>
<b>TOTAL INDEBTEDNESS</b>				<u>\$ 6,000,000</u>	<u>\$ 4,611,000</u>	<u>-</u>	<u>\$ 505,000</u>	<u>\$ 4,106,000</u>	<u>\$ 512,000</u>

**CITY OF NISSWA, MINNESOTA**  
**SCHEDULE OF ACCOUNTS RECEIVABLE**  
**DECEMBER 31, 2017**  
**(UNAUDITED)**

<u>Fund</u>	<u>Item and Purpose</u>	<u>Amounts</u>
General	Property Taxes	\$ 34,147
Debt Service	Property Taxes	8,596
Sewer	Customer Charges	<u>123,389</u>
Total Accounts Receivable		<u>\$ 166,133</u>

**CITY OF NISSWA, MINNESOTA**  
**SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES**  
**DECEMBER 31, 2017**  
**(UNAUDITED)**

<b>Fund</b>	<b>Vendor</b>	<b>Item and Purpose</b>	<b>Amounts</b>
General	LAKES AREA LOCK AND DOOR, INC	Repair & Mtn Supplies	\$ 283.47
	CTC	Utilities	344.95
	HEARTLAND ANIMAL RESCUE TEAM	Professional Services	492.66
	CITY OF BRAINERD	Fines	606.20
	MINNESOTA PUBLIC EMPLOYEES ASSOC.	Dues	726.00
	MINNESOTA POWER	Utilities	88.50
	NISSWA AUTOMOTIVE, INC.	Repair & Mtn Contractual	71.17
	TEAMSTERS LOCAL UNION #346	Dues	224.00
	S-N-K CAR WASH & OIL CHANGE	Repair & Mtn Contractual	15.29
	ANIMAL CONTROL ENFORCEMENT SVCS	Professional Services	181.41
	TIMMER IMPLEMENT OF AITKIN	Repair & Mtn Contractual	4,832.01
	RASINSKI TOTAL DOOR SERVICE LLC	Repair & Mtn Contractual	1,358.35
	ELECTRICAL OPTIONS LLC	Repair & Mtn Contractual	148.33
	CENTER FOR EDUCATION & EMPLOY LAW	Dues	124.95
	VERIZON	Cell Phone Service	561.70
	WASTE PARTNERS INC	Recycling	3,683.32
	BRAINERD HYDRAULICS AIR & INDUSTRIAL SUP	Repair & Mtn Supplies	14.90
	BRAINERD HYDRAULICS AIR & INDUSTRIAL SUP	Repair & Mtn Supplies	791.12
	FASTERNAL COMPANY	Repair & Mtn Supplies	22.33
	SCHAEFERS FOODS	Operating Supplies	51.74
	FORUM COMMUNICATIONS CO	Advertising	63.75
	CROW WING TREASURER	Professional Services	375.00
	DIVERSIFIED NETWORKS, INC	Repair and Mtn Contractual	1,652.43
	GAMMELLO - PEARSON, PLLC	Professional Services	5,504.34
	BUSINESS ESSENTIALS	Office Supplies	349.33
	METRO SALES	Office Supplies	596.08
	SAFE-FAST, INC	Office Supplies	136.44
	CARLSON HARDWARE OF NISSWA INC	Repair & Mtn Supplies	632.57
	CDW GOVERNMENT LLC	Repair & Mtn Supplies	(113.98)
	CULLIGAN WATER CONDITIONING	Repair & Mtn Supplies	<u>66.34</u>
			Subtotal \$ 23,884.70
Nonmajor	CARLSON HARDWARE OF NISSWA INC	Repair & Mtn Supplies	769.92
	CHARTER COMMUNICATIONS	Utilities	13.01
	COMPETITION SPORTS	Operating Supplies	220.00
	CTC	Utilities	217.92
	EMERGENCY RESPONSE SOLUTIONS	Small Tools	1,251.40
	FALLS FLAG SOURCE	Repair & Mtn Supplies	35.43
	SCHAEFERS FOODS	Operating Supplies	53.84
	THELEN HEATINGS & ROOFING INC	Repair & Mtn Contractual	250.00
	VERIZON	Tablet Service	105.03
	COMMUNITY CENTER REFUND	Refunds and Reimbursements	158.10
	CLIMATES MAKERS	Repair & Mtn Contractual	990.69
	CWC ATTORNEY'S OFFICE FORFEITURE FUND	Refunds and Reimbursements	1,107.50
	STATE TREASURER'S OFFICE GENERAL ACCOUNT	Refunds and Reimbursements	24.50
	METRO SALES	Office Supplies	2.36
	OCEANID	Small Tools	<u>4,600.00</u>
			Subtotal 9,799.70

**CITY OF NISSWA, MINNESOTA**  
**SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES (CONTINUED)**  
**DECEMBER 31, 2017**  
**(UNAUDITED)**

<b>Fund</b>	<b>Vendor</b>	<b>Item and Purpose</b>	<b>Amounts</b>
Wastewater	AW RESEARCH LABORATORIES	Repair & Mtn Supplies	\$ 159.30
	ELECTRIC PUMP INC	Repair & Mtn Supplies	338.99
	GOPHER STATE ONE-CALL, INC	Repair & Mtn Contractual	6.75
	MINNESOTA POWER	Utilities	29.45
	SEWER REFUND	Refunds and Reimbursements	184.41
	VERIZON	Cell Phone	61.03
	METRO SALES	Office Supplies	2.14
	GENERATOR POWER SYSTEMS	Repair & Mtn Contractual	560.00
	CARLSON HARDWARE OF NISSWA INC	Repair & Mtn Supplies	10.85
	CTC	Utilities	28.23
	HONEY WAGON	Repair & Mtn Contractual	<u>6,900.00</u>
		Subtotal	\$ 8,281.15
Liquor	GRANITE CITY JOBBING CO INC	Products for Sale	369.02
	GRANITE CITY JOBBING CO INC	Transportation	5.95
	LAKES EQUIPMENT REPAIR	Repair & Mtn Contractual	827.83
	AMERIPRIDE LINEN & APPAREL	Repair & Mtn Supplies	66.08
	NISSWA MOTEL INC	Professional Services	200.00
	NORTHLAND FROZEN PIZZA INC	Products for Sale	48.00
	OLD DUTCH FOODS	Products for Sale	16.10
	CTC	Utilities	269.85
	PEPSI-COLA CO.	Products for Sale	63.25
	SCHAEFERS FOODS	Products for Sale	535.92
	SOUTHERN GLAZER'S OF MN	Products for Sale	626.25
	SOUTHERN GLAZER'S OF MN	Transportation	5.40
	WASTE PARTNERS INC	Waste	196.96
	FORUM COMMUNICATIONS CO	Advertising	261.90
	CARLSON HARDWARE OF NISSWA INC	Repair & Mtn Supplies	29.41
	CENTRAL MCGOWAN, INC	Facility Fee	53.69
	GIFT CERTIFICATES	Gift Certificates	(1,132.00)
	D & D BEVERAGE LLC	Products for Sale	8.50
	GRANITE CITY JOBBING CO INC	Products for Sale	193.89
	GRANITE CITY JOBBING CO INC	Office Supplies	93.78
	GRANITE CITY JOBBING CO INC	Transportation	5.95
	AMERIPRIDE LINEN & APPAREL	Repair & Mtn Supplies	84.69
	JOHNSON BROTHERS LIQUOR COMPANY INC	Products for Sale	(67.89)
	ARTISAN BEER COMPANY	Products for Sale	(69.66)
	BERNICKS	Products for Sale	3,218.28
	PAUSTIS WINE COMPANY	Products for Sale	(50.33)
	PEPSI-COLA CO.	Late Fees	4.44
	PHILLIPS WINE & SPIRITS	Transportation	(15.22)
	R B J TRUCKING	Transportation	99.80
	SCHAEFERS FOODS	Products for Sale	78.13
	SCR	Dues	155.00
	SOUTHERN GLAZER'S OF MN	Products for Sale	(72.80)
	WASTE PARTNERS INC	Waste	81.50
	METRO SALES	Office Supplies	4.91
	BUSINESS ESSENTIALS	Office Supplies	21.45
	C & L DISTRIBUTING	Products for Sale	(4.50)
	GAMMELLO - PEARSON, PLLC	Professional Services	375.00
	MINNESOTA REVENUE	Sales Tax	22,257.00
	GIFT CERTIFICATES	Gift Certificates	(1,094.00)
	D & D BEVERAGE LLC	Products for Sale	<u>214.12</u>
		Subtotal	<u>27,965.65</u>
		Total	<u>\$ 69,931.20</u>

## **OTHER REPORTS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

March 13, 2018

Honorable Mayor and City Council  
City of Nisswa, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the City of Nisswa (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Nisswa's basic financial statements and have issued our report thereon dated March 13, 2018.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying *Schedule of Findings and Responses* to be material weaknesses: 2015-001 and 2015-002.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* to be a significant deficiency: 2015-003.

## **Compliance and Other Matters**

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

## **City's Response to Findings**

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

## **Purpose of this Report**

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

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

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

March 13, 2018

Honorable Mayor and City Council  
City of Nisswa, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of each major fund, and the aggregate remaining fund information of the City of Nisswa, Minnesota (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated March 13, 2018.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provision of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the *Schedule of Findings and Responses* as items 2017-001 and 2017-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

This report is intended for the information and use of the City Council and management of the City of Nisswa, Minnesota and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified users.

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

**CITY OF NISSWA, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2017**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2015-001            Limited Segregation of Duties**

*Condition:*                      During our audit we reviewed procedures over cash receipts, cash disbursements, payroll and financial reporting and found the City to have limited segregation of duties over those transaction cycles.

*Criteria:*                        Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties. In other words, no one person had control over two or more of these responsibilities.

*Cause:*                            Limited number of staff members.

*Effect:*                          The existence of limited segregation of duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

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

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

**Finding 2015-002            Material Audit Adjustments**

*Condition:*                      Prior to the audit, the City's financial statements contained misstatements, the nature of which could potentially be material.

*Criteria:*                        The City is required to report accurate financial information.

*Cause:*                            The City failed to record all year-end adjustments required under the regulatory basis of accounting and various other adjustments were required to correct misstatements.

*Effect:*                          The misstatements in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation in accordance with accounting practices prescribed by the State of Minnesota's Office of the State Auditor.

*Recommendation:*            Prior to the annual audit, the City should review all balance sheet accounts, as well as all audit adjustments recorded during the prior year audit, to ensure all year-end adjustments have been properly recorded for proper presentation under the regulatory basis of accounting.

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

**CITY OF NISSWA, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2017**

**FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2015-003                      Financial Statement Preparation**

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

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

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

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

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

*Management's Response:* The City will continue to have Schlenner Wenner & Co. prepare the financial statements and will review the cost/benefit of preparing financial statements internally on an annual basis.

**LEGAL COMPLIANCE FINDINGS**

**Finding 2017-001                      Municipal Contract Compliance**

*Condition:*                      The City did not obtain a sufficient amount of quotes for municipal contracts.

*Criteria:*                      In accordance with MN Statute 471.345, subdivision 4, the City is required to obtain at least two quotes for municipal contracts in valuation between \$25,000 and \$100,000.

*Cause:*                      The City failed to obtain a sufficient amount of quotes for municipal contracts.

*Effect:*                      The failure to obtain a sufficient amount of quotes resulted in the City's noncompliance with Minnesota Statutes.

*Recommendation:*                      We recommend the City obtain at least two quotes for municipal contracts with estimated costs ranging from \$25,000 to \$100,000, in order to ensure compliance with Minnesota statutes.

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

**CITY OF NISSWA, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2017**

**LEGAL COMPLIANCE FINDINGS (Continued)**

**Finding 2017-002                      Withholding Affidavit for Contractors**

*Condition:*                      The City failed to obtain certification from contractors that a *Withholding Affidavit for Contractors* was submitted to the Department of Revenue.

*Criteria:*                      Under Minnesota Statute 270C.66, the City is required to obtain certification from contractors that a *Withholding Affidavit for Contractors* was submitted to the Department of Revenue prior to making final payment to each contractor.

*Cause:*                      The City failed to obtain certification before making a final payment to a contractor.

*Effect:*                      The failure to obtain such certification resulted in the City's noncompliance with Minnesota Statutes.

*Recommendation:*                      We recommend management adopt a policy under which it requires contractors to provide documentation that a *Withholding Affidavit for Contractors* was submitted to the Department of Revenue prior to the City making final payment on a contract for new construction.

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

**CITY OF NISSWA, MINNESOTA  
CORRECTIVE ACTION PLANS  
DECEMBER 31, 2017**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2015-001      Limited Segregation of Duties**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The City will review current procedures and implement additional controls where possible.
3. Official Responsible  
Jenny Max, City Administrator/Clerk is the official responsible for ensuring corrective action.
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.

**Finding 2015-002      Material Audit Adjustments**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The City will complete a thorough review of the trial balance prior to the annual audit and ensure all year-end adjustments have been properly recorded.
3. Official Responsible  
Jenny Max, City Administrator/Clerk is the official responsible for ensuring corrective action.
4. Planned Completion Date  
December 31, 2018.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.

**CITY OF NISSWA, MINNESOTA  
CORRECTIVE ACTION PLANS  
DECEMBER 31, 2017**

**FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2015-003      Financial Statement Preparation**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The City may continue to have the auditor prepare the financial statements and will continue to document the annual review of the financial statements and related footnote disclosures. The City will revisit this decision on an ongoing, annual basis.
3. Official Responsible  
Jenny Max, City Administrator/Clerk is the official responsible for ensuring corrective action.
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.

**LEGAL COMPLIANCE FINDINGS**

**Finding 2017-001      Municipal Contract Compliance**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The City will review current procedures and implement additional controls over contract compliance where possible.
3. Official Responsible  
Jenny Max, City Administrator/Clerk, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
December 31, 2018.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.

**CITY OF NISSWA, MINNESOTA  
CORRECTIVE ACTION PLANS  
DECEMBER 31, 2017**

**LEGAL COMPLIANCE FINDINGS (Continued)**

**Finding 2017-002      Withholding Affidavit for Contractors**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The City will adopt a policy under which it requires contractors to provide documentation that a *Withholding Affidavit for Contractors* was submitted to the Department of Revenue prior to the City making final payment on a contract for new construction.
3. Official Responsible  
Jenny Max, City Administrator/Clerk, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
December 31, 2018.
5. Plan to Monitor Completion  
The City Council will be monitoring this Corrective Action Plan.

## **APPENDIX B**

### **Form of Legal Opinion**

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## PROPOSED FORM OF LEGAL OPINION

\$1,515,000  
GENERAL OBLIGATION STREET RECONSTRUCTION BONDS, SERIES 2018A  
CITY OF NISSWA  
CROW WING COUNTY  
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Nisswa, Crow Wing County, Minnesota (the "Issuer"), of its \$1,515,000 General Obligation Street Reconstruction Bonds, Series 2018A, bearing a date of original issue of July 17, 2018 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

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

(2) The Bonds are valid and binding general obligations of the Issuer and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the

validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

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

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

BRIGGS AND MORGAN

Professional Association

## **APPENDIX C**

### **Form of Continuing Disclosure Undertaking**

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## PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Nisswa, Minnesota (the "Issuer"), in connection with the issuance of its \$1,515,000 General Obligation Street Reconstruction Bonds, Series 2018A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on June 27, 2018 (the "Resolution"). Pursuant to the Resolution and this Undertaking, the Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 4 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated \_\_\_\_\_, 2018, prepared in connection with the Bonds.

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

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

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

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

SECTION 3. Provision of Annual Reports. Beginning in connection with the Fiscal Year ending on December 31, 2018, the Issuer shall, or shall cause the Dissemination Agent to provide, at least annually to the MSRB, by filing at [www.emma.msrb.org](http://www.emma.msrb.org), together with such identifying information as prescribed by the MSRB, its Audited Financial Statements for the most recent Fiscal Year, which is the only financial information or operating data which is customarily prepared by the Issuer and publicly available, by not later than December 31, 2019, and by December 31 of each year thereafter.

SECTION 4. Reporting of Significant Events. This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

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

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

SECTION 5. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 6. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 8. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 9. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 10. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 11. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 7 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: \_\_\_\_\_, 2018.

CITY OF NISSWA, MINNESOTA

By \_\_\_\_\_  
Its Mayor

By \_\_\_\_\_  
Its Clerk