

NEW ISSUE: FULL BOOK-ENTRY ONLY**RATING*: APPLIED FOR (S&P GLOBAL RATINGS)**

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds is included, in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. The County will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the U.S. Internal Revenue Code of 1986 (the "Code") relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. See "TAX CONSIDERATIONS" herein.

OFFICIAL STATEMENT**\$4,710,000⁽¹⁾****GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2019A
RICE COUNTY, MINNESOTA****Dated:** Date of Delivery**Principal Due:** February 1, 2023 through 2034**Minimum Bid:** \$4,672,320 (99.2% of Par)**Good Faith Deposit:** \$100,000

The \$4,710,000⁽¹⁾ General Obligation Capital Improvement Plan Bonds, Series 2019A (the "Bonds") are being issued by Rice County, Minnesota (the "County"), pursuant to Minnesota Statutes, Section 373.40 and Chapter 475. The Bonds will be issued for the purpose of (i) financing a portion of the cost of acquisition and betterment, including the necessary and incidental costs described in Minnesota Statutes, Section 475.65, for the capital improvement projects included in the County's Capital Improvement Plan for the Years 2018 - 2022, and (ii) paying the costs associated with the issuance of the Bonds. The Bonds are general obligations of the County for which its full faith, credit and unlimited taxing powers are pledged.

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, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof of a single maturity. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal, payable annually on February 1, beginning February 1, 2023, and interest, payable semiannually on each February 1 and August 1, beginning on August 1, 2019, will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein.

The Bonds will mature on February 1 in the following years and amounts:

<u>Year</u>	<u>Amount⁽¹⁾</u>	<u>Interest Rate*</u>	<u>Yield*</u>	<u>Year</u>	<u>Amount⁽¹⁾</u>	<u>Interest Rate*</u>	<u>Yield*</u>
2023	\$ 275,000	_____%	_____%	2029	\$ 440,000	_____%	_____%
2024	385,000	_____%	_____%	2030	365,000	_____%	_____%
2025	410,000	_____%	_____%	2031	375,000	_____%	_____%
2026	415,000	_____%	_____%	2032	385,000	_____%	_____%
2027	420,000	_____%	_____%	2033	400,000	_____%	_____%
2028	425,000	_____%	_____%	2034	415,000	_____%	_____%

The Bonds maturing on or after February 1, 2027, will be subject to redemption and prepayment prior to maturity at the option of the County at par plus accrued interest on February 1, 2026, and any date thereafter, in whole or in part, in such order of maturity dates as the County may select.

LEGAL OPINION:

Dorsey & Whitney LLP, Minneapolis, Minnesota

REGISTRAR/PAYING AGENT:

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

BANK QUALIFIED:

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

BIDS RECEIVED UNTIL:

12:00 P.M. Central Time on Monday, December 10, 2018
In the offices of Public Financial Management, Inc.
50 South Sixth Street, Suite 2250, Minneapolis, MN 55402
(*Electronic and sealed bids accepted*)

CONSIDERATION:

By 9:00 A.M. Central Time on Tuesday, December 11, 2018

DELIVERY:

On or about January 8, 2019.

The date of this Official Statement is December 3, 2018.

⁽¹⁾ Preliminary, subject to change.

* Interest rates, reoffering yields and rating will be set forth in the Final Official Statement described herein.

(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.)

No dealer, broker, salesman or other person has been authorized by the County, the Financial Advisor or the Underwriters 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 County, the Financial Advisor or the Underwriters. 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 County and other sources which are believed to be reliable, but it is not to be construed as a representation by the Financial Advisor or Underwriters. 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 County or in any other information contained herein, since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER(S) MAY OVER-ALLOT OF 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.

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INTRODUCTION TO THE OFFICIAL STATEMENT

The following information is furnished solely to provide limited introductory information regarding the County's \$4,710,000⁽¹⁾ General Obligation Capital Improvement Plan Bonds, Series 2019A (the "Bonds") 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.

Issuer:	Rice County, Minnesota
Authority for Issuance:	The Bonds are issued pursuant Minnesota Statutes, Section 373.40 and Chapter 475.
Security:	The Bonds are general obligations of the County. The principal of and interest on the Bonds are payable from ad valorem taxes to be levied on taxable property in the County. To any extent not so paid, the principal of and interest on the Bonds are payable from additional ad valorem taxes required by law to be levied on all taxable property in the County, which additional taxes are not subject to any limitation as to rate or amount (See "DESCRIPTION OF THE BONDS" – "Security").
Purpose:	The Bonds will be issued for the purpose of (i) financing a portion of the cost of acquisition and betterment, including the necessary and incidental costs described in Minnesota Statutes, Section 475.65, for the capital improvement projects included in the County's Capital Improvement Plan for the Years 2018 - 2022, and (ii) paying the costs associated with the issuance of the Bonds. (See "DESCRIPTION OF THE BONDS" – "Purpose").
Principal Payments:	Principal on the Bonds is payable annually on February 1 of the years 2023 through 2039.
Interest Payments:	Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2019.
Optional Redemption:	The Bonds maturing on or after February 1, 2027, will be subject to redemption and prepayment prior to maturity at the option of the County at par plus accrued interest on February 1, 2026, and any date thereafter, in whole or in part, in such order of maturity as the County may select.
Denominations:	Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, of a single maturity.
Book-Entry Only:	The Bonds will be issued as book-entry form only securities through DTC.
Tax Status:	The Bonds are generally exempt from federal and Minnesota state income taxes (See "TAX CONSIDERATIONS" herein).
Bank Qualified:	The Bonds will be designated as "Qualified Tax-Exempt Obligations."
Legal Matters:	Validity, tax exemption, and legal matters incident to the authorization and issuance of the Bonds are subject to the opinion of Dorsey & Whitney LLP, Bond Counsel. The opinion will be substantially in the form set forth in Appendix B attached hereto.
Conditions Affecting Issuance of the Bonds:	The Bonds are offered when, as and if issued, subject to the approving legal opinion of Dorsey & Whitney LLP.
Dated Date/Delivery Date:	The Bonds will be available for delivery on or about January 8, 2019.

⁽¹⁾ Preliminary, subject to change.

Professional Consultants:	<i>Municipal Advisor:</i>	Public Financial Management, Inc. Minneapolis, Minnesota
	<i>Bond Counsel:</i>	Dorsey & Whitney LLP Minneapolis, Minnesota
	<i>Paying Agent/Registrar:</i>	U.S. Bank National Association St. Paul, Minnesota

Continuing Disclosure: By a Continuing Disclosure Certificate, the County will covenant and agree to provide to the Municipal Securities Rulemaking Board, certain annual financial information of the type included in this Official Statement, including audited financial statements, and notice of the occurrence of certain material events. The County 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 County 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 County or in any other information contained herein, since the date hereof.

The Official Statement is in a form deemed final as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) (the "Rule"), but is subject to minor revision or amendment in accordance with the Rule. Not later than seven business days following the award of the Bonds, the County shall provide copies of the Final Official Statement, as that term is used in the Rule, to the purchaser of the Bonds.

The purchaser(s) of the Bonds will be supplied with Final Official Statements in a quantity sufficient to meet its request. Up to 25 copies of the Final Official Statement will be furnished without cost.

Questions regarding the Bonds or the Official Statement can be directed to, and additional copies of the Official Statement, the County's audited financial reports and the documents described herein may be obtained from, PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402 (612/338-3535, 612/338-7264 fax), the County's Municipal Advisor.

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DESCRIPTION OF THE BONDS

Authority

The Bonds are being issued pursuant to Minnesota Statutes, Sections 373.40 and Chapter 475.

Purpose

The Bonds will be issued for the purpose of (i) financing a portion of the cost of acquisition and betterment, including the necessary and incidental costs described in Minnesota Statutes, Section 475.65, for the government building expansion and renovation project included in the County's Capital Improvement Plan for the Years 2018 - 2022, and (ii) paying the costs associated with the issuance of the Bonds.

Security

The Bonds are general obligations of the County. The full faith, credit and unlimited taxing power of the County are pledged to the payment of principal of and interest on the Bonds.

As required by Minnesota Statutes, Section 475.61, the County will initially levy general ad valorem taxes on all taxable property in the County in an amount equal to 105% of the principal of and interest on the Bonds. The County will levy additional taxes, without limitation as to rate or amount, on all taxable property in the County if necessary to pay principal of and interest on any Bonds when due.

Bond Terms

Principal is due on each February 1 in the years 2023 through 2039 as set forth on the cover page of the Official Statement. Interest on the Bonds is payable on each February 1 and August 1, commencing August 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. Payments coming due on a non-business day will be paid on the next business day. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, of a single maturity.

Redemption Provisions

Optional Redemption

The Bonds maturing on or after February 1, 2027, are subject to optional redemption and prepayment by the County, on February 1, 2026, and on any date thereafter, in whole or in part, in any order of maturity as the County may select, in \$5,000 principal amounts, at a price of par plus accrued interest to the date of redemption.

Sources and Uses of Funds

Table 1 below presents the sources and uses of funds for the Bonds.

Table 1
Sources and Uses of Funds

Sources of Funds

Par Amount of Bonds	\$ 4,710,000 ⁽¹⁾
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Uses of Funds

Construction Fund
Cost of Issuance/Underwriters' Discount
Rounding Amount
Total Uses of Funds

⁽¹⁾ Preliminary, subject to change.

Continuing Disclosure

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the County will covenant and agree, for the benefit of the registered holders or beneficial owners, to provide certain financial information and operating data relating to the County and audited financial statements (the "Annual Reports") 365 days after the end of each fiscal year, commencing with the Fiscal Year ending December 31, 2018, and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants") not more than ten business days after occurrence of the event. Information to be provided on an annual basis, the events as to which notice is to be given, if material, and a form of Continuing Disclosure Undertaking, including the other provisions of the Disclosure Covenants, including termination, amendment and remedies, is included in Appendix C to this Official Statement.

The County has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Bonds or the Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the County to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

Book-Entry Only System

The information contained in the following paragraphs of this subsection "Book-Entry Only System" has been extracted from a schedule prepared by Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE." The County makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

1. 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 the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer 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 Issuer, 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 Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer 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.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE COUNTY NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO CERTIFICATEHOLDERS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS CERTIFICATEHOLDER; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

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RICE COUNTY

General Information

Rice County (the “County”) was established in 1853, and is an organized county having the powers, duties and privileges granted counties by Minnesota Statutes, Chapter 373 (1986).

The County is located in southeastern Minnesota 30 miles south of Minneapolis and St. Paul. The County covers an area of approximately 496 square miles and contains 7 cities and 14 townships. According to the most recent 2017 estimate from U.S. Census, the City of Faribault, the county seat, has a population of 23,750 and the second largest city, the City of Northfield, has a population of 20,380. The County has a total population of 65,968, according to the July 1, 2017 Census estimate.

The official newspaper of the County is the Faribault Daily News which publishes daily except Mondays.

Organization

The County Board of Commissioners consists of five commissioners elected from five districts in the County. All commissioners serve overlapping four-year terms of office. Each member of the board serves on various committees.

The Board appoints the County Administrator who is the chief executive officer of the County. The Administrator is responsible for the administration of Board policy and for the management of the various County departments. Regular meetings of the Board of County Commissioners are held at the Rice County Government Services Building on the second and fourth Tuesday of each month except in January. In January, the Board meets the first Tuesday after the first Monday. The Board also meets as a committee of the whole on the first and third Tuesdays of the month.

The County's functions and employees are divided among 17 departments. Four of these departments - Attorney, Auditor/Treasurer, Recorder and Sheriff - are headed by members who are elected to office. The remaining department heads are appointed by the County Board. The County provides a full range of services. These services include: health and social services; tax assessment and collection; judicial, law enforcement and jail services; the construction and maintenance of highways and infrastructure; recreational facilities, planning and zoning; and general administrative services.

The following tables present a list of the current positions on the Board of County Commissioners and their respective terms in office.

Board of County Commissioners

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jake Gillen	Chair	01/01/2021
Jeff Docken	Commissioner	01/01/2021
Galen Malecha	Commissioner	01/01/2021
Dave Miller	Commissioner	01/01/2019
Steve Bauer	Commissioner	01/01/2019
John Fossum	Commissioner	01/01/2019

County Officials

<u>Name</u>	<u>Position</u>
Sara Folsted	County Administrator
Paula O’Connell	Chief Financial Officer
Judy Van Erp	County Recorder
Troy Dunn	Sheriff
John Fossum	Attorney

Employee Contracts and Employee Count

The County employs 364 full-time and part-time employees. In addition, the County employs 10 temporary part-time and seasonal employees. Organized employees of the County, which represent 75% of the total workforce, are represented by eight bargaining units. The following table presents the employee groups within the County.

Table 2
Employee Bargaining Units

<u>Employee Groups within County</u>	<u>Approximate Number of Employees⁽¹⁾</u>	<u>Current Contract Expiration Date</u>
Highway and Waste Management Unit	21	12/31/2018
Social Service Unit	113	12/31/2018
Patrol	20	12/31/2018
Sergeants	6	12/31/2018
Community Corrections	14	12/31/2018
Correctional Officers	20	12/31/2018
General Unit	73	12/31/2018
Minnesota Nurses Association	18	12/31/2018
Non Union	<u>123</u>	--
Total Number of Employees (Full-time and Part-time)	<u>408</u>	

Source: County's Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2017.
Rice County Administrator's Office.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

Table 3 shows the population of Rice County as recorded for the past five decennial censuses and the most recent population estimate.

Table 3
Population

<u>Year</u>	<u>Rice County Population</u>
2017 ⁽¹⁾	65,968
2010	64,142
2000	56,665
1990	49,183
1980	46,087
1970	41,582

⁽¹⁾ Estimate

Source: United States Census Bureau, www.census.gov

Business and Industry

The County's primary economic activities are agriculture, manufacturing and education. The City of Faribault is famous for its woolen products, blue cheese production as well as its garden and nursery industry. It is also the site of the largest correctional facility in the State of Minnesota and an elite preparatory school named Shattuck St. Mary's. Shattuck St. Mary's is nationally recognized for its hockey program.

Daikin, Faribault Foods and Aldi have expanded their operations in the County. We anticipate an additional need of 300 employees to staff these businesses by 2025. Roadway planning is being completed to facilitate additional growth along Interstate highway 35 in the County.

The City of Northfield's main employers include two prestigious private colleges, Carleton and St. Olaf. It is also home to Post Consumer Brands, a cereal manufacturer that purchased the company formerly known as MOM Brands/Malt-O-Meal. The largest employers in the County are presented in Table 5 below:

Table 4
Major Employers

<u>Major Employers</u>	<u>Type of Business</u>	<u>City</u>	<u>Number of Employees</u>
St Olaf College	College	Northfield	860
Post Consumer Brands	Cereal Manufacturer	Northfield	750
Carleton College	College	Northfield	700
Jennie-O Turkey Store	Poultry Processing	Faribault	700
Northfield Public Schools	Elementary & Secondary Schools	Northfield	600
State Corrections Department	Correctional Institution	Faribault	556
McLane Minnesota	Food Distributor	Northfield	480
Daikin Applied	Manufacturer	Faribault	450
Rice County Offices	Government	Faribault	389 ⁽¹⁾
District One Hospital	Hospital	Faribault	350
Administrative Office	Government	Faribault	350
Network Trading Inc.	Food Products	Nerstrand	301
Hy-Vee	Retail	Faribault	300
Innovative Food Processors Inc.	Food Products	Faribault	270
Three Links Care Center	Nursing	Northfield	250
Butter Kernel Products Inc	Canning	Faribault	250
Alcoholism & Drug Detox Help	Treatment Center	Faribault	247
Crown Cork & Seal Co Inc	Manufacturer	Faribault	200

⁽¹⁾ Includes full time, part-time, temporary and seasonal employees.

Source: Infosource.

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Labor Force and Unemployment Statistics

Table 5 lists the labor force and annual average unemployment rates for the County as compared to the unemployment rates for the State of Minnesota for the years 2013 through 2018, and the most recent data available. Information in this table has not been seasonally adjusted.

Table 5			
<u>Labor Force and Unemployment Statistics</u>			
<u>Year</u>	<u>Rice County</u>		<u>State of Minnesota</u>
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>
2018 ⁽¹⁾	36,849	2.6%	3.5%
2017	36,863	3.5%	3.9%
2016	36,261	3.5%	4.0%
2015	32,768	3.6%	3.7%
2014	32,838	4.1%	4.2%
2013	33,727	4.9%	4.9%

⁽¹⁾ As of August, 2018.

Source: Minnesota Department of Employment and Economic Development, www.deed.state.mn.us.

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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)	\$ 6,785,272,936
Estimated Market Value (2017/18)	\$ 6,256,600,800
Taxable Market Value (2017/18)	\$ 5,909,664,100
Net Tax Capacity (2017/18)	\$ 61,326,774
General Obligation Debt (Including the Bonds)	\$ 25,015,000
Indirect Debt	\$ 103,242,343
Population (2017 Estimate)	65,968

Debt Ratios:

	<u>Amount</u>	<u>Per Capita (65,968)</u>	<u>% of Economic Market Value</u>
General Obligation Debt	\$ 25,015,000	\$ 379	0.41%
Indirect Debt	<u>103,242,343</u>	<u>1,565</u>	<u>1.68%</u>
Total	<u>\$ 128,257,343</u>	<u>\$ 1,944</u>	<u>2.08%</u>

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INDEBTEDNESS

General Obligation Long-Term Debt

Table 6 and Table 7 on the next page summarize the County's general obligation debt outstanding as of the issuance of the Bonds.

Table 6
General Obligation Long-Term Debt by Issue

<u>Issue Date</u>	<u>Purpose</u>	<u>Original Amount</u>	<u>Interest Range Outstanding</u>	<u>Maturities Outstanding</u>	<u>Principal Outstanding</u>
12/01/2009	Taxable Capital Improvement (BAB)	\$ 15,000,000	4.40%	02/01/19	\$ 750,000 ⁽¹⁾
09/08/2011	Capital Improvement	2,665,000	1.80%-2.40%	02/01/19-22	1,555,000
06/01/2013	Capital Improvement and Refunding	9,550,000	2.00%-3.00%	02/01/19-24	5,640,000
12/31/2013	PFA Note	2,538,907	1.23%	08/20/19-43	2,050,000
09/15/2016	Capital Improvement Refunding	8,910,000	2.00%	02/01/20-29	8,910,000
12/31/2018	Capital Equipment Notes	1,400,000	2.40%	12/31/19-23	1,400,000
01/08/2019	Capital Improvement	4,710,000 ⁽²⁾	This issue	02/01/23-34	<u>4,710,000⁽²⁾</u>
Total					<u>\$ 25,015,000</u>

⁽¹⁾ Bonds maturing in February 1, 2020 through 2029 were advance refunded by the Series 2016 Bonds and will be called for redemption on February 1, 2019. Therefore, those maturities have not been included in the outstanding debt calculation.

⁽²⁾ Preliminary, subject to change.

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Table 7
General Obligation Long-Term Debt
Annual Maturity Schedule

Year (December 31)	Outstanding		The Bonds		Total
	<u>Principal</u>	<u>Interest⁽¹⁾</u>	<u>Principal⁽²⁾</u>	<u>Interest⁽²⁾</u>	
2019	\$ 2,355,000	\$ 633,579	\$ --	\$ 83,568	\$ 3,072,147
2020	2,461,000	333,833	--	148,200	2,943,033
2021	2,517,000	278,578	--	148,200	2,943,778
2022	2,558,000	226,086	--	148,200	2,932,286
2023	2,199,000	177,171	275,000	144,075	2,795,246
2024	1,950,000	132,344	385,000	134,175	2,601,519
2025	971,000	103,725	410,000	122,250	1,606,975
2026	987,000	84,743	415,000	109,875	1,596,618
2027	1,008,000	65,399	420,000	97,350	1,590,749
2028	1,029,000	45,643	425,000	84,675	1,584,318
2029	1,045,000	25,525	440,000	71,700	1,582,225
2030	81,000	14,895	365,000	59,351	520,246
2031	82,000	13,902	375,000	47,509	518,411
2032	83,000	12,897	385,000	34,870	515,767
2033	84,000	11,880	400,000	21,425	517,305
2034	85,000	10,851	415,000	7,263	518,113
2035	86,000	9,809	--	--	95,809
2036	87,000	8,755	--	--	95,755
2037	88,000	7,689	--	--	95,689
2038	89,000	6,611	--	--	95,611
2039	90,000	5,520	--	--	95,520
2040	91,000	4,417	--	--	95,417
2041	92,000	3,302	--	--	95,302
2042	93,000	2,175	--	--	95,175
2043	<u>94,000</u>	<u>1,036</u>	<u>--</u>	<u>--</u>	<u>95,036</u>
Total	<u>\$ 20,305,000</u>	<u>\$ 2,220,365</u>	<u>\$ 4,710,000</u>	<u>\$ 1,462,686</u>	<u>\$ 28,698,052</u>

⁽¹⁾ Does not include the subsidy payments received from the IRS on the interest payments of the General Obligation Capital Improvement Bonds (Build America Bonds), Series 2009, dated December 1, 2009.

⁽²⁾ Preliminary, subject to change.

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Loan Agreements

The County has entered into various loan agreements with the Minnesota Department of Agriculture (“MDA”) for financing of failing septic systems. The loans are secured by special assessments placed on the individual parcels requesting repair of a failing septic system. The original loan amount was \$970,862 at 0% interest. Final maturity of the loans is in the year 2025. As of December 31, 2017, the outstanding balance to be repaid to the State of Minnesota was \$474,085.

Debt Limitation

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the assessor’s estimated market value of all taxable property within its boundaries. “Net debt” (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt: (1) obligations payable wholly or partly from special assessments levied against benefited property (including the Obligations); (2) warrants or orders having no definite or fixed maturity; (3) obligations issued to finance any public revenue producing convenience; (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 County’s legal debt margin is calculated in the Table 8 below.

Table 8
Debt Limit Computation

Estimated Market Value (2017/18)	\$ 6,256,600,800
	<u>3.00%</u>
Debt Limit (100%)	\$ 187,698,024
Outstanding “Net debt” (12.24%)	<u>22,965,000</u>
Remaining Debt Margin (87.76%)	<u><u>\$ 164,733,024</u></u>

Future Financing

The County intends to issue additional debt in the next six months.

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Indirect Debt

There are fourteen taxing jurisdictions which overlap the County and which had general obligation debt outstanding as of December 31, 2017, unless otherwise noted. Table 9 below sets forth the general obligation debt for those jurisdictions and the amount of that debt allocable to the County .

Table 9
Indirect Debt

<u>Jurisdiction</u>	<u>Net G.O. Debt Outstanding⁽¹⁾</u>	<u>Percentage Allocable to County</u>	<u>Amount Allocable to County</u>
Cities			
Denison	\$ 394,370	11.12%	\$ 43,854
Dundas	4,220,000	100.00%	4,220,000
Faribault	15,736,265	100.00%	15,736,265
Lonsdale	6,665,000	100.00%	6,665,000
Morristown	1,450,000	100.00%	1,450,000
Nerstrand	774,397	100.00%	774,397
Northfield	13,909,931	91.40%	12,713,677
Towns			
Erin	50,000	100.00%	50,000
School Districts			
ISD No. 656 (Faribault)	21,771,778	100.00%	21,771,778
ISD No. 659 (Northfield)	31,599,858	80.82%	25,539,005
ISD No. 721 (New Prague)	92,030,764 ⁽²⁾	12.36%	11,375,002
ISD No. 763 (Medford)	12,125,700 ⁽³⁾	16.32%	1,978,914
ISD No. 829 (Waseca)	35,520,000 ⁽²⁾	0.36%	127,872
ISD No. 2172 (Kenyon/Wanamingo)	10,972,151 ⁽²⁾	7.26%	<u>796,578</u>
Total			<u>\$ 103,242,343</u>

⁽¹⁾ Includes general obligation debt paid from tax levies, tax increment revenue and special assessments. Excludes general obligation debt paid from utility revenues.

⁽²⁾ Outstanding as of 6/30/2017

⁽³⁾ Outstanding as of 2/1/2018

Source: EMMA and the Rice County Administrator's Office.

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FINANCIAL INFORMATION

Financial Reports

The County's financial statements are audited by an independent auditor. Copies of the County's audited financial statements are available upon request from PFM Financial Advisors LLC, the County's Municipal Advisor, or through the Electronic Municipal Market Access website as part of the County's annual continuing disclosure reports. See APPENDIX A for the County's audited financial statements for fiscal year ended December 31, 2017.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the year ended December 31, 2016. The County has applied for the GFOA award for its CAFR for the year ended December 31, 2017, which will be available between June 30, 2018 and early 2019.

Budgets for All County Governmental Funds

Table 10 presents the budgeted funding sources and expenditures for County governmental funds for the fiscal year 2018 and 2019.

Table 10
Budgets for County Governmental Funds⁽¹⁾

	<u>Approved 2018 Budget</u>	<u>Proposed 2019 Budget</u>
Revenues		
County Portion of Tax Levy	\$ 25,067,965	\$ 26,513,973
State Aids	<u>3,613,509</u>	<u>3,505,468</u>
Total Tax Levy	<u>\$ 28,681,474</u>	<u>\$ 30,019,441</u>
Other Taxes/Special Assessments	\$ 7,850,750	\$ 5,694,750
Licenses and Permits	38,160	43,360
Intergovernmental	22,913,420	20,390,200
Changes for Services	4,699,550	5,011,917
Miscellaneous	896,055	1,277,409
Investment Earnings	920,000	1,100,000
Transfers from Other Sources	24,000	60,000
Use of Fund Balance	<u>767,000</u>	<u>3,080,000</u>
Total Revenues	<u>\$ 66,790,896</u>	<u>\$ 66,677,077</u>
Expenditures		
General Government	\$ 10,334,587	\$ 10,424,860
Public Safety	10,835,436	11,220,572
Highways and Streets	20,656,081	18,134,616
Health	3,972,544	4,892,954
Sanitation	300,000	300,000
Human Services	16,285,361	16,917,700
Culture and Recreation	764,231	737,750
Conservation of Natural Resources	753,448	812,643
Economic Development	85,559	372,820
Debt Service	<u>2,803,162</u>	<u>2,863,162</u>
Total Expenditures	<u>\$ 66,790,409</u>	<u>\$ 66,677,077</u>

Budgets for the General Fund

Table 11 presents the budgeted funding sources and expenditures for the County's general fund for the fiscal years 2018 and 2019.

Table 11
Budget for the General Fund by Department

	<u>Approved 2018 Budget</u>	<u>Proposed 2019 Budget</u>
Revenues		
County Portion of Tax Levy	\$ 18,947,909	\$ 19,609,111
Law Library	50,000	50,000
Finance/Property Tax and Elections	127,060	100,989
Economic Development	--	284,622
Assessor	9,000	7,000
Information Technology	212,000	185,000
Insurance	175,000	175,000
Elections	121,000	29,000
Attorney	331,000	311,500
Recorder	605,000	619,000
Facilities Maintenance	164,025	282,825
Sheriff/Water Safety	635,000	623,000
Jail	75,500	76,000
Community Corrections	1,114,067	1,087,067
Emergency Services	40,000	40,000
Public Health	3,631,114	4,489,313
Parks	107,830	123,250
Extension	<u>300</u>	<u>300</u>
Total Revenues	<u>\$ 26,345,805</u>	<u>\$ 28,092,977</u>
Expenditures		
Total Expenditures	<u>\$ 26,345,805</u>	<u>\$ 28,092,977</u>

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General Fund Results

Statements of revenues and expenditures of the General Fund of the County have been compiled from the County's audited financial statements and have been organized in such a manner as to facilitate year to year comparison. Table 12 below presents general fund statements of revenues and expenditures and changes in fund balance for the last four fiscal years.

Table 12
Statement of Revenues and Expenditures for the General Fund
(Years Ended December 31)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues				
General Property Taxes	\$ 12,107,221	\$ 11,791,657	\$ 10,467,337	\$ 9,606,359
Mortgage Registry and Deed Taxes	66,058	58,213	65,067	42,578
Gravel Taxes	13,104	14,431	19,724	10,294
Special Assessments	105,105	94,892	109,080	114,733
Licenses and permits	24,240	25,705	22,050	16,848
Intergovernmental	7,236,549	7,045,841	6,801,861	6,450,461
Charges for services	4,057,510	4,223,788	3,979,128	3,730,013
Fines and forfeits	84,058	77,503	91,510	31,895
Gifts & Contributions	12,394	12,710	13,262	17,380
Investment earnings	752,243	922,660	752,724	1,115,318
Miscellaneous	<u>344,916</u>	<u>298,997</u>	<u>393,523</u>	<u>404,525</u>
Total Revenues	<u>\$ 24,803,398</u>	<u>\$ 24,566,397</u>	<u>\$ 22,715,266</u>	<u>\$ 21,540,404</u>
Expenditures				
Current				
General government	\$ 9,759,792	\$ 9,186,361	\$ 8,719,232	\$ 7,822,221
Public safety	9,892,630	9,117,621	8,710,178	8,394,744
Sanitation	71,185	155,000	64,862	43,020
Health	3,890,991	3,617,102	3,391,363	3,292,217
Culture and recreation	613,122	637,550	629,792	601,917
Conservation	447,563	411,667	416,077	456,120
Economic Development	297,938	252,035	215,267	323,403
Capital Outlay				
General Government	51,229	158,866	193,866	91,357
Public Safety	155,135	113,224	138,923	94,148
Culture and Recreation	<u>136,077</u>	<u>4,163</u>	<u>18,306</u>	<u>--</u>
Total Expenditures	<u>\$ 25,315,662</u>	<u>\$ 23,653,589</u>	<u>\$ 22,497,866</u>	<u>\$ 21,119,147</u>
Excess of Revenues Over (Under)Expenditures	<u>\$ (512,264)</u>	<u>\$ 912,808</u>	<u>\$ 217,400</u>	<u>\$ 421,257</u>
Other Financing Sources (Uses)				
Transfers in	\$ 772	\$ 54,163	\$ 150,000	\$ 197,000
Transfers out	(164,434)	(77,088)	(58,987)	(1,525,888)
Proceeds from Sale of Assets	20,270	58,408	32,186	39,620
Insurance Recovery	--	--	--	--
Loans Issued	<u>86,185</u>	<u>140,000</u>	<u>64,862</u>	<u>43,020</u>
Total Other Financing Sources (Uses)	<u>\$ (57,207)</u>	<u>\$ 175,483</u>	<u>\$ 188,061</u>	<u>\$ (1,246,248)</u>
Net Change in Fund Balance	<u>\$ (569,471)</u>	<u>\$ 1,088,291</u>	<u>\$ 405,461</u>	<u>\$ (824,991)</u>
Fund Balance-January 1	<u>17,996,719</u>	<u>16,908,428</u>	<u>16,502,967</u>	<u>17,327,958</u>
Fund Balance - December 31	<u>\$ 17,427,248</u>	<u>\$ 17,996,719</u>	<u>\$ 16,908,428</u>	<u>\$ 16,502,967</u>

Pension Plans

Pension Description

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

1. General Employees Retirement Fund ("GERF")

All full-time and certain part-time employees of the County are covered by the GERF. GERF 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.

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

3. Public Employees Correctional Fund ("PECF")

The Local Government Correctional Fund, referred to as the PECF, was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

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% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% 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.

1. GERF Benefits

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% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% 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. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

3. PECF Benefits

Benefits for PECF members first hired after June 30, 2010, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. For PECF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Contributions

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

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2017. The County was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The County's contributions to the GERF for the year ended December 31, 2017, were \$1,307,922. The County's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The County's was required to contribute 16.20% of pay for PEPFF members in calendar year 2017. The County's contributions to the PEPFF for the year ended December 31, 2017, were \$359,571. The County's contributions were equal to the required contributions as set by state statute.

3. PECF Contributions

In calendar year 2017 plan members were required to contribute 5.83% of their annual covered salary. The County was required to contribute 8.75% of pay for PECF members in calendar year 2017. The County's contributions to the PECF for the year ended December 31, 2017, were \$102,809. The County's contributions were equal to the required contributions as set by state statute.

For additional information about pension costs, actuarial assumptions, discount rate, pension liability sensitivity and pension plan fiduciary net position, see Note 4 to the County's Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2017. The County's contributions to the PECF for the year ended December 31, 2017, were \$102,809. The County's contributions were equal to the required contributions as set by state statute.

Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2017, the County reported a liability of \$16,745,059 for its proportionate share of the General Employees Fund's Net Pension Liability. The County'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 County totaled \$210,579. 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 County's proportion of the Net Pension Liability was based on the County'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 PERA's participating employers. At June 30, 2017, the County's portion was 0.2623% which was an increase of .0077% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017 the County recognized pension expense of \$2,457,408 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$6,082 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.

For more detailed information regarding the Actuarial Assumptions, Discount Rate, Pension Liability Sensitivity, Pension Plan Fiduciary Net Position and Defined Contribution Plan, see Note 4 of the County's Comprehensive Audited Financial Statements for FY2017 included as APPENDIX A of this Official Statement.

County's Share of Net Pension Liability	\$ 16,745,059
State's Share of Net Pension Liability	<u>210,579</u>
Total	\$ 16,955,638

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

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 551,866	\$ 1,077,251
Changes in Actuarial Assumptions	2,780,042	1,678,694
Net Difference Between Projected and Actual Earnings on Pension		
Plan Investments	108,151	-
Changes in Proportion and Differences Between County Contributions		
And Proportionate Share of Contributions	326,182	181,214
County Contributions Subsequent to the Measurement Date	<u>661,687</u>	<u>-</u>
Total	\$ 4,427,928	\$ 2,937,159

\$661,687 is reported as deferred outflows of resources related to pensions resulting from the County's contributions to General Employees Fund subsequent to the measurement date and will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to General Employees Fund pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expenses Amount</u>
2018	684,154
2019	1,064,100
2020	(208,376)
2021	(710,796)

2. Police and Fire Fund Pension Costs

At December 31, 2017, the County reported a liability of \$2,713,739 for its proportionate share of the Police and Fire Fund's Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The County's proportion of the Net Pension Liability was based on the County'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, 2016, the County's proportion was 0.201% which was an increase of .005% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$670,764 for its proportionate share of the Police and Fire Fund's pension expense. The County also recognized \$18,090 for the year ended December 31, 2017, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's onbehalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

At December 31, 2017, the County reported its proportionate share of the Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 62,464	\$ 1,077,251
Changes in Actuarial Assumptions	3,551,469	1,678,694
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	37,271	-
Changes in Proportion and Differences Between County Contributions And Proportionate Share of Contributions	68,854	53,618
County Contributions Subsequent to the Measurement Date	<u>189,670</u>	<u>-</u>
Total	\$ 3,909,728	\$ 4,631,943

\$189,670 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2018.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expenses Amount</u>
2018	46,261
2019	46,266
2020	(53,218)
2021	(206,886)
2022	(744,303)

3. Correctional Plan Pension Costs (Continued)

At December 31, 2017, the County reported a liability of \$1,681,506 for its proportionate share of the Correctional Plan's Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The County's proportion of the Net Pension Liability was based on the County'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 County's proportion was 0.59% which was a decrease of .04% from the proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$635,950 for its proportionate share of the Correctional Plan's pension expense.

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

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 1,203	\$ 27,988
Changes in Actuarial Assumptions	977,546	292,700
Net Difference Between Projected and Actual Earnings on Pension		
Plan Investments	1,628	-
Changes in Proportion and Differences Between County Contributions		
And Proportionate Share of Contributions	1,415	109,594
County Contributions Subsequent to the Measurement Date	<u>54,367</u>	<u>-</u>
Total	\$ 1,036,159	\$ 430,282

\$54,367 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expenses Amount</u>
2018	361,562
2019	373,426
2020	(136,670)
2021	(46,808)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017 was \$3,770,204.

Other Post Employment Benefits

OPEB Disclosure

In 2007, the County prospectively implemented the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The OPEB plan does not issue a publicly available financial report.

1. Elected Officials

The County Board has adopted a policy maintaining payment of single health insurance premiums for its retired elected officials. Elected officials who have eight or more years of service as an elected official are eligible for two years of paid coverage for every four years served, excluding any long-term disability used prior to retirement.

2. Other Employees

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by Minnesota Statutes, Section 471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from PERA (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Retirees, are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are

receiving an implicit rate subsidy. As of January 1, 2017, there were six retirees receiving health benefits from the County's health plan. The County pays for these benefits on a "pay-as-you-go" basis.

a. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of fund that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost of 2017, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contributions (ARC)	\$ 151,949
Interest on Net OPEB Obligation	50,656
Adjustment to ARC	<u>(43,945)</u>
Annual OPEB Cost	\$ 158,660
Contributions During the Year	<u>(72,753)</u>
Increase in Net OPEB Obligation	\$85,907
Net OPEB – Beginning of Year	<u>1,125,699</u>
Net OPEB – End of Year	<u>\$ 1,211,606</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the two preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2017	\$ 158,660	\$ 72,753	45.9%	\$ 1,211,606
12/31/2016	154,168	56,762	36.8%	1,125,699
12/31/2015	231,152	55,369	24.0%	1,028,293

b. Funding Status

The County currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
01/01/2016	\$ --	\$ 1,349,089	\$ 1,349,089	--%	\$19,070,000	7.1%

For additional information about Actuarial Methods and Assumptions, see Note 5 to the County's Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2017.

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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, deferrals of value and adjustments to tax capacity, including a homestead market value exclusion for homesteads valued under \$413,800.

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

Table 13
Property Classification Rates

<u>Type of Property</u>	<u>Pay 2018 Classification Rates</u>
Residential Homestead	
First \$500,000 Taxable Market Value	1.00%
Over \$500,000 Taxable Market Value	1.25%
Commercial/Industrial	
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 NTC nor the TMV may accurately represent what a property's actual market value would be in the marketplace. By dividing the EMV used for tax purposes by the State Equalization Aid Review Committee's ("EARC") Sales Ratio, an Economic Market Value can be calculated which approximates actual market value. The Economic Market Value replaces the Indicated Market Value which was previously calculated by dividing the TMV by the Sales Ratio. 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 2017 Sales Ratio for the County is 92.08%.

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Table 14 below presents the Economic Market Value, Estimated Market Value, Taxable Market Value and Net Tax Capacity of taxable property in the County for assessment year 2017/collection year 2018. In addition, Table 15 presents the Economic Market Value, Estimated Market Value, Taxable Market Value and the Net Tax Capacity for the past five years.

Table 14
Property Values

	<u>Economic Market Value</u>	<u>Estimated Market Value</u>	<u>Taxable Market Value</u>	<u>Taxable Net Tax Capacity</u>
Real Estate	\$ 6,675,153,236	\$ 6,146,481,100	\$ 5,799,544,400	\$ 59,744,768
Personal Property	110,119,700	110,119,700	110,119,700	2,175,513
Less: Increment Value	--	--	--	(593,507)
Total	<u>\$ 6,785,272,936</u>	<u>\$ 6,256,600,800</u>	<u>\$ 5,909,664,100</u>	<u>\$ 61,326,774</u>

Source: Rice County Auditor/Treasurer's office

Table 15
Historical Property Values

<u>Prior Year Values</u>	<u>Economic Market Value</u>	<u>Sales Ratio</u>	<u>Estimated Market Value</u>	<u>Taxable Market Value</u>	<u>Adjusted Net Tax Capacity</u>
2016/17	\$ 6,581,422,171	91.74%	\$ 6,037,796,700	\$ 5,688,314,300	\$ 59,221,427
2015/16	6,160,148,097	94.33%	5,810,867,700	5,456,776,600	54,509,276
2014/15	5,885,750,643	97.13%	5,716,829,600	5,361,900,800	54,442,289
2013/14	5,879,702,368	92.06%	5,412,854,000	5,043,229,400	51,653,485
2012/13	5,542,991,744	96.90%	5,371,159,000	4,994,852,600	51,046,461

Source: Rice County Auditor/Treasurer's Office.

Table 16 presents the Net Tax Capacity of real estate property within the County by the various types of property for assessment year 2017, collection year 2018.

Table 16
Net Tax Capacity by Category

<u>Real State Only</u>	<u>Net Tax Capacity</u>	<u>% of Total Net Tax Capacity</u>
Residential	\$ 28,173,816	47.16%
Non-Residential Class 3D	7,149,195	11.97%
Agricultural	11,749,909	19.67%
Commercial & Industrial	11,266,249	18.86%
Public Utility	683,161	1.14%
Other	<u>722,438</u>	<u>1.21%</u>
Total	<u>\$ 59,744,768</u>	<u>100.00%</u>

Source: Rice County Auditor/Treasurer's Office.

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Property Tax Levies and Collections

The tax year in Minnesota is January 1 to December 31. Taxes are collected by the County Auditor/Treasurer's Office. The sequence of events in the taxation of property begins with the certification of the property tax levy to the County Auditor on or before December 28. The County Auditor then calculates the local tax rates and spreads the taxes designed to meet these budget requirements. The resulting taxes on property are payable the following year. The due dates for taxes on real property are one-half on or before May 15 and one-half on or before October 15. The due dates for payment of agricultural property taxes are one-half on or before May 15th and one-half on or before November 15th.

Penalties on unpaid taxes occur as follows: On May 16, unpaid property taxes on the first one-half are penalized at a rate of 2% on property classified as homestead and 4% on property classified as non-homestead. Thereafter, an additional 1% accrues on the unpaid balance of both homestead and non-homestead property through October. Penalties on the unpaid second half of taxes accrue beginning October 16 at 2% for homestead properties and 4% for non-homestead properties. Additional penalties also accrue on Agricultural homesteads and non-homesteads if the second half has not been paid by November 15th. The penalty rate differs depending on the type of property through December. On January 2, the total penalty on unpaid homestead properties is 10% and on non-homestead properties at 14%. In January following the year in which the taxes were due, interest is also charged based on variable rates per annum, on the full amount of unpaid taxes, penalties, and costs. Personal property tax is also penalized at varying rates determined by the type of property.

Table 17 shows the County's tax levies and collections for collection years 2014 through 2018.

Table 17
Tax Collections

Collection <u>Year</u>	<u>Gross Levy</u>	Adjusted <u>Tax Levy</u>	<u>Collected First Year</u>		<u>Collected as of 06/30/18</u>	
			<u>Amount</u>	% of Adjusted <u>Tax Levy</u>	<u>Amount</u>	% of Adjusted <u>Tax Levy</u>
2018	\$ 25,068,611	\$ 24,650,031	In process of collection			
2017	23,673,579	23,280,857	\$23,105,132	99.25%	\$23,215,312	99.72%
2016	22,817,365	22,434,015	22,265,805	99.25%	22,387,997	99.79%
2015	21,352,970	20,948,631	20,746,883	99.04%	20,911,120	99.82%
2014	20,018,855	19,791,191	19,577,739	98.92%	19,766,218	99.87%

Source: Rice County Auditor/Treasurer's Office.

Tax Rates

Table 18 shows the tax rates for residents of Rice County who reside in the City of Faribault for the collection years 2014 through 2018.

Table 18
Tax Rates

	<u>2018⁽¹⁾</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County of Rice	40.251%	41.812%	41.566%	40.546%	42.179%
County HRA	0.124%	0.124%	0.109%	0.223%	0.601%
County Hospital	--	--	--	--	1.713%
City of Faribault	57.182%	57.182%	55.696%	53.168%	53.814%
Faribault Economic Development	1.411%	1.411%	1.417%	1.511%	1.558%
Faribault HRA	1.440%	1.440%	1.446%	1.526%	1.589%
I.S.D. No. 656	<u>15.679%</u>	<u>15.812%</u>	<u>22.064%</u>	<u>20.267%</u>	<u>19.493%</u>
Total	<u>116.087%</u>	<u>117.781%</u>	<u>122.298%</u>	<u>117.241%</u>	<u>118.947%</u>

Source: Rice County's 2017 Comprehensive Annual Financial Report

⁽¹⁾ Rice County Website

Principal Taxpayers

A list of the ten taxpayers in the County with the highest net tax capacity for taxes payable in 2018 is presented in Table 19 below.

Table 19
Principal Taxpayers

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Net Tax Capacity</u>	<u>% of total Net Tax Capacity⁽¹⁾</u>
Northern States Power	Utilities	\$ 1,215,888	1.96%
Northwen Natural Gas Co	Utilities	927,514	1.50%
ALDI Inc.	Grocery	444,278	0.72%
MOM Brands Company	Food Production	374,156	0.60%
Faribault Foods, Inc.	Food Production	352,415	0.57%
Individual	Commercial	265,336	0.43%
Wal-Mart	Reatil	257,976	0.42%
McLane Company	Food Distributor	186,318	0.30%
Allina Health System	Health Care	196,754	0.32%
Menard, Inc.	Home Improvement	<u>136,211</u>	<u>0.27%</u>
Total		<u>\$ 4,386,846</u>	<u>7.08%</u>

(1) Based on the net tax capacity of \$61,920,281. Total tax capacity includes real and personal property and is not adjusted for fiscal disparities or tax increment financing.

Source: Rice County Auditor/Treasurer's Office.

RATING

A rating on the Bonds has been requested from S&P Global Ratings. A rating is subject to withdrawal at any time; withdrawal of a rating may have an adverse effect on the marketability of the Bonds. For an explanation of the significance of the rating, an investor should communicate with the rating agency directly.

TAX CONSIDERATIONS

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

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

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

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

For purposes of this discussion, the “issue price” of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

Tax-Exempt Interest

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

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

Original Issue Discount

Bonds may be issued at a discount from their principal amount (any such Bonds being “Discount Bonds”). The excess of the principal amount payable on Bonds of a given maturity over their issue price constitutes “original issue discount” (“OID”). OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder’s federal and Minnesota tax basis. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the

adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then the original issue discount that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in that accrual period.

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

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

Market Discount

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

Bond Premium

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

Related Tax Considerations

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

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, no deduction is allowed under section 265(b) the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds.

The Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

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

Sale or Other Disposition

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

Information Reporting and Backup Withholding

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will be designated by the County as "qualified tax-exempt obligations" for purposes of section 265 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 tax-exempt obligations.

LITIGATION

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

It is the opinion of the County, based upon the past experience of the payment of claims and judgment amounts, that there are presently no outstanding claims, litigation, pending litigation or contingent liabilities which would exceed the funds accumulated for this purpose and funds currently appropriated by the County for these purposes, and that outstanding claims and suits would not materially affect the financial position of the County as of the date of this Official Statement.

CERTIFICATION

The County will furnish a statement to the effect that this Official Statement, to the best of its knowledge and belief as of the date of sale and the date of delivery, 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 Dorsey & Whitney LLP, Bond Counsel, as to validity and tax exemption. The opinion will be substantially in the form set forth in Appendix C attached hereto. Except as to the information contained under the caption "TAX CONSIDERATIONS," Bond Counsel has not been requested to, and has not undertaken to, verify the accuracy of the information contained in this Official Statement and expresses no opinion with respect thereto.

MUNICIPAL ADVISOR

The County has retained Public Financial Management, Inc., of Minneapolis, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial 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 Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the County to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial 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.

Requests for information concerning the County should be addressed to Public Financial Management, Inc., 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402 (612/338-3535).

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and are not representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract or agreement with the owners of any Bonds.

This Official Statement has been approved by the County for distribution by the Chief Financial Officer to prospective purchasers of the Bonds.

RICE COUNTY, MINNESOTA

By: /s/ Paula O'Connell
Chief Financial Officer

APPENDIX A

**The County's Comprehensive Annual Financial Report
Year Ended December 31, 2017**

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APPENDIX B

Form of Legal Opinion

Rice County
Faribault, Minnesota

[Original Purchaser]

Re: \$[4,710,000] General Obligation Capital Improvement Plan Bonds, Series 2019A
 Rice County, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Rice County, Minnesota (the “County”), of the obligations described above, dated, as originally issued, as of January __, 2019 (the “Bonds”), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the County in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the County, enforceable in accordance with their terms.
2. The principal of and interest on the Bonds are payable from ad valorem taxes heretofore duly levied or to be levied on all taxable property within the County, which have been pledged and appropriated for this purpose, but if necessary for the payment thereof, additional ad valorem taxes are required by law to be levied on all taxable property in the County, which additional taxes are not subject to any limitation of rate or amount.
3. Interest on the Bonds (a) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.
4. Interest on the Bonds (a) is excludable from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates.
5. The County has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code, and financial institutions described in Section 265(b)(5) of the Code may treat the Bonds for purposes of Sections 265(b)(2) and 291(e)(1)(B) of the Code as if they were acquired on August 7, 1986.

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

The opinions expressed in paragraphs 3, 4, and 5 above are subject to the condition of the County’s compliance with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes, and the Bonds be and continue to be qualified tax-exempt obligations. The County has covenanted to comply with these continuing requirements. Its failure to do so could result in the inclusion of interest on the Bonds in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Bonds. Except as stated

herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that notwithstanding the opinion expressed in paragraph 4 above, interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

We have not been asked, and have not undertaken, to review the accuracy, completeness or sufficiency of any offering materials relating to the Bonds, and, accordingly, we express no opinion with respect thereto. This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated this ____ day of January, 2019.

Very truly yours,

APPENDIX C

Form of Continuing Disclosure Undertaking

FORM OF CONTINUING DISCLOSURE

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

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

- (1) on or before twelve (12) months after the end of each fiscal year of the County, commencing with the fiscal year ending December 31, 2018, the following financial information and operating data in respect of the County (the Disclosure Information):
 - (A) the audited financial statements of the County for such fiscal year, prepared in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the County, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the County; and
 - (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: "Property Valuations and Taxes – Property Values," "– Property Tax Levies and Collections" and "– Tax Rates," and "Indebtedness," which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the County shall provide on or before such date unaudited financial statements and, within 10 days after the receipt thereof, the County shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (the MSRB) through its Electronic

Municipal Market Access System (EMMA) or the SEC. The County shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the County have materially changed or been discontinued, such Disclosure Information need no longer be provided if the County includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other County operations in respect of which data is not included in the Disclosure Information and the County determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the County shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a “Material Fact,” as hereinafter defined):
 - (A) principal and interest payment delinquencies;
 - (B) non-payment related defaults, if material;
 - (C) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (D) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (E) substitution of credit or liquidity providers, or their failure to perform;
 - (F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - (G) modifications to rights of Bond holders, if material;
 - (H) Bond calls, if material and tender offers;
 - (I) defeasances;
 - (J) release, substitution, or sale of property securing repayment of the Bonds if material;
 - (K) rating changes;
 - (L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
 - (M) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (N) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:

- (A) the failure of the County to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
- (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the County under subsection (d)(2);
- (C) the termination of the obligations of the County under this section pursuant to subsection (d);
- (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
- (E) any change in the fiscal year of the County.

(c) Manner of Disclosure.

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

(d) Term; Amendments; Interpretation.

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

If the Disclosure Information is so amended, the County agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the

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

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

APPENDIX D

Request for Proposals

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REQUEST FOR PROPOSALS

\$4,710,000⁽¹⁾

GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2019A RICE COUNTY, MINNESOTA

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

TIME AND PLACE

Sealed and electronic proposals for the purchase of \$4,710,000⁽¹⁾ General Obligation Capital Improvement Plan Bonds, Series 2019A (the “Bonds”) will be received by Rice County, Minnesota (the “County”) on Monday, December 10, 2018 until 12:00 A.M. Central Time in the offices of PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the County will be accepted unless all proposals are rejected. No proposals may be altered or withdrawn after the time appointed for opening proposals. The Board of County Commissioners will meet on Tuesday, December 11, 2018 at their regular board meeting to consider the proposals and award the sale.

SECURITY, PURPOSE, AND SOURCE OF PAYMENT

The Bonds are issued pursuant to the provisions of Minnesota Statutes, Chapter 475 and Section 373.40. The proceeds of the Bonds will be used for the purpose of (i) providing financing of a portion of the cost of the acquisition and betterment, including the necessary and incidental costs described in Minnesota Statutes, Section 475.65, of the capital improvement projects included in the County’s 2018-2022 Capital Improvement Plan, and (ii) paying the costs associated with the issuance of the Bonds.

The Bonds are general obligations of the County. The principal of and interest on the Bonds will be payable primarily from an ad valorem tax levy.

FORMS OF PROPOSALS

Proposals must be submitted on or in substantial compliance with the Request for Proposals provided by the County or through Parity (the “Electronic Proposal System”). The County shall not be responsible for any malfunction or mistake made by any person, or as a result of the use of the electronic proposal, facsimile facilities or the means used to deliver or complete a proposal. The use of such facilities or means is at the sole risk of the prospective proposer who shall be bound by the terms of the proposal as received.

No proposal will be received after 12:00 A.M. Central Time on Monday, December 10, 2018, as specified in the Request for Proposals. The time as maintained by the Internet Proposal System shall constitute the official time with respect to all proposals submitted. A proposal may be withdrawn before the proposing deadline using the same method used to submit the proposal. If more than one proposal is received from the proposer, the last proposal received shall be considered.

Sealed Proposals: Sealed proposals may be submitted and will be received at the offices of PFM Financial Advisors LLC, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402.

Electronic Proposals: Electronic proposals must be submitted through Parity (the “Electronic Proposal System”). Information about the Electronic Proposal System may be obtained by contacting Parity at i-Deal/Parity, Customer Support, 40 West 23rd Street, Fifth Floor, New York, New York 10010, (212) 849-5021.

⁽¹⁾ Preliminary, subject to change.

Each proposer shall be solely responsible for making necessary arrangements to access the Electronic Proposal System for purposes of submitting its electronic proposals in a timely manner and in compliance with the requirements of the Request for Proposals. The County is permitting proposers to use the services of Electronic Proposal System solely as a communication mechanism to conduct the electronic proposing and the Electronic Proposal System is not an agent of the County. Provisions of the Request for Proposals and the Proposal Form shall control in the event of conflict with information provided by the Electronic Proposal System.

Electronic Facsimile Bidding: Proposals may be submitted via facsimile at the office of PFM Financial Advisors LLC, Minneapolis, Minnesota, fax number: 612-338-7264. Electronic facsimile proposals will be sealed and treated as sealed proposals. Neither the proposer nor its agents will assume liability for the inability of the proposer to reach the above named fax number prior to the time of sale specified above. The time of receipt by the County must be prior to 12:00 A.M. Central Time on Monday, December 10, 2018 as maintained by the Electronic Bid System as described above.

DATE, MATURITIES, AND REDEMPTION

The Bonds will be dated originally as of January 8, 2019, will be fully registered bonds in the denomination of \$5,000 each, and will mature on February 1, in the following years and amounts:

<u>Year</u>	<u>Amount⁽¹⁾</u>	<u>Year</u>	<u>Amount⁽¹⁾</u>
2023	\$ 275,000	2029	\$ 440,000
2024	385,000	2030	365,000
2025	410,000	2031	375,000
2026	415,000	2032	385,000
2027	420,000	2033	400,000
2028	425,000	2034	415,000

⁽¹⁾ Preliminary, subject to change.

The Bonds maturing on February 1, 2027 and thereafter are subject to redemption on February 1, 2026 and any date thereafter at a price of par plus accrued interest to the redemption date.

ADJUSTMENTS TO PRINCIPAL AFTER DETERMINATION OF BEST PROPOSAL

The aggregate principal amount of the Bonds, and each scheduled maturity thereof, are subject to change by the County or its designee after the determination of the successful proposer. Such adjustments shall be made in the sole discretion of the County or its designee in multiples of \$5,000, provided that the County or its designee shall only make such adjustments in order to size the Bonds to establish a debt service structure that is acceptable to the County.

The dollar amount of the purchase price specified by the successful proposer will be changed if the aggregate principal amount of the Bonds is adjusted as described above. Generally any premium offered or discount taken will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Bonds is increased or reduced provided that the County's municipal advisor will make every effort to ensure that the net compensation to the successful proposer as a percentage of the adjusted par amount does not increase or decrease from what it would have been if no adjustment had been made to the principal amounts shown in the maturity schedule above.

TERM BOND OPTION

Proposers shall have the option of designating the Bonds as serial bonds or term bonds or both. The proposals must designate whether each of the principal amounts shown above present a serial maturity or a mandatory redemption requirement for a term bond maturity. In any event, the principal amount scheduled shall be represented by either serial bond maturities or mandatory redemption requirements, or a combination of both.

INTEREST

Interest on the Bonds is payable semi-annually on February 1 and August 1, commencing August 1, 2019. Interest will be computed on a 360-day year, 30-day month basis, and paid to the owners of record as of the close of business on the fifteenth of the immediately preceding month. Payments coming due on a non-business day will be paid on the next business day.

BOOK-ENTRY FORMAT

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

TYPE OF PROPOSAL AND AWARD

Proposals for **not less than \$4,672,320 (99.2% of Par)** plus accrued interest from the dated date of the Bonds to the date of delivery must be received prior to the time specified above. Each proposal must specify the interest rates on the Bonds in multiples of 1/20 or 1/8 of 1%, and one rate per maturity. No interest rate may be more than one percentage point lower than the rate specified for prior maturity and no reoffering price may be lower than 98.5. Interest will be computed on a 360-day year, 30-day month basis.

Proposals will be compared on the basis of true interest cost ("TIC"). The proposal which results in the lowest true interest cost will be deemed the most favorable. The true interest cost is computed as the discount rate which, when used with semiannual compounding to determine the present worth of the principal and interest payments as of the date of the Bonds, produces an amount equal to the purchase price. In the event two or more proposals provide the lowest true interest cost, the County shall determine which proposal shall be accepted, and such determination shall be final.

The County reserves the right to reject any and all proposals, to waive any informality in any proposal and to adjourn the sale.

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

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

If a proposal is submitted by a potential underwriter, the proposer confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the "initial offering price") for each maturity as set forth in the proposal and (ii) the proposer, if it is the winning proposer (the "Purchaser"), shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include

provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate “maturity,” and the public does not include underwriters (including members of a selling group or retail distribution group) or persons related to underwriters.

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

If the Purchaser intends to act as an underwriter, the County shall advise the Purchaser at or prior to the time of award whether (i) the competitive sale rule or (ii) the “hold-the-offering price” rule applies.

If the County advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the County at or prior to closing a certification, substantially in the form attached hereto as Exhibit E-1, as to the reasonably expected initial offering price as of the award date.

If the County advises the Purchaser that the requirements for a competitive sale have not been satisfied and that the “hold-the-offering price” rule applies, the Purchaser shall (1) upon the request of the County confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the County a certification substantially in the form attached hereto as Exhibit E-2, together with a copy of the pricing wire.

Any action to be taken or documentation to be received by the County pursuant hereto may be taken or received on behalf of the County by PFM Financial Advisors LLC, the County’s municipal advisor.

Proposers should prepare their proposals on the assumption that the Bonds will be subject to the “hold-the-offering-price” rule. Any proposal submitted pursuant to the Request for Proposals shall be considered a firm offer for the purchase of the Bonds, and proposals submitted will not be subject to cancellation or withdrawal.

CUSIP NUMBERS

It is anticipated the Committee on Uniform Security Identification Procedures (“CUSIP”) numbers will be printed on the Bonds and the Purchaser must agree in the proposal to pay the cost thereof. In no event will the County, Bond Counsel or Municipal Advisor be responsible for the review or express any opinion that the CUSIP numbers are correct. Incorrect CUSIP numbers on said Bonds shall not be cause for the Purchaser to refuse to accept delivery of said Bonds. The County will assume no obligation for the assignment of CUSIP numbers to the Bonds or for the correctness of any such numbers printed thereon, but the County will permit such printing to be done at the expense of the Purchaser, provided that such printing does not result in any delay of the date of delivery of the Bonds.

GOOD FAITH DEPOSIT

A Good Faith Deposit (“Deposit”) in the form of a certified or cashier’s check payable to the County, or a wire transfer is required by the Purchaser in the amount of \$100,000. The Deposit should be received or wire transferred not later than 3:30 P.M. Central Time on the same day of the award. If such Deposit is not received by that time, the County may rescind its award to the winning proposer and award the sale of the Bonds to the next best proposer.

DELIVERY

The Bonds will be delivered without cost to the Purchaser, anywhere in the United States within 40 days against payment in immediately available funds, to a location mutually agreed upon by the Purchaser and the County. Delivery will be subject to the approving legal opinion of the County's Bond Counsel, Dorsey & Whitney LLP, Minneapolis, Minnesota and customary closing Bonds, including a certificate that the Official Statement did not at the date of delivery of the Bonds contain any untrue statement of a material fact or fail to state a material fact necessary in order to make the statements contained therein not misleading, a certificate as to absence of material litigation, and an arbitrage certificate. The Bonds will be delivered against payment in immediately available funds at the County's designated depository on the date of delivery. The Bonds will be available for delivery on or about January 8, 2019.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Dorsey & Whitney LLP. The legal opinion will accompany the Bonds and will state that the Bonds are valid and binding general obligations of the County enforceable in accordance with their terms, except to the extent to which enforceability may be limited by principles of equity and by state or United States laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally.

BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the proposer, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the Purchaser, except that, if the County has requested and received a rating on the Bonds from a rating agency, the County will pay that rating fee. Any other rating agency fees shall be the responsibility of the Purchaser.

Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery on the Bonds.

CONTINUING DISCLOSURE

In order to permit prospectors for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the County will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix C to this Official Statement.

OFFICIAL STATEMENTS

The County has prepared an Official Statement dated December 3, 2018 which the County deems to be a preliminary or “near-final” Official Statement as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”). The Official Statement is available to prospective proposers and to others who request copies from the County or its Municipal Advisor, PFM Financial Advisors LLC.

Not later than seven business days following the award of the Bonds, the County shall provide copies of the Final Official Statement, as that term is used in the Rule, to the Purchaser of the Bonds. The Final Official Statement will be the Official Statement dated December 3, 2018, modified to include the maturity dates and amounts, interest rates and reoffering yields or prices, and any other information required by law.

The Purchaser will be supplied with Final Official Statements in a quantity sufficient to meet their request. Up to 25 copies of the Final Official Statement will be furnished without cost.

ON BEHALF OF RICE COUNTY, MINNESOTA

By: /s/ Paula O’Connell
Chief Financial Officer
Rice County, Minnesota

Further information may be obtained from:

Public Financial Management, Inc.
50 South Sixth Street, Suite 2250
Minneapolis, Minnesota 55402
T: (612) 338-3535
F: (612) 338-7264
Attn. Arcelia Detert or Chuck Upcraft

APPENDIX E - 1

Issue Price Certificate (At Least Three Bids)

\$4,710,000

GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2019A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. *Reasonably Expected Initial Offering Price.*

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. *Defined Terms.* For purposes of this Issue Price Certificate:

(a) *Issuer* means [DESCRIBE ISSUER].

(b) *Maturity* means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Member of the Distribution Group* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(d) *Public* means any person (i.e., an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[and BORROWER (the "Borrower")] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer[and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Dated: [ISSUE DATE]

IN WITNESS WHEREOF, the undersigned officer has executed this Certificate of Purchaser as of the date and year first written above.

[PURCHASER] [REPRESENTATIVE]

By _____

Name _____

Its _____

[Account Members:]

SCHEDULE A
EXPECTED OFFERING PRICES
(Attached)

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)

APPENDIX E - 2

Issue Price Certificate (Fewer than Three Bids)

\$4,710,000

General Obligation Capital Improvement Plan Bonds, SERIES 2019A
ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] (“[SHORT NAME OF UNDERWRITER]”)[the “Representative”]), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. **Initial Offering Price of the Bonds.** [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Bonds to the Public for purchase at the specified initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire for the Bonds is attached to this certificate as Schedule B.

2. **First Price at which Sold to the Public.** On the Sale Date, at least 10% of each Maturity [listed in Schedule C] was first sold to the Public at the respective Initial Offering Price [or price specified [therein][in Schedule C], if different].

3. **Hold the Offering Price Rule.** [SHORT NAME OF UNDERWRITER][Each member of the Underwriting Group] has agreed in writing that, (i) for each Maturity less than 10% of which was first sold to the Public at a single price as of the Sale Date, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any agreement among underwriters, selling group agreement, or third-party distribution agreement contains the agreement of each underwriter, dealer, or broker-dealer who is a party to such agreement to comply with the Hold-the-Offering-Price Rule. Based on the [Representative][SHORT NAME OF UNDERWRITER]’s own knowledge and, in the case of sales by other Members of the Distribution Group, representations obtained from the other Members of the Distribution Group, no Member of the Distribution Group has offered or sold any such Maturity at a price that is higher than the respective Initial Offering Price during the respective Holding Period.

4. **Defined Terms.** For purposes of this Issue Price Certificate:

(a) **Holding Period** means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which Members of the Distribution Group have sold at least 10% of such Maturity to the Public at one or more prices, none of which is higher than the Initial Offering Price for such Maturity.

(b) **Issuer** means [DESCRIBE ISSUER].

(c) **Maturity** means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(d) **Member of the Distribution Group** means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(e) **Public** means any person (i.e., an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(f) **Sale Date** means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDERWRITING FIRM][the Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[and BORROWER (the “Borrower”)] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax

purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer[and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By:_____

Name:_____

Dated: [ISSUE DATE]

SCHEDULE A
INITIAL OFFERING PRICES OF THE BONDS
(Attached)

SCHEDULE B
PRICING WIRE
(Attached)

OFFICIAL PROPOSAL FORM

(Electronic Proposals available via i-Deal/Parity; see Request for Proposals)

Rice County, Minnesota

\$4,710,000⁽¹⁾ General Obligation Capital Improvement Plan Bonds, Series 2019A

Members of the Board
c/o Public Financial Management, Inc.

Sale Date: December 10, 2018
FAX: (612) 338-7264

For the principal amount of \$4,710,000⁽¹⁾ General Obligation Capital Improvement Plan Bonds, Series 2019A (the "Bonds"), legally issued and as described in the Request for Proposals, we will pay Rice County, Minnesota (the "County") \$_____ (not less than \$4,672,320) plus accrued interest on the total principal of \$4,710,000⁽¹⁾ to date of delivery, provided the Bonds bear the following interest rates:

<u>Year</u>	<u>Amount⁽¹⁾</u>	<u>Interest Rate*</u>	<u>Year</u>	<u>Amount⁽¹⁾</u>	<u>Interest Rate*</u>
2023	\$ 275,000	_____%	2029	\$ 440,000	_____%
2024	385,000	_____%	2030	365,000	_____%
2025	410,000	_____%	2031	375,000	_____%
2026	415,000	_____%	2032	385,000	_____%
2027	420,000	_____%	2033	400,000	_____%
2028	425,000	_____%	2034	415,000	_____%

⁽¹⁾ Preliminary, subject to change.

The Bonds mature on February 1, in each of the years as indicated above and said interest is payable on February 1 and August 1, commencing on August 1, 2019.

We hereby designate that the following bonds be aggregated into term bonds maturing on February 1, of the following years and in the following amounts (leave blank if no term bonds are specified):

<u>Years Aggregated</u>	<u>Maturity Year</u>	<u>Amount</u>
_____ through _____	_____	_____
_____ through _____	_____	_____
_____ through _____	_____	_____

In making this offer, we accept all of the terms and conditions of the Request for Proposals published in the Official Statement dated December 3, 2018 and confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. Our good faith deposit in the amount of \$100,000 will be filed according to the terms outlined in the Request for Proposal. All blank spaces of this offer are intentional and are not to be construed as an omission.

NOT PART OF THIS PROPOSAL:

Explanatory Note: According to our computation, this proposal involves the following:

\$ _____
Net Interest Cost

_____ %
True Interest Rate

Respectfully submitted,

Syndicate Manager

By _____

(A list of the firms associated with us in this proposal is on the reverse side of this proposal.)

The foregoing offer is hereby accepted by and on behalf of Rice County, Minnesota, this 11th day of December, 2018.

Chair

Auditor/Treasurer

