

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 17, 2024

**NEW ISSUE
BANK QUALIFIED**

**BOOK ENTRY ONLY
S&P GLOBAL RATINGS RATING “?”**

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining “annual adjusted financial statement income” for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See “Tax Exemption” and “Other Federal and State Tax Considerations” herein for additional information.

**CITY OF GAYLORD, MINNESOTA
\$2,135,000*
General Obligation Bonds, Series 2024A**

Dated Date: Date of Delivery (Estimated to be July 25, 2024)

**Interest Due: Each February 1 and August 1
Commencing February 1, 2025**

<i>Maturity*</i>	<i>Amount*</i>	<i>Rate</i>	<i>Yield</i>	<i>Price</i>	<i>Maturity*</i>	<i>Amount*</i>	<i>Rate</i>	<i>Yield</i>	<i>Price</i>
2/1/2026	\$85,000	____%	____%	____	2/1/2036	\$95,000	____%	____%	____
2/1/2027	85,000	____	____	____	2/1/2037	100,000	____	____	____
2/1/2028	90,000	____	____	____	2/1/2038	105,000	____	____	____
2/1/2029	90,000	____	____	____	2/1/2039	110,000	____	____	____
2/1/2030	100,000	____	____	____	2/1/2040	110,000	____	____	____
2/1/2031	100,000	____	____	____	2/1/2041	115,000	____	____	____
2/1/2032	105,000	____	____	____	2/1/2042	120,000	____	____	____
2/1/2033	105,000	____	____	____	2/1/2043	125,000	____	____	____
2/1/2034	110,000	____	____	____	2/1/2044	130,000	____	____	____
2/1/2035	115,000	____	____	____	2/1/2045	140,000	____	____	____

The General Obligation Bonds, Series 2024A (the “Bonds” or the “Issue”) are being issued by the City of Gaylord, Minnesota (the “City” or the “Issuer”) pursuant to Minnesota Statutes, Chapters 429 and 475 and Section 412.301, as amended. Proceeds of the Bonds will be used to finance the City’s 2024 street improvement projects, purchase ballpark lighting and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are valid and binding general obligations of the City and are payable from special assessments against benefitted properties and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Security/Sources and Uses of Funds* herein for additional information.

The Bonds maturing on February 1, 2033 and thereafter are subject to redemption, in whole or in part, on February 1, 2032 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2026. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing February 1, 2025. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See “Book-Entry System” in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be Northland Trust Services Inc., Minneapolis, Minnesota.

Proposals: Wednesday, June 26, 2024 10:00 A.M., Central Time

Award: Wednesday, June 26, 2024 7:00 P.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than \$2,100,840 (98.40%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see “Establishment of Issue Price” in the Notice of Sale herein for additional details.** *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* A Good Faith Deposit (the “Deposit”) in the amount of \$42,700, in the form of a federal wire transfer payable to the order of the City, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

* Preliminary, subject to change.



TABLE OF CONTENTS

	<u>Page</u>
SUMMARY OF OFFERING.....	2
PRINCIPAL CITY OFFICIALS.....	3
NOTICE OF SALE.....	4
AUTHORITY AND PURPOSE.....	14
SECURITY/SOURCES AND USES OF FUNDS.....	14
BONDHOLDERS' RISKS.....	14
DESCRIPTION OF THE BONDS.....	16
FULL CONTINUING DISCLOSURE.....	19
UNDERWRITER.....	19
MUNICIPAL ADVISOR.....	19
FUTURE FINANCING.....	19
BOND RATING.....	20
LITIGATION.....	20
CERTIFICATION.....	20
LEGALITY.....	20
TAX EXEMPTION.....	20
GENERAL INFORMATION.....	23
MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS.....	28
ECONOMIC AND FINANCIAL INFORMATION.....	32
SUMMARY OF DEBT AND DEBT STATISTICS.....	34
APPENDIX A – FORM OF LEGAL OPINION	
APPENDIX B – CONTINUING DISCLOSURE CERTIFICATE	
APPENDIX C – CITY'S FINANCIAL STATEMENT	

THE BONDS ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITER(S) NAMED ON THE FRONT COVER OF THIS OFFICIAL STATEMENT AND SUBJECT TO AN OPINION AS TO VALIDITY OF THE BONDS BY BOND COUNSEL. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER(S) INTENDS, BUT IS NOT OBLIGATED, TO EFFECT SECONDARY MARKET TRADING FOR THE BONDS. CLOSING DATE IS ESTIMATED TO BE JULY 25, 2024.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERS MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CITY OR THE UNDERWRITER(S). NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE CITY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY, THE UNDERWRITER(S).

WITHIN THE MEANING OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12, THE INFORMATION INCLUDED IN THE PRELIMINARY OFFICIAL STATEMENT IS DEEMED FINAL BY THE ISSUER AS OF ITS DATE AND IS ACCURATE AND COMPLETE IN ALL MATERIAL RESPECTS, EXCEPT FOR THE OMISSION OF THE OFFERING PRICE(S), INTEREST RATE(S), SELLING COMPENSATION, AGGREGATE PRINCIPAL AMOUNT, PRINCIPAL AMOUNT PER MATURITY, DELIVERY DATE, RATING(S), OTHER TERMS OF THE ISSUE DEPENDING ON SUCH MATTERS, AND THE IDENTITY OF THE UNDERWRITER(S).

SUMMARY OF OFFERING

City of Gaylord, Minnesota
\$2,135,000 *
General Obligation Bonds, Series 2024A
(Book-Entry Only)

AMOUNT -	\$2,135,000																																								
ISSUER -	City of Gaylord, Minnesota (the “City” or the “Issuer”)																																								
AWARD DATE -	June 26, 2024																																								
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920																																								
TYPE OF ISSUE -	General Obligation Bonds, Series 2024A (the “Bonds” or the “Issue”)																																								
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Bonds, Series 2024A (the “Bonds”) are being issued by the City of Gaylord, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapters 429 and 475 and Section 412.301, as amended. Proceeds of the Bonds will be used to finance the City’s 2024 street improvement projects, purchase ballpark lighting and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from special assessments against benefitted properties and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See <i>Authority and Purpose</i> as well as <i>Security/Sources and Uses of Funds</i> herein for additional information.																																								
DATE OF ISSUE -	Date of Delivery (Estimated to be July 25, 2024)																																								
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing February 1, 2025, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).																																								
MATURITIES* -																																									
	<table><tr><td>2/1/2026</td><td>\$85,000</td><td>2/1/2031</td><td>\$100,000</td><td>2/1/2036</td><td>\$95,000</td><td>2/1/2041</td><td>\$115,000</td></tr><tr><td>2/1/2027</td><td>85,000</td><td>2/1/2032</td><td>105,000</td><td>2/1/2037</td><td>100,000</td><td>2/1/2042</td><td>120,000</td></tr><tr><td>2/1/2028</td><td>90,000</td><td>2/1/2033</td><td>105,000</td><td>2/1/2038</td><td>105,000</td><td>2/1/2043</td><td>125,000</td></tr><tr><td>2/1/2029</td><td>90,000</td><td>2/1/2034</td><td>110,000</td><td>2/1/2039</td><td>110,000</td><td>2/1/2044</td><td>130,000</td></tr><tr><td>2/1/2030</td><td>100,000</td><td>2/1/2035</td><td>115,000</td><td>2/1/2040</td><td>110,000</td><td>2/1/2045</td><td>140,000</td></tr></table>	2/1/2026	\$85,000	2/1/2031	\$100,000	2/1/2036	\$95,000	2/1/2041	\$115,000	2/1/2027	85,000	2/1/2032	105,000	2/1/2037	100,000	2/1/2042	120,000	2/1/2028	90,000	2/1/2033	105,000	2/1/2038	105,000	2/1/2043	125,000	2/1/2029	90,000	2/1/2034	110,000	2/1/2039	110,000	2/1/2044	130,000	2/1/2030	100,000	2/1/2035	115,000	2/1/2040	110,000	2/1/2045	140,000
2/1/2026	\$85,000	2/1/2031	\$100,000	2/1/2036	\$95,000	2/1/2041	\$115,000																																		
2/1/2027	85,000	2/1/2032	105,000	2/1/2037	100,000	2/1/2042	120,000																																		
2/1/2028	90,000	2/1/2033	105,000	2/1/2038	105,000	2/1/2043	125,000																																		
2/1/2029	90,000	2/1/2034	110,000	2/1/2039	110,000	2/1/2044	130,000																																		
2/1/2030	100,000	2/1/2035	115,000	2/1/2040	110,000	2/1/2045	140,000																																		
REDEMPTION -	The Bonds maturing on February 1, 2033 and thereafter are subject to redemption, in whole or in part, on February 1, 2032 and on any date thereafter at a price of par plus accrued interest. See <i>Description of the Bonds</i> herein for additional information.																																								
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.																																								
PAYING AGENT/REGISTRAR -	Northland Trust Services Inc., Minneapolis, Minnesota																																								
TAX DESIGNATIONS -	<u>NOT Private Activity Bonds</u> - The Bonds are not “private activity bonds” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”). <u>Bank Qualified Tax-Exempt Obligations</u> - The City will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.																																								
LEGAL OPINION -	Taft Stettinius & Hollister LLP, Minneapolis, Minnesota (“Bond Counsel”)																																								
BOND RATING -	The City applied for an underlying rating from S&P Global Ratings (“S&P”). See <i>Bond Rating</i> herein for additional information.																																								
CLOSING -	Estimated to be July 25, 2024																																								
PRIMARY CONTACTS -	Steve Helget, City Administrator, City of Gaylord, Minnesota 507-237-2338 George Eilertson, Managing Director, Northland Securities, Inc., 612-851-5906																																								

* Preliminary, subject to change.

CITY OF GAYLORD, MINNESOTA

PRINCIPAL CITY OFFICIALS

Elected Officials

City Council

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Dawn Kratzke	Mayor	12/31/2024
Chad Muchow	Council President	12/31/2024
Lynn Grochow	Council Member	12/31/2026
Tony Padilla	Council Member	12/31/2026
Scott Kuphal	Council Member	12/31/2024
Jessica Uecker	Council Member	12/31/2026

Primary Contacts

Steve Helget	City Administrator
Lori Waltz	City Clerk/Finance Officer

BOND COUNSEL

Taft Stettinius & Hollister LLP
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

NOTICE OF SALE

\$2,135,000*
GENERAL OBLIGATION BONDS, SERIES 2024A

CITY OF GAYLORD, MINNESOTA
(Book-Entry Only)

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

TIME AND PLACE:

Proposals (also referred to herein as “bids”) will be opened by the City’s Administrator, or designee, on Wednesday, June 26, 2024, at 10:00 A.M., CT, at the offices of Northland Securities, Inc. (the City’s “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Wednesday, June 26, 2024 at 7:00 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) faxed to Northland Securities, Inc. at 612-851-5918,
- c) emailed to PublicSale@northlandsecurities.com
- d) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-5915, or
- e) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:00 A.M., CT, on Wednesday, June 26, 2024. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:00 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the City nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the Proposal is submitted.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Bonds.

* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the City through Northland Trust Services, Inc., Minneapolis, Minnesota (the “Paying Agent/Registrar”), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The City will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be July 25, 2024)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 475 and 429 and Section 412.301. Proceeds will be used to finance the City’s 2024 street and utility improvement projects, purchase street lighting, and to pay costs associated with the issuance of the Bonds. The Bonds are payable from special assessments against benefitted properties and ad valorem taxes on all taxable property within the City. The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing February 1, 2025, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date.

MATURITIES

Principal is due annually on February 1, inclusive, in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2026	\$85,000	2031	\$100,000	2036	\$95,000	2041	\$115,000
2027	85,000	2032	105,000	2037	100,000	2042	120,000
2028	90,000	2033	105,000	2038	105,000	2043	125,000
2029	90,000	2034	110,000	2039	110,000	2044	130,000
2030	100,000	2035	115,000	2040	110,000	2045	140,000

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

INTEREST RATES

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

**ESTABLISHMENT OF ISSUE PRICE
(HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)**

The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City’s Municipal Advisor and any notice or report to be provided to the City may be provided to the City’s Municipal Advisor.

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

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

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the City shall promptly so advise the winning bidder. The City may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the “Hold-the-Offering-Price Rule”). Bids will **not** be subject to cancellation in the event that the City determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the **earlier** of the following:

- (1) the close of the fifth (5th) business day after the award date; or
- (2) the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the “10% Test”), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement

to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to comply with the Hold-the-Offering-Price Rule, if applicable if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public, and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

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

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

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the City and shall be at the sole discretion of the City. The successful bidder may not withdraw or modify its Proposal once submitted to the City for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

OPTIONAL REDEMPTION

Bonds maturing on February 1, 2033 through 2045 are subject to redemption and prepayment at the option of the City on February 1, 2032 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the City and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

DELIVERY

Delivery of the Bonds will be within thirty days after award, subject to an approving legal opinion by Taft Stettinius & Hollister LLP, Bond Counsel. The legal opinion will be paid by the City and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF PROPOSAL

Proposals of not less than \$2,100,840 (98.40%) and accrued interest on the principal sum of \$2,135,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Steve Helget, City Administrator
332 Main Ave.
PO Box 987
Gaylord, MN 55334

A good faith deposit (the "Deposit") in the amount of \$42,700 in the form of a federal wire transfer (payable to the order of the City) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the City may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The City will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the City. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The City's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the City determines to have failed to comply with the terms herein.

INFORMATION FROM SUCCESSFUL BIDDER

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

OFFICIAL STATEMENT

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

FULL CONTINUING DISCLOSURE UNDERTAKING

The City will covenant in the resolution awarding the sale of the Bonds and in a Continuing Disclosure Undertaking to provide, or cause to be provided, annual financial information, including audited financial statements of the City, and notices of certain material events, as required by SEC Rule 15c2-12.

BANK QUALIFICATION

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

BOND INSURANCE AT UNDERWRITER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The City reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: May 15, 2024

BY ORDER OF THE GAYLORD CITY COUNCIL

/s/Steve Helget
City Administrator

Additional information may be obtained from:

Northland Securities, Inc.

150 South 5th Street, Suite 3300

Minneapolis, Minnesota 55402

Telephone No.: 612-851-5900

EXHIBIT A

[FORM OF ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED]

The undersigned, on behalf of _____ (the "Underwriter"), hereby certifies as set forth below with respect to the sale of the General Obligation Bonds, Series 2024A (the "Bonds") of the City of Gaylord, Minnesota (the "Issuer").

1. Reasonably Expected Initial Offering Price.

As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the 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 the Underwriter in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Defined Terms.

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

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 26, 2024.

"Underwriter" 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).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the 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 with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, 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, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: July 25, 2024.

[FORM OF ISSUE PRICE CERTIFICATE – HOLD-THE-OFFERING-PRICE RULE APPLIES]

The undersigned, on behalf of _____ (the "Underwriter"), on behalf of itself, hereby certifies as set forth below with respect to the sale and issuance of General Obligation Bonds, Series 2024A (the "Bonds") of the City of Gaylord, Minnesota (the "Issuer").

1. Initial Offering Price of the Bonds.

(a) The Underwriter offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, the Underwriter has agreed in writing that, (i) for each Maturity of the Bonds, 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 selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. Defined Terms.

(a) "Holding Period" means, for each Maturity of the Bonds, 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 (_____), or (ii) the date on which the Underwriter has sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

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

(c) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) "Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 26, 2024.

(e) "Underwriter" 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).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents 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 with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, 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, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: July 25, 2024.

AUTHORITY AND PURPOSE

The General Obligation Bonds, Series 2024A (the “Bonds” or the “Issue”) are being issued by the City of Gaylord, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapters 429 and 475 and Section 412.301, as amended. Proceeds from issuance of the Bonds will be used to finance the City's 2024 street improvement projects, purchase ballpark lighting and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds are valid and binding general obligations of the City and are payable from special assessments against benefitted properties and ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount.

Sources and Uses of Funds

Following are the sources and uses of funds in connection with the issuance of the Bonds.

Sources of Funds

Par Amount of Bonds	\$ <u>2,135,000*</u>
Total Sources of Funds:	\$ <u>2,135,000</u>

Uses of Funds

Deposit to Project Fund	\$ 2,046,334
Costs of Issuance/Underwriter’s Discount	84,685
Rounding Amount	<u>3,981</u>
Total Uses of Funds:	\$ <u>2,135,000</u>

BONDHOLDERS’ RISKS

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, any secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of bond issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

Ratings Loss

S&P Global Ratings has assigned a rating of “___” to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no

* Preliminary, subject to change.

assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Additional regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

Tax Exemption, Bank Qualification and Loss of Tax Exemption

If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and post-issuance tax covenants of the Issuer may result in the inclusion of interest on the Bonds in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

The Bonds are designated as “qualified tax-exempt obligations” under the exception provided in Section 265(b)(3) of the Code, and the Issuer has further covenanted to comply with certain other requirements, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code. Actions, or inactions, by the Issuer in violation of its covenants could affect the designation, which could also affect the pricing and marketability of the Bonds.

It is also possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset.

Pending Federal and State Tax Legislation

From time to time, there is State legislation proposed, as well as Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal or state tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition, regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Tax Levy Procedures

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

Factors Beyond Issuer's Control

A combination of epidemic, pandemic, economic, climatic, political or civil disruptions outside of the control of the Issuer, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local governments. Real or perceived threats to the financial stability of the Issuer may have an adverse effect on the value of the Bonds in the secondary market. State of Minnesota cash flow problems could also affect local governments, including reductions in, or delayed payments of, local government state aid (LGA) and possibly increase Issuer property taxes.

Cybersecurity

The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

Suitability of Investment

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

Summary

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

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be July 25, 2024), and will be issued as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing February 1, 2026. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing February 1, 2025. The Bonds when issued, will be registered in the name of Cede & Co. (the "Registered Holder"), as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder

of the Bonds. See “Book-Entry System” in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof (“Authorized Denominations”). Individual purchasers (“Beneficial Owners”) of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).

Registration, Transfer and Exchange

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar, may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond resolution and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

Optional Redemption

The Bonds maturing on February 1, 2033 and thereafter are subject to redemption, in whole or in part, on February 1, 2032 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Book-Entry System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Bonds”). The Bonds 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 certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

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 3.6 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 and www.dtcc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bonds (“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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds 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.

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

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

FULL CONTINUING DISCLOSURE

In order to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to a resolution awarding the Issue and a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the City on or before Bond closing, the City has and will covenant for the benefit of holders of the Bonds to annually provide certain financial and operating data, relating to the City to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB. The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificate in substantially the form attached hereto as Appendix B.

To the best of its knowledge, the City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events within the past five years. A failure by the City to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure Certificate* herein for additional information.

The City has retained a Dissemination Agent for its continuing disclosure filings.

UNDERWRITER

The Bonds are being purchased by _____ (the "Underwriter") at a purchase price of \$_____, which is the par amount of the Bonds of \$_____ less the Underwriter's discount of \$_____, plus the original issue premium of \$_____.

MUNICIPAL ADVISOR

The City has retained Northland Securities, Inc. as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. Northland Securities, Inc. is registered as a municipal advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources that have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

Northland Securities, Inc., is a subsidiary of Northland Capital Holdings, Inc. First National of Nebraska, Inc., is the parent company of Northland Capital Holdings, Inc. and First National Bank of Omaha.

FUTURE FINANCING

The City does not anticipate the need to issue any additional general obligation debt within the next three months.

BOND RATING

The City applied for an underlying rating from S&P Global Ratings (“S&P”). No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the opinion of S&P and any explanation of the significance of this rating may be obtained only from S&P. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of S&P, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. This rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency.

LITIGATION

As of the date of this Official Statement, the City is not aware of any threatened or pending litigation that questions the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

CERTIFICATION

The City 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 statements of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The City has always promptly met all payments of principal and interest on its indebtedness when due.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota (“Bond Counsel”) as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Bonds. See *Appendix A – Form of Legal Opinion*.

Bond Counsel has not participated in the preparation of this Official Statement and is not passing upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine, or verify, any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto.

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining “annual adjusted financial statement income” for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

OTHER FEDERAL AND STATE TAX CONSIDERATIONS

Other Tax Considerations

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

Original Issue Discount

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

Original Issue Premium

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

Proposed Changes in Federal and State Tax Law

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

Qualified Tax-Exempt Obligations

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

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

CITY OF GAYLORD, MINNESOTA

GENERAL INFORMATION

Location/Access

Gaylord, the county seat of Sibley County, is located in the south central portion of Minnesota. The City lies approximately 37 miles north of Mankato and 60 miles southwest of the Twin Cities Metropolitan Area. Minnesota Railroad Co. provides rail service to the City.

Area

900 Acres
(1.406 Square Miles)

Population

2000 Census	2,279	2020 Census	2,273
2010 Census	2,305	2024 Estimate	2,343

Labor Force Data¹

Comparative average labor force and unemployment rate figures for 2024 (through April) and year-end 2023 are listed below. Figures are not seasonally adjusted and numbers of people are estimated by place of residence.

	<u>2024 (April)</u>		<u>2023</u>	
	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>
Sibley County	8,199	4.2%	8,166	3.5%
Minnesota	3,094,643	3.2	3,099,923	2.8

Income Data²

Comparative income levels are listed below for the City, the State of Minnesota and the United States.

	<u>City of Gaylord</u>	<u>State of Minnesota</u>	<u>United States</u>
Median Family Income	\$88,064	\$107,072	\$92,646
Per Capita Income	41,261	44,947	41,261

City Government

Gaylord, organized in 1883, is a “Home Rule” city. It has a mayor elected at large for a four-year term and five council members also elected at large for four-year terms. The professional staff is appointed and consists of an administrator, accountant/clerk, consulting attorney, and consulting engineer.

The City has the following municipal enterprise services: water utility, sewer utility, and storm water utility.

¹ Source: Minnesota Department of Employment and Economic Development.

² Source: 2018-2022 American Community Survey, U.S. Census Bureau.

Employee Pension Programs

The City employs 18 people, 12 full-time and 6 part-time. The pension plan currently covers all the City's full-and part-time employees.

The City participates in contributory pension plans through the Public Employees Retirement Association (PERA) under Minnesota Statutes, Chapters 353 and 356, which cover all full-time and certain part-time employees. PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost sharing, multiple-employer retirement plans. Benefits are established by State Statute and vest after three years of credited service. State Statute requires the City to fund current service pension cost as it accrues. Defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF (formerly "PERF") and PEPFF. That report may be obtained at www.mnpera.org, or by writing to PERA at 60 Empire Drive, #200, St. Paul, MN 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.50% of their annual covered salary in 2022. PEPFF members were required to contribute 11.8% of their annual covered salary in 2022. State statute requires the City to contribute the following percentages of 7.5% for Coordinated Plan members, and 17.70% for PEPFF members. City Contributions to GERF and PEPFF have been as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2022	\$93,591	2020	\$74,142
2021	82,236	2019	67,996
2020	82,681		

Other Postemployment Benefits (OPEB)

The City has no plans that would result in an OPEB liability and, therefore, the City anticipates it will not incur any future explicit or implicit OPEB costs for its employees and, therefore, no liability will be recorded.

Estimated Cash/Investment Balances as of December 31, 2023 (unaudited)

<u>Fund Name</u>	
General Fund	\$ 1,068,410
Special Revenue Fund	1,760,564
Capital Projects Fund	652,814
Debt Service Fund	2,787,361
Enterprise Fund	<u>2,108,885</u>
Total Estimated Cash/Investment Balances	<u>\$ 8,378,034</u>

General Fund Budget Summary

	<u>2023 Budget</u>	<u>2023 Actual</u>	<u>2024 Budget</u>
Revenues:			
Property Taxes	\$886,500	864,503	\$855,480
Licenses and Permits	83,000	120,276	87,700
Intergovernmental Revenue	1,026,000	1,166,867	1,225,600
Charges for Services	160,600	152,455	160,500
Fines and Forfeits	13,800	27,960	19,800
Franchise Fees	20,000	18,618	19,000
Miscellaneous	61,200	142,356	90,240
Transfers In	<u>75,000</u>	<u>75,000</u>	<u>65,000</u>
Total Revenues	\$2,326,100	\$2,568,035	\$2,523,320
Expenditures:			
General Government	\$571,910	\$633,138	\$636,460
Community Development	96,020	104,254	102,200
Public Safety	741,100	781,596	839,400
Parks & Recreation	565,325	595,573	589,900
Public Works	326,605	342,869	328,100
Miscellaneous	<u>25,140</u>	<u>29,646</u>	<u>27,260</u>
Total Expenditures	\$2,326,100	\$2,487,076	\$2,523,320
Revenues Over (Under) Expenditures	\$0	\$80,959	\$0

Residential Development

There are approximately 735 single-family homes and 307 multi-family units located within the City.

In April 2024 the City submitted a Workforce Housing Program grant application to Minnesota Housing in the amount of \$1 million. The City is working with a private developer who desires to build a 16-unit multi-family apartment building.

Industrial Park

The City has about 137-acre industrial park. Employers located within the park include M.G. Waldbaum Co., dba Michael Foods Inc., Control Assemblies, Railway Equipment Co., Latzke Trucking LLC., MN Department of Transportation (MnDOT), Lucky Land LLC., Minnesota 19 Truck Wash & Repair, Circle F Farms, and Bartels Rentals LLC.

The City owns approximately 11-acres of industrial land that is for sale.

Commercial/Industrial Development

Building construction and commercial/industrial growth completed within the past three years have been as follows:

<u>Name</u>	<u>Product/Service</u>	<u>Description of Construction</u>
Apex Farms	Tiling Business	Addition onto shop
Michael Foods	Egg Processing Plant	Solar Array
K & H Farms	Trucking Business	New Shop/Storage Building
Michael Foods	Egg Processing Plant	New Feed Mill
City of Gaylord	Municipality	Addition/Rehab. Pavilion
Dollar General	Discount Store	New Business Bldg.
Latzke Trucking, LLC	Trucking Business	New Shop/Bays/Office Bldg.
Andrew Swenson	Storage Bldg. for Rent	New Storage Units
Donovan Pinske	Owner of Farmland	Solar Garden/Array
Wakefield Pork	Pork Producer	Addition onto Office Bldg.
Integrity Estates	Business Development	New Luxury Townhomes
Helton Castillo	Business Development	New Single-Family Home

Building Permits

Building permits issued for the past five years and a portion of the current year have been as follows:

<u>Year</u>	<u>Commercial/ Industrial Number of Permits</u>	<u>Residential Number of Permits</u>	<u>Total Number of Permits</u>	<u>Total Permit Valuation</u>
2024 (as of 05/08)	22	78	100	\$2,202,666
2023	36	88	124	11,963,382
2022	28	111	139	9,495,919
2021	26	93	119	5,072,685
2020	29	115	144	5,689,800
2019	20	120	150	17,005,179

Banking/Financial Institutions

Banking and financial services provided within the City of Gaylord include: First National Bank Minnesota and ProGrowth Bank.

Education

The City is served by Independent School District No. 2310, Sibley East. An elementary school is in Gaylord.

Major/Leading Employers¹

The following are some of the major/leading employers within the City:

<u>Name</u>	<u>Product/Service</u>	<u>Number of Employees²</u>
M.G. Waldbaum Co./Michael Foods Inc.	Food Preparation/Egg Processing	500
Wakefield Pork	Pork Producer	250
ISD No. 2310, Sibley East (Gaylord)	Public Education	200
Sibley County	County Government	182
Oak Terrace Health Center	Skilled Nursing Care Facility	128
Unidoor Company	Interior Doors and Millwork Manufacturer	45
Railway Equipment	Railroad Industry Supplier	32
Jerry's Home Quality Foods	Grocery Store	28
Quality Assemblies Company	Control Panel Manufacturer	22
EJ's Bar & Grill	Restaurant/Bar	20
S&B Transfer	Food Processing	20
ProGrowth Bank	Banking/Financial Services	20

Largest Taxpayers³

Following are ten of the largest taxpayers within the City:

<u>Name</u>	<u>Classification</u>	<u>2023/2024 Tax Capacity</u>	<u>Percent of Total Tax Capacity (\$2,099,319)⁴</u>
MG Waldbaum Company	Industrial	\$ 169,203	8.06%
Bayside Manor	Multi-Unit Housing	76,741	3.66
Integrity Estates LLC	Multi-Unit Housing	43,889	2.09
Gaylord Multi-Family LLC	Multi-Unit Housing	27,788	1.32
Depot 1881 LLC	Multi-Unit Housing	26,682	1.27
Wakefield Pork Inc.	Commercial	26,556	1.27
Xcel Energy	Utility	23,484	1.12
Hahn Family Properties	Commercial	20,446	0.97
Centerpoint Energy	Utility	17,512	0.83
Kranz Family Properties LLC	Multi-Unit Housing	<u>17,000</u>	<u>0.81</u>
		<u>\$ 449,301</u>	<u>21.40%</u>

¹ Source: The City and Data Axle Reference Solutions.

² Includes full-time, part-time and seasonal employees.

³ As reported by Sibley County.

⁴ Before tax increment adjustment.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

State Law defines the “market value” of real property as the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The assessor uses sales and market value income trends to estimate the value of property in an open market transaction. This value is also called “estimated market value”. This value is set on January 2 of each year. Property taxes levied each year are based on the value of property on January 2 of the preceding year. According to Minnesota Statutes, Chapter 273, all real property subject to taxation is to be appraised at maximum intervals of five years.

Taxable Market Value

The “taxable market value” is the amount used for calculating property taxes. The taxable market value may differ from the estimated market value due to the application of special programs that exclude value from taxation. These programs currently include, but are not limited to, Homestead Market Value Exclusion and Green Acres.

Market Value Exclusion

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of \$30,400 at \$76,000 of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion.

Sales Ratio

The Minnesota Department of Revenue conducts the Assessment Sales Ratio Study to compare real estate sales prices to local assessor valuations. The State uses the study results to ensure consistency in property assessments across the state. There are three different sales ratio studies that cover three distinct time periods. The 12-month study includes sales that occur from October 1st of a given year to September 30th of the following year and are compared to market values used for property taxation. The median ratio from the 12-month study is the sales ratio used to calculate indicated and economic market values.

Economic and Indicated Market Value

“Economic market value” and “indicated market value” reflect adjustments made to account for the effects of the sales ratio. The economic market value is determined by dividing the estimated market value of the jurisdiction by the sales ratio. Economic market value provides an estimation of the full value of property if it were valued at 100% of its value in the marketplace (prior to the application of legislatively mandated exclusions). The indicated market value is determined by dividing the taxable market value of the jurisdiction by the sales ratio. This value represents an estimation of the “full value” of property for taxation, after the deduction of legislative exclusions.

Net Tax Capacity

Property taxes are calculated on the basis of the “net tax capacity value”. Net tax capacity is calculated by multiplying the taxable market value of a parcel by the statutory class rate for the use classification of the property. These class rates are subject to revisions by the State Legislature. The table following this section contains current and historical class rates for primary property classifications.

Tax Cycle

Minnesota local government ad valorem property taxes are extended and collected by the various counties within the state. The process begins in the fall of every year with the certification, to the county auditor, of all local taxing districts' property tax levies. Local tax rates are calculated by dividing each taxing district's levy by its net tax capacity. One percentage point of local tax rate represents one dollar of tax per \$100 net tax capacity. A list of taxes due is then prepared by the county auditor and turned over to the county treasurer on or before the first Monday in January.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements (excluding manufactured homes) are to be mailed out no later than March 31, and manufactured home property tax statements no later than July 15. The due dates for payment of real and personal property taxes (excluding manufactured homes) are one-half on or before May 15 (May 31 for resorts) and one-half on or before October 15 (November 15 for farm property). Personal property taxes for manufactured homes become due one-half on or before August 31 and one-half on or before November 15. Delinquent property taxes are penalized at various rates depending on the type of property and the length of delinquency.

Tax Levies for General Obligation Bonds (Minnesota Statutes, Section 475.61)

State Law requires the governing body of any municipality issuing general obligations, prior to delivery of the obligations, to levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years shall be specified and such that if collected in full will, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due.

Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations.

The governing body may, at its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected and remitted, and the amount therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof that bears the same ratio to the whole amount as the tax capacity value of taxable property in that part of the municipality located in the county bears to the tax capacity value of all taxable property in the municipality.

Tax levies so made and filed shall be irrevocable, except that if the governing body in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of that levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality.

Levy Limits

The State Legislature periodically enacts limitations on the ability of cities and counties to levy property taxes. Levy limits were reenacted in 2013 and applied to all counties with a population over 5,000 and all cities with a population over 2,500 for taxes payable in 2014 only. Levies “to pay the costs of the principal and interest on bonded indebtedness” and “to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota” are designated special levies and can be levied in addition to the amount allowed by levy limitations.

(Remainder of page intentionally left blank)

The following is a partial summary of these factors:

Property Tax Classifications

<u>Class</u>	<u>Type of Property</u>	<u>Class Rate Schedule</u>		
		<u>2021/ 2022</u>	<u>2022/ 2023</u>	<u>2023/ 2024</u>
1a	<u>Residential Homestead</u> : First \$500,000	1.00%	1.00%	1.00%
	Over \$500,000	1.25	1.25	1.25
1c	<u>Commercial seasonal-residential recreational-</u> under 250 days and includes homestead			
	First \$600,000	.50	.50	.50
	\$600,001-2,300,000	1.00	1.00	1.00
	Over \$2,300,000 [†]	1.25	1.25	1.25
2a	<u>Agricultural Homestead – House, Garage, One Acre:</u>			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First \$1,880,000			
	Over \$1,880,000			
	First \$1,890,000	0.50	0.50	
	Over \$1,890,000	1.00	1.00	
	First \$2,150,000			0.50
	Over \$2,150,000			1.00
	<u>Agricultural Homestead Land</u> ¹	1.00	1.00	1.00
2a	<u>Non-Homestead Agricultural Productive Land</u> [*]	1.00	1.00	1.00
2b	<u>Non-Homestead Rural Vacant Land</u> ²	1.00	1.00	1.00
3a	<u>Commercial/Industrial and Public Utility</u>			
	First \$150,000 [†]	1.50	1.50	1.50
	Over \$150,000 [†]	2.00	2.00	2.00
4a	<u>Apartment</u> (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
4bb(1)	<u>Residential Non-Homestead</u> (Single Unit)			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(1)	<u>Seasonal Residential Recreational/Commercial</u> [†] (Resort): First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(12)	<u>Seasonal Residential Recreational</u> [†] Non-Commercial (Cabin): First \$500,000 [*]	1.00	1.00	1.00
	Over \$500,000 [*]	1.25	1.25	1.25
4d	<u>Qualifying Low-Income Rental Housing</u>			
	First \$100,000		.75	.75
	Over \$100,000		.25	.25
	First \$174,000	.75		
	Over \$174,000	.25		

[†] Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

¹ Homestead remainder & non-homestead; includes structures.

² Homestead remainder & non-homestead; includes minor ancillary structures.

CITY OF GAYLORD, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION¹

Valuations

	<i>Estimated Market Value 2023/2024</i>	<i>Net Tax Capacity 2023/2024</i>
Real Property	\$ 195,383,300	\$ 2,079,563
Personal Property	987,800	19,756
Less Tax Increment Deduction	<u>---</u>	<u>(70,547)</u>
Total Adjusted Valuation	<u>\$ 196,371,100</u>	<u>\$ 2,028,772</u>

Valuation Trends (Real and Personal Property)

<i>Levy Year/ Collection Year</i>	<i>Economic Market Value</i>	<i>Sales Ratio</i>	<i>Estimated Market Value</i>	<i>Taxable Market Value</i>	<i>Tax Capacity Before Tax Increments</i>	<i>Tax Capacity After Tax Increments</i>
2023/2024	N/A	N/A	\$196,371,100	\$181,543,611	\$2,099,319	\$2,028,772
2022/2023	\$187,265,816	95.70%	179,086,900	164,214,846	1,912,260	1,797,762
2021/2022	160,237,787	94.19	150,763,600	134,478,673	1,575,836	1,479,538
2020/2021	139,306,000	95.79	139,096,500	122,551,119	1,459,298	1,384,906
2019/2020	138,398,898	97.16	134,884,700	118,433,100	1,389,074	1,322,212

Breakdown of Valuations

2023/2024 Tax Capacity, Real and Personal Property (before tax increment adjustments):

Residential Homestead	\$ 1,120,705	53.38%
Agricultural	32,424	1.55
Commercial & Industrial	508,303	24.21
Public Utility	20,192	0.96
Residential Non-Homestead	397,939	18.96
Personal Property	<u>19,756</u>	<u>0.94</u>
Totals:	<u>\$ 2,099,319</u>	<u>100.00%</u>

¹ Property valuations, tax rates, and tax levies and collections are provided by Sibley County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue. The 2023/2024 economic market value and sales ratio are not yet available.

Tax Capacity Rates

Tax capacity rates for a City resident for the past five-assessable/collection years have been as follows:

<i>Levy Year/ Collection Year</i>	<i>2019/20 Tax Capacity Rates</i>	<i>2020/21 Tax Capacity Rates</i>	<i>2021/22 Tax Capacity Rates</i>	<i>2022/23 Tax Capacity Rates</i>	<i>2023/24 Tax Capacity Rates</i>
Sibley County	52.804%	55.485%	55.397%	46.125%	38.406%
City of Gaylord	116.712	115.844	116.153	101.253	94.115
ISD No. 2310, Sibley East	23.445	25.528	24.391	20.181	16.906
Region 9	<u>0.166</u>	<u>0.182</u>	<u>0.178</u>	<u>0.151</u>	<u>0.131</u>
Totals:	<u>193.127%</u>	<u>197.039%</u>	<u>196.119%</u>	<u>167.710%</u>	<u>149.558%</u>
<i>Market Value Rates:</i>	<i>2019/2020</i>	<i>2020/2021</i>	<i>2021/2022</i>	<i>2022/2023</i>	<i>2023/2024</i>
ISD No. 2310 (Sibley East)	0.12428%	0.13723%	0.11547%	0.13081%	0.11670%

Tax Levies and Collections¹

<u>Levy/Collect</u>	<u>Net Levy</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 12/31/23</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2023/2024	\$1,904,954		In Process of Collection		
2022/2023	1,815,875	\$1,798,321	99.03%	\$1,798,321	99.03%
2021/2022	1,756,118	1,716,241	97.73	1,753,911	99.87
2020/2021	1,640,556	1,602,956	97.71	1,638,355	99.87
2019/2020	1,604,500	1,530,287	95.37	1,572,411	98.00

¹ 2023/2024 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Sibley County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit^{1 2}

Minnesota Statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of June 2, 2024:

2023/2024 Estimated Market Value	\$ 196,371,100
Multiplied by 3%	<u> x .03</u>
Statutory Debt Limit	<u>\$ 5,891,133</u>
Less outstanding debt applicable to debt limit:	
\$7,840,000 General Obligation Bonds, Series 2015A	\$ 220,000
\$2,850,000 General Obligation Bonds, Series 2017A	320,000
\$180,000 General Obligation Bonds, Series 2024A (Portion of This Issue)	<u>180,000</u>
Total Debt applicable to debt limit:	\$ 720,000
Legal debt margin	<u>\$ 5,171,133</u>

¹ Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of \$1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than \$1,000,000 are not subject to the statutory debt limit.

² Pursuant to Minnesota Statutes Section 475.521, capital improvement bonds are not subject to the statutory debt limit established in Section 475.53 if the issuer's population is less than 2,500.

CITY OF GAYLORD, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of June 2, 2024, Plus a Portion of This Issue)

Purpose:	Portion of This Issue			TOTAL PRINCIPAL:	TOTAL PRIN & INT:	
	G.O. Bonds, Series 2015A	G.O. Bonds, Series 2017A	G.O. Bonds, Series 2024A			
Dated:	3/1/2015	3/30/2017	7/25/2024			
Original Amount:	\$495,000	\$450,000	\$180,000			
Maturity:	1-Feb	1-Feb	1-Feb			
Interest Rates:	2.00-3.25%	3.00-3.10%				
2024	\$0	\$0	\$0	\$0	\$7,526	2024
2025	40,000	35,000	0	75,000	95,360	2025
2026	45,000	35,000	15,000	95,000	113,008	2026
2027	45,000	40,000	15,000	100,000	115,296	2027
2028	45,000	40,000	15,000	100,000	112,443	2028
2029	45,000	40,000	15,000	100,000	109,525	2029
2030	0	40,000	20,000	60,000	67,120	2030
2031	0	45,000	20,000	65,000	70,175	2031
2032	0	45,000	20,000	65,000	68,133	2032
2033	0	0	20,000	20,000	21,760	2033
2034	0	0	20,000	20,000	21,070	2034
2035	0	0	20,000	20,000	20,360	2035
	\$220,000	\$320,000	\$180,000	\$720,000	\$758,585	
	(1) (2)	(3)	(4)			

NOTE: 94% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

- (1) These bonds are payable solely from ad valorem taxes on all taxable property within the City and without limitation of amount. In addition, the bonds are not subject to the statutory debt limit since the City's population is below the 2,500 limit established by Section 475.521. The current city estimate is 2,305.
- (2) This schedule represents a portion of the \$7,840,000 General Obligation Bonds, Series 2015A, dated March 1, 2015, consisting of \$5,600,000 backed by special assessments, \$1,745,000 backed by net revenues of the municipal sewer and water utility systems, and \$495,000 backed by ad valorem taxes. This \$495,000 portion crossover refunded the 2018 through 2029 maturities of the G.O. Capital Improvement Plan Bonds, Series 2008D on February 1, 2017.
- (3) This schedule represents a portion of the \$2,850,000 General Obligation Bonds, Series 2017A, consisting of \$2,025,000 backed by special assessments, \$375,000 backed by sewer revenues, and \$450,000 backed by ad valorem taxes. This \$450,000 portion crossover refunded, on February 1, 2020, the 2021 through 2032 maturities of the City's General Obligation Swimming Pool Bonds, Series 2011A.
- (4) This schedule represents a portion of the \$2,135,000 General Obligation Bonds, Series 2024A, consisting of \$1,955,000 backed by special assessments and \$180,000 backed by ad valorem taxes.

CITY OF GAYLORD, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS
(As of June 2, 2024, Plus a Portion of This Issue)

Purpose:	G.O. Bonds, Series 2015A	G.O. Bonds, Series 2017A	G.O. Improvement Bonds, Series 2018B	G.O. Bonds, Series 2019A	
Dated:	03/01/15	03/30/17	06/05/18	12/11/19	
Original Amount:	\$5,600,000	\$2,025,000	\$1,245,000	\$1,435,000	
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	
Interest Rates:	2.00-3.25%	3.00-3.10%	2.35-4.00%	2.00-3.00%	
2024	\$0	\$0	\$0	\$0	2024
2025	435,000	155,000	55,000	80,000	2025
2026	440,000	155,000	55,000	75,000	2026
2027	450,000	160,000	55,000	80,000	2027
2028	460,000	165,000	60,000	80,000	2028
2029	230,000	170,000	60,000	80,000	2029
2030	105,000	175,000	60,000	80,000	2030
2031	110,000	180,000	65,000	90,000	2031
2032	110,000	40,000	65,000	90,000	2032
2033	115,000	0	65,000	95,000	2033
2034	120,000	0	70,000	50,000	2034
2035	120,000	0	75,000	55,000	2035
2036	125,000	0	75,000	55,000	2036
2037	0	0	80,000	55,000	2037
2038	0	0	80,000	60,000	2038
2039	0	0	85,000	60,000	2039
2040	0	0	0	60,000	2040
	\$2,820,000	\$1,200,000	\$1,005,000	\$1,145,000	
	(1)	(2)		(3) (4)	

CONTINUED

Purpose:	Portion of This Issue			TOTAL PRINCIPAL:	TOTAL PRIN & INT:	
	G.O. Improvement Refunding Bonds, Series 2021A	G.O. Bonds, Series 2021B	G.O. Bonds, Series 2024A			
Dated:	01/20/21	08/18/21	07/25/24			
Original Amount:	\$2,170,000	\$2,140,000	\$1,955,000			
Maturity:	1-Feb	1-Feb	1-Feb			
Interest Rates:	1.00-2.00%	0.35-2.00%				
2024	\$0	\$0	\$0	\$0	\$118,699	2024
2025	135,000	95,000	0	955,000	1,257,642	2025
2026	145,000	95,000	70,000	1,035,000	1,313,811	2026
2027	145,000	95,000	70,000	1,055,000	1,307,971	2027
2028	145,000	95,000	75,000	1,080,000	1,305,689	2028
2029	150,000	100,000	75,000	865,000	1,066,114	2029
2030	155,000	100,000	80,000	755,000	936,290	2030
2031	150,000	105,000	80,000	780,000	942,216	2031
2032	150,000	105,000	85,000	645,000	789,645	2032
2033	150,000	110,000	85,000	620,000	749,096	2033
2034	155,000	110,000	90,000	595,000	708,613	2034
2035	165,000	110,000	95,000	620,000	717,650	2035
2036	140,000	115,000	95,000	605,000	686,354	2036
2037	0	115,000	100,000	350,000	418,023	2037
2038	0	120,000	105,000	365,000	422,200	2038
2039	0	120,000	110,000	375,000	420,865	2039
2040	0	125,000	110,000	295,000	330,700	2040
2041	0	125,000	115,000	240,000	267,715	2041
2042	0	130,000	120,000	250,000	270,318	2042
2043	0	0	125,000	125,000	138,934	2043
2044	0	0	130,000	130,000	138,610	2044
2045	0	0	140,000	140,000	142,940	2045
	\$1,785,000	\$1,970,000	\$1,955,000	<u>\$11,880,000</u>	<u>\$14,450,094</u>	
	(5)	(6)	(7)			

NOTE: 66% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$7,840,000 General Obligation Bonds, Series 2015A, dated March 1, 2015, consisting of \$5,600,000 backed by special assessments, \$1,745,000 backed by net revenues of the municipal sewer and water utility systems, and \$495,000 backed by ad valorem taxes. This \$5,600,000 portion crossover refunded the 2019 through 2028 maturities of the G.O. Improvement Bonds, Series 2007A on February 1, 2017 and the 2019 through 2029 maturities of the G.O. Improvement Bonds, Series 2008C on February 1, 2018.
- (2) This schedule represents a portion of the \$2,850,000 General Obligation Bonds, Series 2017A, consisting of \$2,025,000 backed by special assessments, \$375,000 backed by sewer revenues, and \$450,000 backed by ad valorem taxes. A portion of this \$2,025,000 portion crossover refunded, on February 1, 2018, the 2019 through 2031 maturities of the G.O. Taxable Improvement Bonds (BABS), Series 2010A.
- (3) This schedule represents a portion of the \$1,560,000 General Obligation Bonds, Series 2019A, consisting of \$1,435,000 backed by special assessments and \$125,000 backed by net revenues of the municipal sewer, and water utility systems.
- (4) These bonds current refunded the General Obligation Improvement Bonds, Series 2012A. Maturities 2020 through 2033, inclusive, were called for redemption on December 30, 2019, at a price of par plus accrued interest.
- (5) These bonds current refunded the General Obligation Improvement Bonds, Series 2014A. Maturities 2022 through 2036, inclusive, were called for redemption on February 1, 2021, at a price of par plus accrued interest.
- (6) This schedule represents a portion of the \$3,465,000 General Obligation Bonds, Series 2021B, consisting of \$2,140,000 backed by special assessments and \$1,325,000 backed by net revenues of the municipal sewer, and water utility systems.
- (7) This schedule represents a portion of the \$2,135,000 General Obligation Bonds, Series 2024A, consisting of \$1,955,000 backed by special assessments and \$180,000 backed by ad valorem taxes.

CITY OF GAYLORD, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of June 2, 2024)

Purpose:	G.O.					TOTAL	TOTAL	
	G.O. Bonds, Series 2015A	G.O. Bonds, Series 2017A	Utility Revenue Bonds, Series 2018A	G.O. Bonds, Series 2019A	G.O. Bonds, Series 2021B			
Dated:	03/01/15	03/30/17	06/05/18	12/11/19	08/18/21			
Original Amount:	\$1,745,000	\$375,000	\$2,005,000	\$125,000	\$1,325,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb			
Interest Rates:	2.00-3.25%	3.00-3.10%	2.30-4.00%	2.00-2.50%	0.35-2.00%	PRINCIPAL:	PRIN & INT:	
2024	\$0	\$0	\$0	\$0	\$0	\$0	\$60,346	2024
2025	80,000	25,000	85,000	10,000	60,000	260,000	378,138	2025
2026	85,000	25,000	90,000	10,000	60,000	270,000	382,180	2026
2027	85,000	30,000	90,000	10,000	60,000	275,000	380,224	2027
2028	90,000	30,000	95,000	10,000	60,000	285,000	382,890	2028
2029	90,000	30,000	95,000	10,000	60,000	285,000	375,285	2029
2030	95,000	30,000	100,000	10,000	65,000	300,000	382,160	2030
2031	95,000	30,000	100,000	10,000	65,000	300,000	373,560	2031
2032	100,000	30,000	105,000	10,000	65,000	310,000	374,788	2032
2033	100,000	0	110,000	10,000	65,000	285,000	341,118	2033
2034	105,000	0	110,000	0	70,000	285,000	332,669	2034
2035	110,000	0	115,000	0	70,000	295,000	333,946	2035
2036	110,000	0	120,000	0	70,000	300,000	329,588	2036
2037	0	0	125,000	0	70,000	195,000	216,500	2037
2038	0	0	130,000	0	75,000	205,000	219,950	2038
2039	0	0	135,000	0	75,000	210,000	218,150	2039
2040	0	0	0	0	75,000	75,000	78,950	2040
2041	0	0	0	0	80,000	80,000	82,400	2041
2042	0	0	0	0	80,000	80,000	80,800	2042
	\$1,145,000	\$230,000	\$1,605,000	\$90,000	\$1,225,000	\$4,295,000	\$5,323,640	
	(1) (2)	(1) (3)	(1) (4)	(1) (4) (5) (6)	(1) (7)			

NOTE: 60% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

- (1) These bonds are payable primarily from net revenues of the municipal water utility and municipal sewer utility systems and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (2) This schedule represents a portion of the \$7,840,000 General Obligation Bonds, Series 2015A, dated March 1, 2015, consisting of \$5,600,000 backed by special assessments, \$1,745,000 backed by net revenues of the municipal sewer and water utility systems, and \$495,000 backed by ad valorem taxes.
- (3) This schedule represents a portion of the \$2,850,000 General Obligation Bonds, Series 2017A, consisting of \$2,025,000 backed by special assessments, \$375,000 backed by sewer revenues, and \$450,000 backed by ad valorem taxes.
- (4) Payments reflect mandatory sinking fund payments.
- (5) This schedule represents a portion of the \$1,560,000 General Obligation Bonds, Series 2019A, consisting of \$1,435,000 backed by special assessments and \$125,000 backed by net revenues of the municipal sewer, and water utility systems.
- (6) These bonds current refunded the General Obligation Improvement Bonds, Series 2012A. Maturities 2020 through 2033, inclusive, were called for redemption on December 30, 2019, at a price of par plus accrued interest.
- (7) This schedule represents a portion of the \$3,465,000 General Obligation Bonds, Series 2021B, consisting of \$2,140,000 backed by special assessments and \$1,325,000 backed by net revenues of the municipal sewer, and water utility systems.

CITY OF GAYLORD, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAX ABATEMENTS
(As of June 2, 2024)

Purpose:	Taxable G.O. Tax Abatement Refunding Bonds, Series 2020B (RS Fiber Project)			
Dated:	12/15/2020			
Original Amount:	\$1,909,201			
Maturity:	1-Feb	TOTAL	TOTAL	
Interest Rates:	2.00-2.81%	PRINCIPAL:	PRIN & INT:	
2024	\$0	\$0	\$18,647	2024
2025	108,333	108,333	144,542	2025
2026	110,882	110,882	144,899	2026
2027	112,156	112,156	143,943	2027
2028	114,705	114,705	144,224	2028
2029	117,254	117,254	144,453	2029
2030	119,803	119,803	144,620	2030
2031	122,352	122,352	144,570	2031
2032	124,901	124,901	144,313	2032
2033	127,450	127,450	143,870	2033
2034	131,273	131,273	144,498	2034
2035	133,823	133,823	143,546	2035
2036	137,646	137,646	143,555	2036
2037	141,470	141,470	143,457	2037
	\$1,602,046	\$1,602,046	\$1,893,137	
	(1)			

NOTE: 66% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAX ABATEMENTS WILL BE RETIRED WITHIN TEN YEARS.

(1) The schedule above, payable to the City of Winthrop, Minnesota, represent the City of Gaylord's maximum portion (16.38%) of the shortfall obligation of the City pursuant to a Shortfall Agreement with the City of Winthrop related to their issuance of \$7,490,000 Taxable General Obligation Tax Abatement Bonds, Series 2020B (RS Fiber Project) (the "Series 2020B Bonds"). The Series 2020B Bonds refunded the City of Winthrop's Taxable General Obligation Abatement Bonds, Series 2015 (RS Fiber Project) (the "Series 2015 Bonds"), on February 1, 2021. The City of Gaylord, along with eight other cities including Winthrop, are members of the Renville-Sibley County Fiber Joint Powers Agency, which had loaned proceeds of the Series 2015 Bonds to the RS Fiber Cooperative to finance the construction of a broadband telecommunications system in the Agency's service area. For payments on the Series 2020B Bonds, each City Member will levy an abatement levy in an amount sufficient to pay the principal of its Member Share of the Shortfall Payments. The remaining portion of its Member Share will be paid from taxes. The City of Gaylord's portion is capped at \$141,470.50 annually or a total of \$1,909,201. For more information regarding the Joint Powers Agreement and the Shortfall Agreement, see the Official Statement for the Series 2020B Bonds at: <https://emma.msrb.org/P21415392-P21099830-P21509095.pdf>.

Indirect Debt*

<i>Issuer</i>	<i>2023/2024 Tax Capacity Value⁽¹⁾</i>	<i>2023/2024 Tax Capacity Value in City⁽¹⁾</i>	<i>Percentage Applicable in City</i>	<i>Outstanding General Obligation Debt</i>	<i>Taxpayers' Share of Debt</i>
Sibley County	\$ 43,362,980	\$2,028,772	4.68%	\$5,440,000	\$ 254,592
ISD No. 2310, Sibley East	17,756,241	2,028,772	11.43	31,190,000	<u>3,565,017</u>
				<i>Total Indirect Debt:</i>	<u>\$ 3,819,609</u>

(Remainder of page intentionally left blank)

* Only those taxing jurisdictions with general obligation debt outstanding that is not payable from revenues are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, general obligation debt payable from revenues, or general obligation tax/aid anticipation certificates of indebtedness. Debt listed is as of June 2, 2024, unless otherwise noted.

(1) Tax Capacity Value is after tax increment deduction and fiscal disparity adjustments.

General Obligation Debt

Bonds secured by taxes (includes a portion of this issue)	\$ 720,000
Bonds secured by special assessments (includes a portion of this issue)	11,880,000
Bonds secured by revenues	4,295,000
Bonds secured by tax abatement	<u>1,602,046</u>
Subtotal	\$ 18,497,046
Less bonds secured by revenues	(<u>4,295,000</u>)
<i>Direct General Obligation Debt</i>	14,202,046
Add taxpayers' share of indirect debt	<u>3,819,069</u>
<i>Direct and Indirect Debt</i>	<u>\$ 18,021,115</u>

Facts for Ratio Computations

2022/2023 Economic Market Value (real and personal property)	\$187,265,816
Population (2024 estimate)	2,343

Debt Ratios Excluding Revenue-Supported Debt

	<i>Direct Debt</i>	<i>Indirect Debt</i>	<i>Direct and Indirect Debt</i>
To Economic Market Value	7.58%	2.04%	9.62%
Per Capita	\$6,061	\$1,630	\$7,691

APPENDIX A

Form of Legal Opinion

PROPOSED FORM OF LEGAL OPINION

\$2,135,000
GENERAL OBLIGATION BONDS, SERIES 2024A
CITY OF GAYLORD
SIBLEY COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Gaylord, Sibley County, Minnesota (the "Issuer"), of its \$2,135,000 General Obligation Bonds, Series 2024A, bearing a date of original issue of July 25, 2024 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

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

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

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

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

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 and be retroactive.

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX B

Continuing Disclosure Certificate

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Gaylord, Minnesota (the "Issuer"), in connection with the issuance of its \$2,135,000 General Obligation Bonds, Series 2024A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on June 26, 2024 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"Official Statement" shall be the Official Statement dated _____, 2024, prepared in connection with the Bonds.

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

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

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

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

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2023, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2024, and by December 31 of each year thereafter.

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

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

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Economic and Financial Information – "Valuations," "Tax Capacity Rates" and "Tax Levies and Collections;" and Summary of Debt and Debt Statistics.

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

provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

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

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

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

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

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

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

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

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

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

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

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

Dated: July 25, 2024

CITY OF GAYLORD, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

APPENDIX C

City's Financial Report

The following financial statements are excerpts from the annual financial report for the year ended December 31, 2023. The complete financial report for the year 2023 and the prior two years are available for inspection at the Gaylord City Hall and the office of Northland Securities, Inc. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Gaylord, Minnesota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Gaylord, Minnesota (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major governmental fund and the aggregate remaining fund information of the City as of December 31, 2023, and the respective changes in financial position and, where applicable cashflows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the schedule of Employer's Share of the Net Pension Liability, the schedule of Employer's Contributions, the related note disclosures, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, starting on page 80 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Abdo
Mankato, Minnesota
April 29, 2024



THIS PAGE IS LEFT
BLANK INTENTIONALLY

Management's Discussion and Analysis

As Management of the City of Gaylord, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2023.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net assets table on the following pages. The main reason for this increase was due to revenues relating to the sale of lots held for resale, and increase in investment market value, and consistent expenses from prior year.
- For the current fiscal year, the City's governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance decreased in comparison with the prior year. This decrease is mainly attributed to an increase in expenditures in general government and streets and highways and expenses related to the Oakside Pavilion project.
- The unassigned fund balance for the General fund as shown in the financial analysis of the city's funds section increased from the prior year.
- The City's total debt decreased during the fiscal year. The decrease was a result of scheduled debt service payments as shown on the outstanding debt table.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements. Internal service funds statements are also included, reflecting balances prior to their elimination from the government-wide financial statements, to avoid "doubling-up" effect within the governmental and business-type activities columns of said statements.

Figure 1
Required Components of the
City's Annual Financial Report

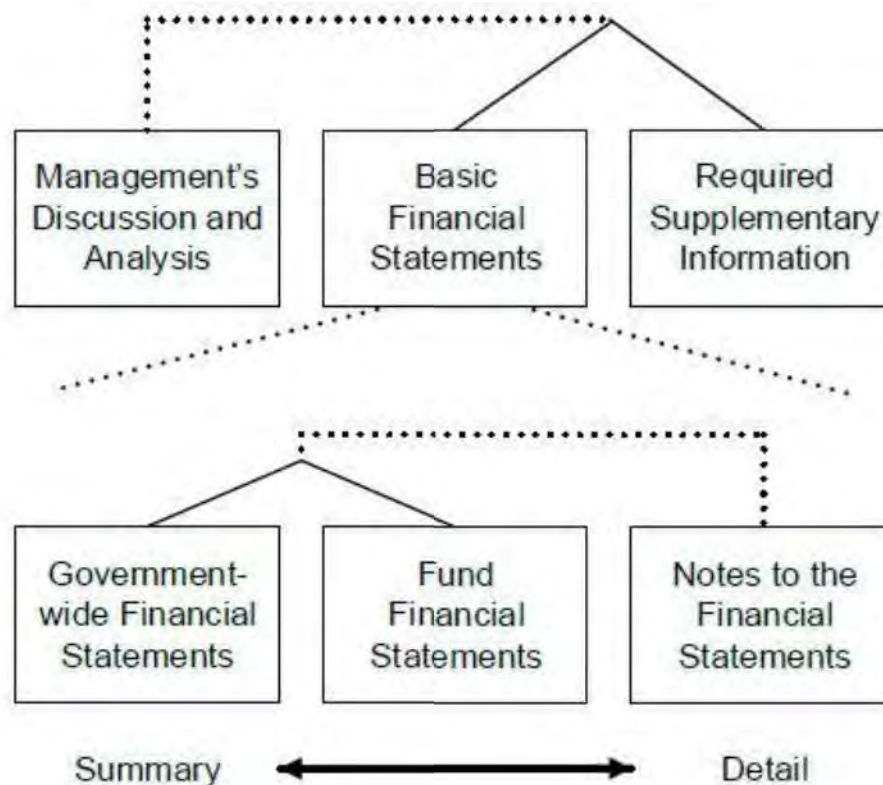


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’s assets and liabilities with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and highway, culture and recreation, economic development and miscellaneous. The business-type activities of the City include water utility, sewer utility, refuse, and storm water.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority (the EDA) for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found starting on page 33 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 23 individual governmental funds, 7 of which are Debt Service funds, which are reported as one fund for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, the Debt Service funds and the Capital Improvements fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 38 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water utility, sewer utility, refuse and storm water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 43 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 47 of this report.

Supplementary Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to financial statements. Combining and individual fund statements and schedules can be found starting on page 90 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year.

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Gaylord's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Assets						
Current and other assets	\$ 8,591,129	\$ 9,183,313	\$ (592,184)	\$ 2,367,524	\$ 2,101,568	\$ 265,956
Capital assets	13,601,483	13,533,952	67,531	15,321,230	16,014,511	(693,281)
Total Assets	22,192,612	22,717,265	(524,653)	17,688,754	18,116,079	(427,325)
Deferred Outflows of Resources	891,402	1,051,379	(159,977)	27,801	55,510	(27,709)
Liabilities						
Long-term liabilities outstanding	13,503,050	15,166,149	(1,663,099)	5,365,775	5,777,195	(411,420)
Other liabilities	249,383	366,649	(117,266)	82,646	96,003	(13,357)
Total Liabilities	13,752,433	15,532,798	(1,780,365)	5,448,421	5,873,198	(424,777)
Deferred Inflows of Resources	658,586	33,150	625,436	30,022	3,551	26,471
Net Position						
Net investment in capital assets	2,592,050	1,655,529	936,521	10,072,796	10,411,312	(338,516)
Restricted	4,161,155	4,329,103	(167,948)	-	-	-
Unrestricted	1,919,790	2,218,064	(298,274)	2,165,316	1,883,528	281,788
Total Net Position	\$ 8,672,995	\$ 8,202,696	\$ 470,299	\$ 12,238,112	\$ 12,294,840	\$ (56,728)
Net Position as a Percent of Total						
Net investment in capital assets	29.9 %	20.2 %		82.3 %	84.7 %	
Restricted	48.0	52.8		-	-	
Unrestricted	22.1	27.0		17.7	15.3	
	100.0 %	100.0 %		100.0 %	100.0 %	

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three reported categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

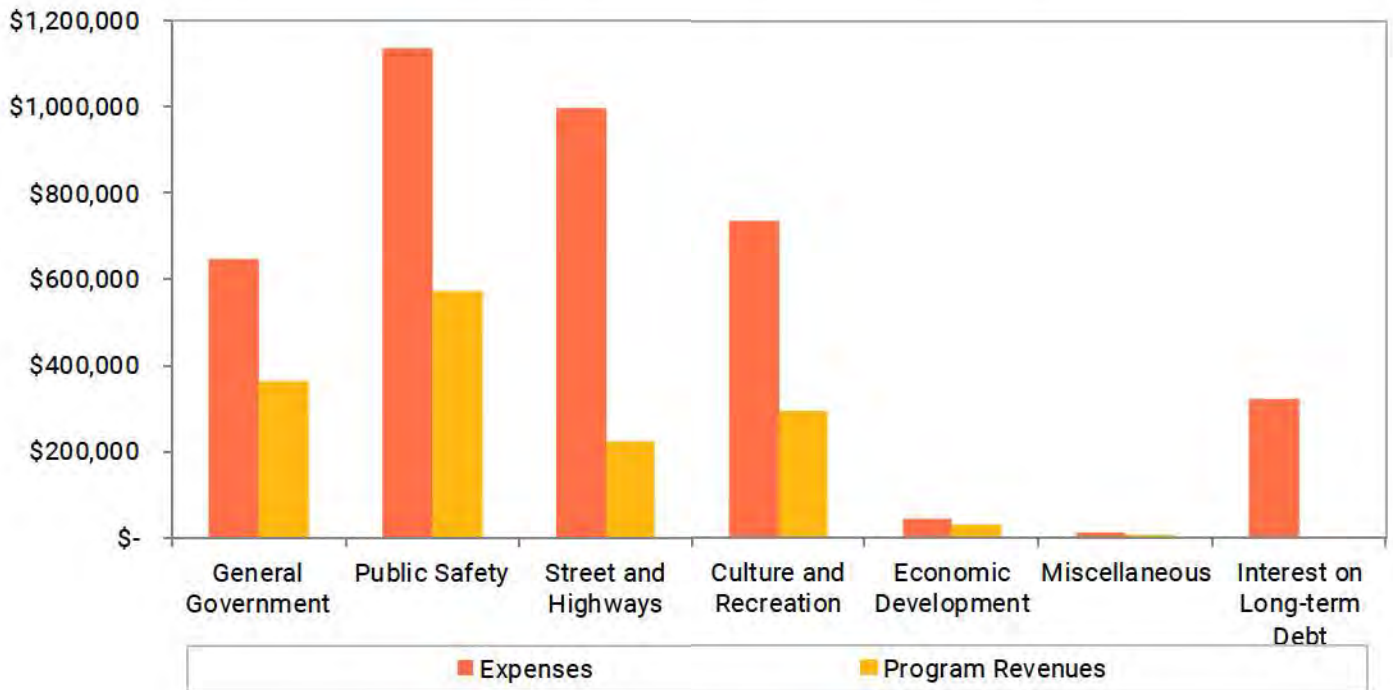
Governmental Activities. Governmental net position increased as shown below. The key elements of this net increase is as follows:

City of Gaylord's Changes in Net Position

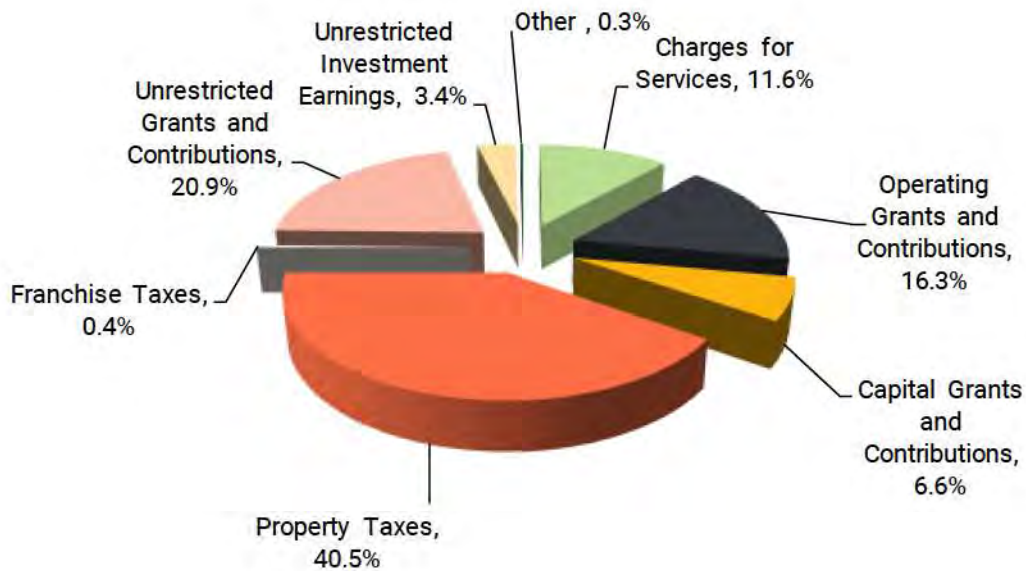
	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 495,122	\$ 486,194	\$ 8,928	\$ 1,549,533	\$ 1,470,473	\$ 79,060
Operating grants and contributions	698,111	592,484	105,627	8,547	24,167	(15,620)
Capital grants and contributions	285,611	454,686	(169,075)	-	-	-
General Revenues						
Property taxes	1,738,195	1,756,306	(18,111)	-	-	-
Franchise taxes	18,618	19,315	(697)	-	-	-
Grants and contributions not restricted to specific program	897,806	899,667	(1,861)	-	-	-
Unrestricted						
investment earnings	147,333	8,934	138,399	81,790	(30,601)	112,391
Other	1,247	12,126	(10,879)	13	709	(696)
Gain on sale of capital assets	13,160	154,012	(140,852)	-	12,897	(12,897)
Total Revenues	4,295,203	4,383,724	(88,521)	1,639,883	1,477,645	162,238
Expenses						
General government	646,084	641,121	4,963	-	-	-
Public safety	1,138,900	884,427	254,473	-	-	-
Streets and highways	1,001,116	1,140,849	(139,733)	-	-	-
Culture and recreation	740,748	612,813	127,935	-	-	-
Economic development	41,730	69,459	(27,729)	-	-	-
Miscellaneous	11,557	12,674	(1,117)	-	-	-
Interest and other costs	319,769	317,049	2,720	-	-	-
Water utility	-	-	-	546,380	543,840	2,540
Sewer utility	-	-	-	507,788	488,037	19,751
Refuse	-	-	-	191,672	171,849	19,823
Storm water	-	-	-	375,771	356,522	19,249
Total Expenses	3,899,904	3,678,392	221,512	1,621,611	1,560,248	61,363
Increase (Decrease) in Net Assets Before Transfers	395,299	705,332	(310,033)	18,272	(82,603)	100,875
Transfers	75,000	67,499	7,501	(75,000)	(67,499)	(7,501)
Change in Net Position	470,299	772,831	(302,532)	(56,728)	(150,102)	93,374
Net Position - January 1	8,202,696	6,898,585	1,304,111	12,294,840	12,444,942	(150,102)
Prior Period Adjustment	-	531,280	(531,280)	-	-	-
Net Position - December 31	\$ 8,672,995	\$ 8,202,696	\$ 470,299	\$ 12,238,112	\$ 12,294,840	\$ (56,728)

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities

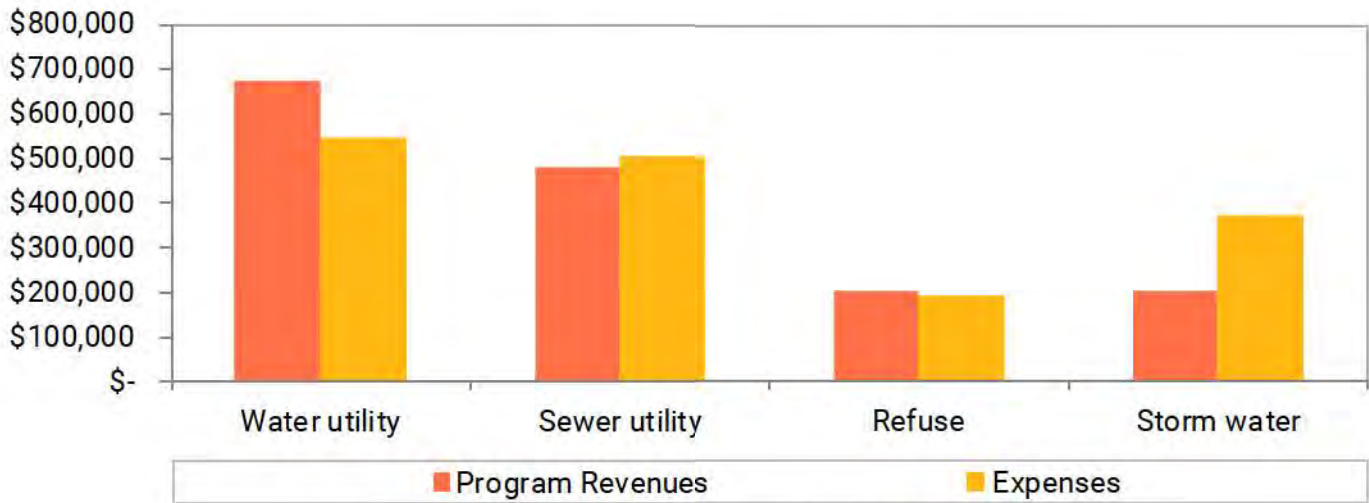


Revenues by Source - Governmental Activities

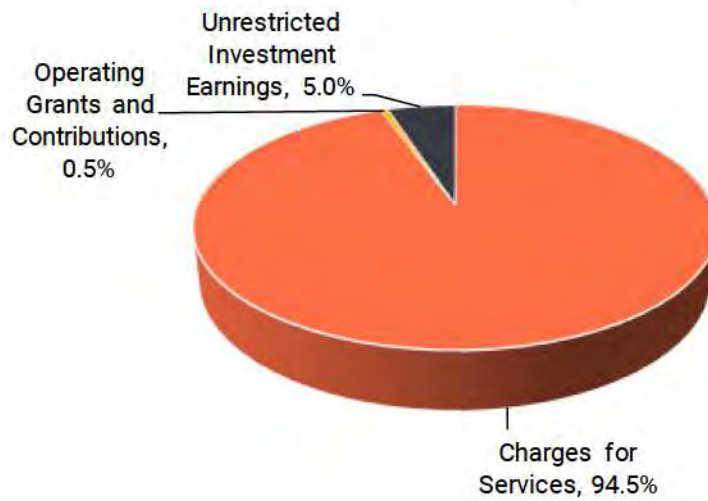


Business-type Activities. Business-type net position decreased as shown in the changes of net position table.

Expenses and Program Revenues - Business-type Activities



Revenue by Source - Business-type Activities



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending December 31, 2023:

	General Fund	Debt Service Fund	Oaks Lakeside Pavilion	Capital Improvements	Other Governmental Funds	Total	Prior Year Total
Fund Balances							
Nonspendable	\$ 89,748	\$ -	\$ -	\$ -	\$ 6,632	\$ 96,380	\$ 80,684
Restricted	101,218	3,323,815	-	-	978,907	4,403,940	4,360,649
Committed	-	-	-	944,231	442,706	1,386,937	1,258,828
Assigned	-	-	-	-	175,466	175,466	215,457
Unassigned	937,692	-	(179,883)	-	(144,273)	613,536	836,960
	<u>\$ 1,128,658</u>	<u>\$ 3,323,815</u>	<u>\$ (179,883)</u>	<u>\$ 944,231</u>	<u>\$ 1,459,438</u>	<u>\$ 6,676,259</u>	<u>\$ 6,752,578</u>

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balance can be found in Note 1.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 89,748	\$ 73,283	\$ 16,465
Restricted	101,218	-	101,218
Assigned	-	54,648	(54,648)
Unassigned	937,692	877,503	60,189
	<u>\$ 1,128,658</u>	<u>\$ 1,005,434</u>	<u>\$ 123,224</u>
General Fund expenditures	\$ 2,407,741	\$ 2,302,256	
Unassigned as a percent of expenditures	38.9%	38.1%	
Total Fund Balance as a percent of expenditures	46.9%	43.7%	

Other major governmental fund analysis is shown below:

	December 31, 2023	December 31, 2022	Increase (Decrease)
Debt Service fund <i>The Debt Service fund decrease in fund balance during the year was due to scheduled principal and interest payments made on bonds during the year.</i>	\$ 3,323,815	3,327,224	(3,409)
Capital Improvements fund <i>The Capital Improvement fund increase in fund balance is mainly attributed to revenues exceeds the capital expenditures due to sale of Shoreland Lane lots.</i>	\$ 944,231	\$ 830,044	\$ 114,187
Oaks Lakeside Pavilion fund <i>The Oaks Lakeside Pavilion fund decrease in fund balance is mainly attributed to costs related construction.</i>	\$ (179,883)	\$ 10,507	\$ (190,390)

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the City's proprietary funds increased or (decreased) as follows:

	Ending Net Position 2023	Ending Net Position 2022	Increase/ (Decrease)
Water Utility <i>The increase primarily is attributed to increase in water revenue.</i>	\$ 3,747,376	\$ 3,666,152	\$ 81,224
Sewer Utility <i>The decrease primarily is attributed to an increase in repair and maintenance expenses.</i>	\$ 4,480,986	\$ 4,500,572	\$ (19,586)
Storm Water Utility <i>The decrease primarily is attributed to increased payroll and repair and maintenance expenses.</i>	\$ 3,926,560	\$ 4,055,488	\$ (128,928)
Refuse <i>The fund had a close to break even year.</i>	\$ 83,190	\$ 72,628	\$ 10,562

General Fund Budgetary Highlights

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 2,251,000	\$ 2,251,000	\$ 2,505,965	\$ 254,965
Expenditures	2,276,000	2,276,000	2,407,741	(131,741)
Excess of Revenues Over Expenditures	(25,000)	(25,000)	98,224	123,224
Other Financing Sources (Uses)				
Transfers in	75,000	75,000	75,000	-
Transfers out	(50,000)	(50,000)	(50,000)	-
Total Other Financing Sources (Uses)	25,000	25,000	25,000	-
Net Change in Fund Balances	-	-	123,224	123,224
Fund Balances, January 1	1,005,434	1,005,434	1,005,434	
Fund Balances, December 31	\$ 1,005,434	\$ 1,005,434	\$ 1,128,658	\$ 123,224

As indicated above, there were no budget amendments during the year. Actual revenues were over the final budget due to public safety state aid, and expenditures were over the final budget amounts as shown above.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2023, amounts to \$29,548,463 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The City's total change in investment in capital assets is shown below.

Major capital asset events during the current fiscal year included the following:

- 2022 Street Improvement project was completed, totaling \$812,962.
- Fire tanker was completely purchased for \$309,675.
- Additions to 2024 street improvement project include \$101,694.
- Purchased a 2021 Ford F150 XLT for \$32,140.
- Purchased 2015 Ford F150 for \$23,511.
- Purchased FXR gear, gloves, boots, helmets, and hoods for fire department totaling \$15,315.
- Purchased a new hat unit at the fire hall for \$25,615.
- Purchased video and audio equipment for council chambers in the amount of \$15,319.
- Purchased new 10th St tank for \$43,296.
- Telemetry addition totaling \$28,818.

Additional information on the City's capital assets can be found in Note 3C starting on page 60 of this report.

City of Gaylord's Capital Assets
(Net of Depreciation)

	Governmental Activities			Business-type Activities			Total		Increase (Decrease)
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)	2023	2022	
Land	\$ 938,199	\$ 1,044,449	\$ (106,250)	\$ 415,563	\$ 415,563	\$ -	\$ 1,353,762	\$ 1,460,012	\$ (106,250)
Construction in Progress	704,835	869,133	(164,298)	-	66,970	(66,970)	704,835	936,103	(231,268)
Buildings and Building Improvements	1,053,984	1,095,757	(41,773)	2,917,162	3,136,682	(219,520)	3,971,146	4,232,439	(261,293)
Machinery and Equipment	956,295	700,244	256,051	213,674	211,961	1,713	1,169,969	912,205	257,764
Infrastructure and Other Improvements	9,948,170	9,824,369	123,801	11,774,831	12,183,335	(408,504)	21,723,001	22,007,704	(284,703)
Total	\$ 13,601,483	\$ 13,533,952	\$ 67,531	\$ 15,321,230	\$ 16,014,511	\$ (693,281)	\$ 28,922,713	\$ 29,548,463	\$ (625,750)
Percentage change			0.5%			-4.3%			-2.1%

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding as shown below. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Gaylord's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
General Obligation Bonds	\$ 5,447,830	\$ 5,747,339	\$ (299,509)	\$ -	\$ -	\$ -
G.O. Improvement Bonds	7,109,365	7,768,324	(658,959)	-	-	-
General Obligation Revenue Bonds	-	-	-	5,155,635	5,506,676	(351,041)
Total	\$ 12,557,195	\$ 13,515,663	\$ (958,468)	\$ 5,155,635	\$ 5,506,676	\$ (351,041)
Percentage change			-7.1%			-6.4%

The City's total debt decreased during the current fiscal year due to the retirement of debt.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is shown below.

Taxable Market Value	3 percent	Net Debt Applicable to Limit	Over/ (Under) Limit
\$ 179,086,900	\$ 5,372,607	\$ 5,155,635	\$ 216,972

Additional information on the City's long-term debt can be found in Note 3E starting on page 63 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Sibley County is currently 3.4 percent, which is lower than a year ago of 4.4 percent. The State's average unemployment rate for the same period was 2.6 percent and the national average rate was 3.5 percent.
- Property valuations within the City remain strong and growing.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget and tax levy for the 2024 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Deputy Clerk, City of Gaylord, 332 Main Avenue, Gaylord, Minnesota 55334.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF GAYLORD
GAYLORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Gaylord, Minnesota
Statement of Net Position
December 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and cash equivalents	\$ 5,587,626	\$ 2,108,883	\$ 7,696,509	\$ 312,669
Receivables				
Delinquent taxes	24,042	-	24,042	-
Accounts, net of allowance	-	199,196	199,196	-
Notes, net of allowance	10,482	-	10,482	65,661
Special assessments	1,767,381	-	1,767,381	-
Intergovernmental	77,111	4,448	81,559	-
Due from component unit	163,677	-	163,677	-
Land held for resale	864,430	-	864,430	-
Prepaid items	96,380	54,997	151,377	-
Capital assets				
Nondepreciable assets	1,643,034	415,563	2,058,597	15,000
Depreciable, net of accumulated depreciation	11,958,449	14,905,667	26,864,116	-
Total Assets	<u>22,192,612</u>	<u>17,688,754</u>	<u>39,881,366</u>	<u>393,330</u>
Deferred Outflows of Resources				
Deferred pension resources	891,402	27,801	919,203	-
Liabilities				
Accounts payable	99,881	11,459	111,340	53,896
Due to primary government	-	-	-	163,677
Due to other governments	2,428	792	3,220	-
Accrued interest payable	125,936	56,516	182,452	-
Accrued wages payable	21,138	7,524	28,662	-
Deposits payable	-	6,355	6,355	-
Noncurrent liabilities				
Due within one year				
Long-term liability	1,008,860	373,170	1,382,030	-
Noncurrent liabilities				
Due in more than one year				
Long-term liability	11,749,424	4,887,976	16,637,400	-
Net pension liability	744,766	104,629	849,395	-
Total Liabilities	<u>13,752,433</u>	<u>5,448,421</u>	<u>19,200,854</u>	<u>217,573</u>
Deferred Inflows of Resources				
Deferred pension resources	658,586	30,022	688,608	-
Net Position				
Net investment in capital assets	2,592,050	10,072,796	12,664,846	15,000
Restricted				
Debt service	3,553,986	-	3,553,986	-
Public safety	101,218	-	101,218	-
Multicultural center	18,582	-	18,582	-
Fire operations and capital improvements	393,343	-	393,343	-
Tax increment financing	-	-	-	77,208
Economic development	94,026	-	94,026	-
Unrestricted	1,919,790	2,165,316	4,085,106	83,549
Total Net Position	<u>\$ 8,672,995</u>	<u>\$ 12,238,112</u>	<u>\$ 20,911,107</u>	<u>\$ 175,757</u>

The notes to the financial statements are an integral part of this statement.

City of Gaylord, Minnesota
Statement of Activities
For the Year Ended December 31, 2023

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 646,084	\$ 101,511	\$ 262,733	\$ -
Public safety	1,138,900	216,593	186,383	168,579
Streets and highways	1,001,116	16,852	93,807	110,908
Culture and recreation	740,748	158,110	127,421	6,124
Economic development	41,730	476	27,767	-
Miscellaneous	11,557	1,580	-	-
Interest and other costs	319,769	-	-	-
Total Governmental Activities	<u>3,899,904</u>	<u>495,122</u>	<u>698,111</u>	<u>285,611</u>
Business-type Activities				
Water utility	546,380	673,441	-	-
Sewer utility	507,788	470,776	8,547	-
Refuse	191,672	201,349	-	-
Storm water	375,771	203,967	-	-
Total Business-type Activities	<u>1,621,611</u>	<u>1,549,533</u>	<u>8,547</u>	<u>-</u>
Total Primary Government	<u>\$ 5,521,515</u>	<u>\$ 2,044,655</u>	<u>\$ 706,658</u>	<u>\$ 285,611</u>
Component Unit				
Economic development	<u>\$ 156,772</u>	<u>\$ 14,372</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Tax increments
- Franchise taxes
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Other revenues
- Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (281,840)	\$ -	\$ (281,840)	\$ -
(567,345)	-	(567,345)	-
(779,549)	-	(779,549)	-
(449,093)	-	(449,093)	-
(13,487)	-	(13,487)	-
(9,977)	-	(9,977)	-
(319,769)	-	(319,769)	-
<u>(2,421,060)</u>	<u>-</u>	<u>(2,421,060)</u>	<u>-</u>
-	127,061	127,061	-
-	(28,465)	(28,465)	-
-	9,677	9,677	-
-	(171,804)	(171,804)	-
<u>-</u>	<u>(63,531)</u>	<u>(63,531)</u>	<u>-</u>
<u>(2,421,060)</u>	<u>(63,531)</u>	<u>(2,484,591)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(142,400)</u>
948,195	-	948,195	-
790,000	-	790,000	-
-	-	-	163,953
18,618	-	18,618	-
897,806	-	897,806	-
147,333	81,790	229,123	9,433
1,247	13	1,260	-
13,160	-	13,160	-
75,000	(75,000)	-	-
<u>2,891,359</u>	<u>6,803</u>	<u>2,898,162</u>	<u>173,386</u>
470,299	(56,728)	413,571	30,986
<u>8,202,696</u>	<u>12,294,840</u>	<u>20,497,536</u>	<u>144,771</u>
<u>\$ 8,672,995</u>	<u>\$ 12,238,112</u>	<u>\$ 20,911,107</u>	<u>\$ 175,757</u>

The notes to the financial statements are an integral part of this statement.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

FUND FINANCIAL STATEMENTS

CITY OF GAYLORD
GAYLORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

City of Gaylord, Minnesota

Balance Sheet
Governmental Funds
December 31, 2023

	General	Debt Service	450 Oaks Lakeside Pavilion	801 Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,068,412	\$ 2,787,361	\$ (160,102)	\$ 461,081	\$ 1,430,874	\$ 5,587,626
Receivables						
Delinquent taxes	24,042	-	-	-	-	24,042
Notes, net of allowance	-	-	-	-	10,482	10,482
Special assessments	22,085	1,590,981	-	154,315	-	1,767,381
Intergovernmental	20,888	5,174	-	-	51,049	77,111
Due from component unit	13,677	-	-	150,000	-	163,677
Land held for resale	-	531,280	-	333,150	-	864,430
Prepaid items	89,748	-	-	-	6,632	96,380
Total Assets	\$ 1,238,852	\$ 4,914,796	\$ (160,102)	\$ 1,098,546	\$ 1,499,037	\$ 8,591,129
Liabilities						
Accounts payable	\$ 40,501	\$ -	\$ 19,781	\$ -	\$ 39,599	\$ 99,881
Due to other governments	2,428	-	-	-	-	2,428
Accrued wages payable	21,138	-	-	-	-	21,138
Total Liabilities	64,067	-	19,781	-	39,599	123,447
Deferred Inflows of Resources						
Unavailable revenue						
Taxes	24,042	-	-	-	-	24,042
Special assessments	22,085	1,590,981	-	154,315	-	1,767,381
Total Deferred Inflows of Resources	46,127	1,590,981	-	154,315	-	1,791,423
Fund Balances						
Nonspendable						
Prepaid items	89,748	-	-	-	6,632	96,380
Restricted						
Public safety	101,218	-	-	-	-	101,218
Debt service	-	3,323,815	-	-	472,956	3,796,771
Multicultural center	-	-	-	-	18,582	18,582
Fire operations and capital improvements	-	-	-	-	393,343	393,343
Economic development	-	-	-	-	94,026	94,026
Committed						
Capital improvements	-	-	-	944,231	-	944,231
Cemetery operations	-	-	-	-	4,613	4,613
Ambulance operations	-	-	-	-	337,837	337,837
Fire operations	-	-	-	-	73,419	73,419
Economic development	-	-	-	-	26,837	26,837
Assigned						
Public safety equipment	-	-	-	-	175,466	175,466
Unassigned	937,692	-	(179,883)	-	(144,273)	613,536
Total Fund Balances	1,128,658	3,323,815	(179,883)	944,231	1,459,438	6,676,259
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,238,852	\$ 4,914,796	\$ (160,102)	\$ 1,098,546	\$ 1,499,037	\$ 8,591,129

The notes to the financial statements are an integral part of this statement.

City of Gaylord, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2023

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	\$ 6,676,259
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	13,601,483
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Compensated absences payable	(41,021)
Bonds payable	(12,557,195)
Unamortized premium on bonds	(160,068)
Net pension liability	(744,766)
Long-term assets are not available to pay current-period expenditures and therefore are unavailable in the funds.	
Delinquent property taxes receivable	24,042
Special assessments receivable	1,767,381
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of resources	891,402
Deferred inflows of resources	(658,586)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(125,936)</u>
Total Net Position - Governmental Activities	<u><u>\$ 8,672,995</u></u>

The notes to the financial statements are an integral part of this statement.

City of Gaylord, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	General	Debt Service	450 Oaks Lakeside Pavilion	801 Capital Improvements	Other Governmental Funds	Totals
Revenues						
Taxes	\$ 899,784	\$ 790,000	\$ -	\$ 140,000	\$ -	\$ 1,829,784
Special assessments	1,458	295,609	-	21,837	5,544	324,448
Licenses and permits	115,876	-	-	-	-	115,876
Intergovernmental	1,167,585	-	236,498	-	104,503	1,508,586
Charges for services	170,842	-	-	-	52,781	223,623
Fines and forfeits	27,960	-	-	-	-	27,960
Investment earnings	52,651	43,606	12	17,286	33,778	147,333
Miscellaneous	69,809	101,453	71,969	246,127	80,556	569,914
Total Revenues	<u>2,505,965</u>	<u>1,230,668</u>	<u>308,479</u>	<u>425,250</u>	<u>277,162</u>	<u>4,747,524</u>
Expenditures						
Current						
General government	592,386	-	-	-	-	592,386
Public safety	815,272	-	-	-	145,118	960,390
Streets and highways	340,411	-	-	-	-	340,411
Culture and recreation	599,878	-	-	-	12,568	612,446
Economic development	36,811	-	-	-	-	36,811
Miscellaneous	11,182	-	-	-	375	11,557
Capital outlay						
General government	5,801	-	-	55,278	-	61,079
Public safety	-	-	-	304,713	65,433	370,146
Streets and highways	-	-	-	43,322	122,105	165,427
Culture and recreation	6,000	-	498,869	-	1,494	506,363
Debt service						
Principal	-	958,468	-	-	-	958,468
Interest and other costs	-	325,609	-	-	-	325,609
Total Expenditures	<u>2,407,741</u>	<u>1,284,077</u>	<u>498,869</u>	<u>403,313</u>	<u>347,093</u>	<u>4,941,093</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>98,224</u>	<u>(53,409)</u>	<u>(190,390)</u>	<u>21,937</u>	<u>(69,931)</u>	<u>(193,569)</u>
Other Financing Sources (Uses)						
Transfers in	75,000	50,000	-	75,000	50,000	250,000
Sale of capital assets	-	-	-	17,250	25,000	42,250
Transfers out	(50,000)	-	-	-	(125,000)	(175,000)
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>50,000</u>	<u>-</u>	<u>92,250</u>	<u>(50,000)</u>	<u>117,250</u>
Net Change in Fund Balances	123,224	(3,409)	(190,390)	114,187	(119,931)	(76,319)
Fund Balances, January 1	<u>1,005,434</u>	<u>3,327,224</u>	<u>10,507</u>	<u>830,044</u>	<u>1,579,369</u>	<u>6,752,578</u>
Fund Balances, December 31	<u>\$ 1,128,658</u>	<u>\$ 3,323,815</u>	<u>\$ (179,883)</u>	<u>\$ 944,231</u>	<u>\$ 1,459,438</u>	<u>\$ 6,676,259</u>

The notes to the financial statements are an integral part of this statement.

City of Gaylord, Minnesota
 Reconciliation of the Statement of
 Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 Governmental Funds
 For the Year Ended December 31, 2023

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of activities are different because	
Net change in fund balances - governmental funds	\$ (76,319)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Capital outlay	1,043,534
Depreciation expense	(869,753)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	(106,250)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are delayed and amortized in the statement of activities.	
Principal repayments	958,468
Amortization of bond premiums	15,031
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(9,191)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(91,431)
Direct aid contributions	1,087
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	(72,971)
Special assessments	(316,437)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(5,469)
Change in Net Position - Governmental Activities	<u>\$ 470,299</u>

The notes to the financial statements are an integral part of this statement.

City of Gaylord, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended December 31, 2023

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 921,500	\$ 921,500	\$ 899,784	\$ (21,716)
Licenses and permits	79,500	79,500	115,876	36,376
Intergovernmental	1,033,000	1,033,000	1,167,585	134,585
Charges for services	180,900	180,900	170,842	(10,058)
Fines and forfeits	13,800	13,800	27,960	14,160
Special assessments	-	-	1,458	1,458
Investment earnings (loss)	10,000	10,000	52,651	42,651
Miscellaneous	12,300	12,300	69,809	57,509
Total Revenues	<u>2,251,000</u>	<u>2,251,000</u>	<u>2,505,965</u>	<u>254,965</u>
Expenditures				
Current				
General government	576,730	576,730	592,386	(15,656)
Public safety	738,600	738,600	815,272	(76,672)
Streets and highways	326,605	326,605	340,411	(13,806)
Culture and recreation	565,725	565,725	599,878	(34,153)
Economic development	38,240	38,240	36,811	1,429
Miscellaneous	11,100	11,100	11,182	(82)
Capital outlay				
General government	8,000	8,000	5,801	2,199
Culture and recreation	11,000	11,000	6,000	5,000
Total Expenditures	<u>2,276,000</u>	<u>2,276,000</u>	<u>2,407,741</u>	<u>(131,741)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(25,000)</u>	<u>(25,000)</u>	<u>98,224</u>	<u>123,224</u>
Other Financing Sources (Uses)				
Transfers in	75,000	75,000	75,000	-
Transfers out	(50,000)	(50,000)	(50,000)	-
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net Change in Fund Balances	-	-	123,224	123,224
Fund Balances, January 1	<u>1,005,434</u>	<u>1,005,434</u>	<u>1,005,434</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,005,434</u>	<u>\$ 1,005,434</u>	<u>\$ 1,128,658</u>	<u>\$ 123,224</u>

The notes to the financial statements are an integral part of this statement.

City of Gaylord, Minnesota
Statement of Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds				Totals
	601 Water Utility	602 Sewer Utility	604 Storm Water	Nonmajor 603 Refuse	
Assets					
Current Assets					
Cash and cash equivalents	\$ 995,485	\$ 498,474	\$ 554,344	\$ 60,580	\$ 2,108,883
Receivables					
Accounts	89,261	57,984	25,879	26,072	199,196
Intergovernmental	4,448	-	-	-	4,448
Prepaid items	41,585	13,412	-	-	54,997
Total Current Assets	<u>1,130,779</u>	<u>569,870</u>	<u>580,223</u>	<u>86,652</u>	<u>2,367,524</u>
Capital assets					
Land	120,500	154,580	140,483	-	415,563
Buildings and building improvements	1,732,550	8,122,171	-	-	9,854,721
Infrastructure and other improvements	6,027,429	3,762,034	7,996,231	-	17,785,694
Machinery and equipment	202,994	412,057	8,466	-	623,517
Less accumulated depreciation	(3,092,970)	(7,492,410)	(2,772,885)	-	(13,358,265)
Total Capital Assets (net of accumulated depreciation)	<u>4,990,503</u>	<u>4,958,432</u>	<u>5,372,295</u>	<u>-</u>	<u>15,321,230</u>
Total Assets	<u>6,121,282</u>	<u>5,528,302</u>	<u>5,952,518</u>	<u>86,652</u>	<u>17,688,754</u>
Deferred Outflows of Resources					
Deferred pension resources	10,639	10,521	6,641	-	27,801
Liabilities					
Current Liabilities					
Accounts payable	6,261	739	1,509	2,950	11,459
Due to other governments	280	-	-	512	792
Accrued interest payable	23,963	11,532	21,021	-	56,516
Accrued wages payable	2,873	2,692	1,959	-	7,524
Deposits payable	6,355	-	-	-	6,355
Compensated absences payable - current	2,369	2,369	1,396	-	6,134
Bonds payable - current	198,367	67,037	101,632	-	367,036
Total Current Liabilities	<u>240,468</u>	<u>84,369</u>	<u>127,517</u>	<u>3,462</u>	<u>455,816</u>
Noncurrent Liabilities					
Compensated absences payable	2,207	2,207	2,164	-	6,578
Bonds payable	2,090,715	920,281	1,870,402	-	4,881,398
Net pension liability	39,872	39,607	25,150	-	104,629
Total Noncurrent Liabilities	<u>2,132,794</u>	<u>962,095</u>	<u>1,897,716</u>	<u>-</u>	<u>4,992,605</u>
Total Liabilities	<u>2,373,262</u>	<u>1,046,464</u>	<u>2,025,233</u>	<u>3,462</u>	<u>5,448,421</u>
Deferred Inflows of Resources					
Deferred pension resources	11,283	11,373	7,366	-	30,022
Net Position					
Net investment in capital assets	2,701,421	3,971,114	3,400,261	-	10,072,796
Unrestricted	1,045,955	509,872	526,299	83,190	2,165,316
Total Net Position	<u>\$ 3,747,376</u>	<u>\$ 4,480,986</u>	<u>\$ 3,926,560</u>	<u>\$ 83,190</u>	<u>\$ 12,238,112</u>

The notes to the financial statements are an integral part of this statement.

City of Gaylord, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds				Totals
	601	602	604	Nonmajor 603	
	Water Utility	Sewer Utility	Storm Water	Refuse	
Operating Revenues					
Charges for services	\$ 666,488	\$ 433,566	\$ 203,967	\$ 201,349	\$ 1,505,370
Operating Expenses					
Salaries and benefits	66,811	70,813	63,565	-	201,189
Supplies	112,653	7,255	453	453	120,814
Other services and charges	56,932	87,860	32,185	191,219	368,196
Insurance	9,979	11,789	-	-	21,768
Utilities	47,687	5,573	-	-	53,260
Depreciation	196,023	296,969	229,107	-	722,099
Total Operating Expenses	<u>490,085</u>	<u>480,259</u>	<u>325,310</u>	<u>191,672</u>	<u>1,487,326</u>
Operating Income (Loss)	<u>176,403</u>	<u>(46,693)</u>	<u>(121,343)</u>	<u>9,677</u>	<u>18,044</u>
Nonoperating Revenues (Expenses)					
Intergovernmental	-	8,547	-	-	8,547
Miscellaneous income	6,953	25,432	-	-	32,385
Pension revenue	5	5	3	-	13
Investment earnings	29,158	8,874	42,873	885	81,790
Rents	-	11,778	-	-	11,778
Interest and other costs	(58,270)	(28,267)	(51,472)	-	(138,009)
Amortization of bond premiums	1,975	738	1,011	-	3,724
Total Nonoperating Revenues (Expenses)	<u>(20,179)</u>	<u>27,107</u>	<u>(7,585)</u>	<u>885</u>	<u>228</u>
Income (Loss) Before Transfers	156,224	(19,586)	(128,928)	10,562	18,272
Transfers Out	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,000)</u>
Change in Net Position	81,224	(19,586)	(128,928)	10,562	(56,728)
Net Position, January 1	<u>3,666,152</u>	<u>4,500,572</u>	<u>4,055,488</u>	<u>72,628</u>	<u>12,294,840</u>
Net Position, December 31	<u>\$ 3,747,376</u>	<u>\$ 4,480,986</u>	<u>\$ 3,926,560</u>	<u>\$ 83,190</u>	<u>\$ 12,238,112</u>

The notes to the financial statements are an integral part of this statement.

City of Gaylord, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds				Totals
	601 Water Utility	602 Sewer Utility	604 Storm Water	Nonmajor 603 Refuse	
Cash Flows from Operating Activities					
Receipts from customers	\$ 679,294	\$ 425,665	\$ 202,839	\$ 202,899	\$ 1,510,697
Payments to suppliers and vendors	(244,876)	(117,410)	(1,404)	(191,492)	(555,182)
Payments to and on behalf of employees	(76,379)	(75,848)	(51,713)	-	(203,940)
Other receipts	6,958	37,215	3	-	44,176
Net Cash Provided (Used) by Operating Activities	<u>364,997</u>	<u>269,622</u>	<u>149,725</u>	<u>11,407</u>	<u>795,751</u>
Cash Flows from Noncapital Financing Activities					
Transfers to other funds	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,000)</u>
Cash Flows from Capital And Related Financing Activities					
Acquisition of capital assets	(13,472)	(33,915)	(29,727)	-	(77,114)
Principal paid on long-term debt	(194,422)	(64,524)	(92,095)	-	(351,041)
Interest paid on long-term debt	(59,863)	(28,882)	(52,109)	-	(140,854)
Intergovernmental revenue	-	8,547	-	-	8,547
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(267,757)</u>	<u>(118,774)</u>	<u>(173,931)</u>	<u>-</u>	<u>(560,462)</u>
Cash Flows from Investing Activities					
Interest received on investments	<u>29,158</u>	<u>8,874</u>	<u>42,873</u>	<u>885</u>	<u>81,790</u>
Net Increase in Cash and Cash Equivalents	51,398	159,722	18,667	12,292	242,079
Cash and Cash Equivalents, January 1	<u>944,087</u>	<u>338,752</u>	<u>535,677</u>	<u>48,288</u>	<u>1,866,804</u>
Cash and Cash Equivalents, December 31	<u>\$ 995,485</u>	<u>\$ 498,474</u>	<u>\$ 554,344</u>	<u>\$ 60,580</u>	<u>\$ 2,108,883</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 176,403	\$ (46,693)	\$ (121,343)	\$ 9,677	\$ 18,044
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	6,958	37,215	3	-	44,176
Depreciation	196,023	296,969	229,107	-	722,099
(Increase) decrease in assets					
Accounts receivable	16,819	(7,901)	(1,128)	1,550	9,340
Due from other governments	(4,013)	-	-	-	(4,013)
Prepaid items	(22,297)	(6,907)	-	-	(29,204)
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	13,869	12,592	1,248	-	27,709
Increase (decrease) in liabilities					
Accounts payable	4,729	1,974	31,234	250	38,187
Due to other governments	(57)	-	-	(70)	(127)
Accrued wages payable	(1,641)	183	1,182	-	(276)
Compensated absences payable	132	132	428	-	692
Net pension liability	(31,643)	(27,837)	2,133	-	(57,347)
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	9,715	9,895	6,861	-	26,471
Net Cash Provided (Used) by Operating Activities	<u>\$ 364,997</u>	<u>\$ 269,622</u>	<u>\$ 149,725</u>	<u>\$ 11,407</u>	<u>\$ 795,751</u>
Noncash Investing, Capital and Financing Activities					
Amortization of bond (premium) discount	<u>\$ (1,975)</u>	<u>\$ (738)</u>	<u>\$ (1,011)</u>	<u>\$ -</u>	<u>\$ (3,724)</u>

The notes to the financial statements are an integral part of this statement.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Gaylord (the City) operates under the "Optional Plan A" as defined in the Minnesota statutes. The City is governed by an elected Mayor and a five-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. Also the City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City. The discretely presented component unit has a December 31 year end.

Discretely Presented Component Unit. The Gaylord Economic Development Authority (the EDA) was created pursuant to Minnesota statutes, 469.090 through 469.108, to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the Council. The five-member Board consists of two Council members and three other Council approved members. The EDA may not exercise any of the powers enumerated by Minnesota statutes without prior approval of the Council. The EDA is presented as a discretely presented component unit as the Board makeup of the entity is not substantially the same as the City Council.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The *Oaks Lakeside Pavilion fund* accounts for the costs associated with the Oaks Lakeside Pavilion projects.

The *Capital Improvements fund* accounts for expenditures related to various capital purchases.

The City reports the following major proprietary funds:

The *Water Utility enterprise fund* accounts for costs associated with the City's water system and insures that user charges are sufficient to pay for those costs.

The *Sewer Utility enterprise fund* accounts for the costs associated with the City's sewer system and insures that user charges are sufficient to pay for those costs.

The *Storm Water enterprise fund* accounts for the costs associated with the City's storm water system and insures that user charges are sufficient to pay for those costs.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources and Net Position or Equity

Deposits and Investments

The City's cash and temporary investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statements of Cash Flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Note 1: Summary of Significant Accounting Policies (Continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of December 31, 2023:

- Negotiable certificates of deposits of \$2,679,486 are valued using a matrix pricing model (Level 2 inputs)
- US Treasury securities of \$274,960 are valued using quoted market prices (Level 1 inputs)

Broker money market accounts operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

Investment Policy

All city investments and deposits shall be those allowable by Minnesota statutes, chapter 118A and amendments thereto. In accordance with Minnesota statutes 118A, collateralization will be required on all demand deposit accounts, including checking, savings, and money market accounts, and non-negotiable certificates of deposits in excess of federal deposit insurance. The investment portfolio shall remain sufficiently liquid to meet projected disbursement requirements. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.

Property Taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2023. The City annually certifies delinquent utility accounts to the County for collection. As a result, there is no allowance for uncollectible accounts.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 except for infrastructure which ranges from \$25,000 to \$100,000 and an estimated useful life in excess of one year. Such purchased assets are recorded at historical cost or estimated historical cost if historical cost is not available. Assets acquired prior to 1986 are recorded at estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

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

Major outlays for capital assets and improvement are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Land and Land Improvements	15 - 20
Other Improvements	7 - 20
Buildings and Building Improvements	7 - 40
Machinery and Equipment	5 - 15
Vehicles	5 - 15
Infrastructure	15 - 50

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Compensated Absences

It is the government’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Sick pay benefits will get paid out on a vested basis, starting after 10 years of service with the City. All sick leave benefits will be accrued once employees hit the 10 year threshold. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences liability at year end is shown in the chart below for governmental and business-type activities. The General fund is typically used to liquidate governmental compensated absences.

	Governmental Activities	Business-type Activities	Total
Compensated absences	\$ 41,021	\$ 12,712	\$ 53,733

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are delayed and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

Pensions

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

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

The total pension expense for the GERP, PEPFP and Gaylord Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total All Plans
	GERP	PEPFP		
City's proportionate share	\$ 83,444	\$ 112,464	\$ 27,198	\$ 223,106
Proportionate share of State's contribution	51	(914)	-	(863)
Total pension expense	\$ 83,495	\$ 111,550	\$ 27,198	\$ 222,243

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, one of which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

Note 1: Summary of Significant Accounting Policies (Continued)

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 40 percent of budgeted operating expenditures for cash-flow timing needs.

Net Position

Net position represents the difference between assets, liabilities and deferred inflow of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General, Cemetery, Ambulance and Fire Department Operations fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the Administrator/Clerk so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Administrator/Clerk. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. There were no budget amendments during the year.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2023 expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 2,276,000	\$ 2,407,741	\$ 131,741
Special Revenue			
Fire Department Operating	118,700	159,528	40,828

These excess expenditures were funded by an excess of revenues over budget.

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2023:

Fund	Amount
Major	
Oaks Lakeside Pavilion	\$ 179,883
Nonmajor	
Capital Projects	
CSAH 21 Reroute Project	42,478
2024 Street Improvement	101,795

The above deficits will be eliminated through transfers from other funds, contributions and future bond issuances.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, which the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

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

At year end, the City's carrying amount of deposits, the bank balance, bank balance, FDIC coverage and pledged collateral are shown in the chart below.

Carrying amount of deposits	\$ 5,022,175
Bank balance	\$ 5,129,195
Covered by FDIC	<u>(500,000)</u>
Collateralized with securities pledged in City's name	<u>\$ 4,629,195</u>

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

Investments

As of December 31, 2023 the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

Types of Investments	Credit Quality Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled Investments at Amortized Costs					
Broker Money Market Funds	N/A	less than 1 year	\$ 32,557	\$ -	\$ -
Non-pooled Investments at Fair Value					
U.S. Treasury Bonds	N/A	Less than 1 year	274,960	274,960	-
Negotiable certificates of deposit	N/A	Less than 1 year	487,665	-	487,665
Negotiable certificates of deposit	N/A	1 to 5 years	2,191,821	-	2,191,821
Total Investments			\$ 2,987,003	\$ 274,960	\$ 2,679,486

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

The investments of the City are subject to the following risks:

- **Credit Risk.** Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments.
- **Custodial Credit Risk.** The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City typically limits its exposure by purchasing insured or registered investments.
- **Concentration of Credit Risk.** Is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer.
- **Interest Rate Risk.** Is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to less than five years.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

Cash and Investments Summary

A reconciliation of cash and investments as shown on the Statement of Net position for the City, including the component unit, follows:

	Primary Government	Component Unit - EDA	Total Reporting Entity
Deposits	\$ 4,709,506	\$ 312,669	\$ 5,022,175
Investments	2,987,003	-	2,987,003
Total Cash and Cash Equivalents	\$ 7,696,509	\$ 312,669	\$ 8,009,178

B. Receivables

Small Cities Development Program Loans

The City has a Small Cities Development Program Grant through the Minnesota Department of Trade and Economic Development. Loans are made to eligible homeowners to assist with home purchases and improvements. The City will collect these loans if there is an ownership change of the improved property. If the homeowners do not sell their property over a ten year period the loans are forgiven. There is an allowance for the full amount of the loans of \$457,843.

The City also has Small Cities Development Program Grant loans to various local businesses totaling \$33,000. The City will collect these loans over a 10 year period with annual interest at 3 percent. There is an allowance for these loans in the amount of \$33,000.

Commercial Loans

The EDA currently has loans to various local businesses totaling \$50,014 at December 31, 2023. Monthly payments on the notes total approximately \$1,130 including interest at 4 percent to 5 percent with payback period of 10 years. The loans are secured by real estate.

The City currently has a loan program for commercial building renovation. Tier 2 of these loans totals \$10,482 at December 31, 2023. These loans are 2.75 percent interest loans with a payback period of 16 years.

Housing Development Loans

The EDA currently has loans to various local homeowners totaling \$64,858, with an allowance for bad loans for the same amount at December 31, 2023. The loans are secured by real estate, and are interest free if homeowners live in the house for at least 10 years. The loans are secured by real estate.

The EDA also has a loan program for down payment assistance. These loans totaled \$15,647 at December 31, 2023. Monthly payments on the notes total approximately \$55 including interest at 4 percent with payback period of 15 years.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2023 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,044,449	\$ -	\$ (106,250)	\$ 938,199
Construction in progress	869,133	891,369	(1,055,667)	704,835
Total capital assets not being depreciated	<u>1,913,582</u>	<u>891,369</u>	<u>(1,161,917)</u>	<u>1,643,034</u>
Capital assets being depreciated				
Buildings and building improvements	2,236,126	25,915	-	2,262,041
Infrastructure and other improvements	19,035,212	745,993	-	19,781,205
Machinery and equipment	3,453,619	435,924	(88,051)	3,801,492
Total capital assets being depreciated	<u>24,724,957</u>	<u>1,207,832</u>	<u>(88,051)</u>	<u>25,844,738</u>
Less accumulated depreciation for				
Buildings and building improvements	(1,140,369)	(67,688)	-	(1,208,057)
Infrastructure and other improvements	(9,210,843)	(622,192)	-	(9,833,035)
Machinery and equipment	(2,753,375)	(179,873)	88,051	(2,845,197)
Total accumulated depreciation	<u>(13,104,587)</u>	<u>(869,753)</u>	<u>88,051</u>	<u>(13,886,289)</u>
Total capital assets being depreciated, net	<u>11,620,370</u>	<u>338,079</u>	<u>-</u>	<u>11,958,449</u>
Governmental activities capital assets, net	<u>\$ 13,533,952</u>	<u>\$ 1,229,448</u>	<u>\$ (1,161,917)</u>	<u>\$ 13,601,483</u>

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 415,563	\$ -	\$ -	\$ 415,563
Construction in progress	66,970	-	(66,970)	-
Total capital assets not being depreciated	<u>482,533</u>	<u>-</u>	<u>(66,970)</u>	<u>415,563</u>
Capital assets being depreciated				
Buildings and building improvements	9,854,721	-	-	9,854,721
Infrastructure and other improvements	17,718,724	66,970	-	17,785,694
Machinery and equipment	594,699	28,818	-	623,517
Total capital assets being depreciated	<u>28,168,144</u>	<u>95,788</u>	<u>-</u>	<u>28,263,932</u>
Less accumulated depreciation for				
Buildings and building improvements	(6,718,039)	(219,520)	-	(6,937,559)
Infrastructure and other improvements	(5,535,389)	(475,474)	-	(6,010,863)
Machinery and equipment	(382,738)	(27,105)	-	(409,843)
Total accumulated depreciation	<u>(12,636,166)</u>	<u>(722,099)</u>	<u>-</u>	<u>(13,358,265)</u>
Total capital assets being depreciated, net	<u>15,531,978</u>	<u>(626,311)</u>	<u>-</u>	<u>14,905,667</u>
Business-type activities capital assets, net	<u>\$ 16,014,511</u>	<u>\$ (626,311)</u>	<u>\$ (66,970)</u>	<u>\$ 15,321,230</u>

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

Governmental activities		
General government		\$ 21,394
Public safety		127,842
Streets and highways		615,248
Culture and recreation		103,654
Economic development		1,615
Total depreciation expense - governmental activities		<u>\$ 869,753</u>
Business-type activities		
Water utility		\$ 196,023
Sewer utility		296,969
Storm water		229,107
Total depreciation expense - business-type activities		<u>\$ 722,099</u>

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit

Capital assets activity for the Economic Development Authority for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000

Construction Commitments

The City has active construction projects as of December 31, 2023. The projects include various street and road improvements and public facilities projects. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Oak Lakeside Pavilion	\$ 414,184	\$ 56,296

D. Interfund Receivables, Payables and Transfers

Due to/from Component Unit

The City has also authorized interfund loans between TIF 6-1, TIF Cattail Estates, and new TIF fund and the Capital Improvement fund costs for the districts. The balance of these interfund loans are \$75,000 and 75,000, respectively.

The City has interfund due to/from other funds between several TIF funds of the EDA and the General fund to eliminate cash deficits in these funds totaling \$13,677.

Interfund Transfers

	Transfers in				Total
	General Fund	Debt Service	Capital Improvements	Other Governmental Funds	
Transfers Out					
General	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000
Other Governmental Funds	-	50,000	75,000	-	125,000
Water Utility	75,000	-	-	-	75,000
Total	\$ 75,000	\$ 50,000	\$ 75,000	\$ 50,000	\$ 250,000

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

For the year ended December 31, 2023, the primary government made the following transfers:

- From the Water Utility fund of \$75,000 to the General fund for future capital improvements.
- From the General Fund of \$50,000 to the Fire Department Operating fund for the purchase of the 2023 Tender Fire Truck.
- From the Nursing Home Fund of \$50,000 to the Debt Service fund for debt service payments.
- From the Special Fire Fund of \$75,000 to the Capital Fund to finance the purchase of the 2023 Tender Fire Truck.

E. Long-term Debt

Primary Government Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Crossover Refunding Bonds of 2017A	\$ 450,000	3.0 - 3.1 %	03/30/17	02/01/32	\$ 355,000
G.O. Bonds of 2019A	1,560,000	2.0 - 3.0	12/11/19	02/01/40	1,320,000
G.O. Bonds of 2020B RS Fiber Project	1,909,201	2.0 - 2.81	12/15/20	02/01/37	1,707,830
G.O. Improvement Bonds of 2021B	2,140,000	2.00	02/01/21	02/01/42	<u>2,065,000</u>
Total G.O. Bonds					<u><u>\$ 5,447,830</u></u>

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2024	\$ 320,783	\$ 118,765	\$ 439,548
2025	328,332	113,444	441,776
2026	325,882	107,288	433,170
2027	337,156	100,170	437,326
2028	339,705	92,776	432,481
2029 - 2033	1,786,760	344,673	2,131,433
2034 - 2038	1,389,212	149,070	1,538,282
2039 - 2042	620,000	23,900	643,900
Total	\$ 5,447,830	\$ 1,050,086	\$ 6,497,916

G.O. Special Assessment (Improvement) Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2015A	\$ 5,627,000	2.00 - 3.25 %	03/02/15	02/01/36	\$ 3,391,271
G.O. Improvement Bonds of 2017A	1,717,120	3.00 - 3.10	03/30/17	02/01/32	1,142,393
G.O. Improvement Bonds of 2018B	1,245,000	2.35 - 4.00	06/05/18	02/01/39	1,055,000
G.O. Improvement Bonds of 2021A	1,723,197	2.00	01/20/21	02/01/36	1,520,701
Total G.O. Special Assessment Bonds					\$ 7,109,365

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for general obligation assessment bonds are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
2024	\$ 662,965	\$ 173,468	\$ 836,433
2025	691,708	158,089	849,797
2026	710,414	141,461	851,875
2027	721,600	123,681	845,281
2028	741,371	104,752	846,123
2029 - 2033	2,255,793	318,139	2,573,932
2034 - 2038	1,240,514	81,477	1,321,991
2039	85,000	1,488	86,488
Total	\$ 7,109,365	\$ 1,102,555	\$ 8,211,920

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2015A	\$ 2,213,000	2.00 - 3.25 %	03/02/15	02/01/36	\$ 1,333,729
G.O. Crossover Refunding Bonds of 2017A	682,880	3.00 - 3.10	03/30/17	02/01/32	457,609
G.O. Improvement Bonds of 2018A	2,005,000	2.30 - 4.00	06/05/18	02/01/39	1,690,000
G.O. Improvement Bonds of 2021A	446,803	2.00	01/20/21	02/01/42	394,297
G.O. Improvement Bonds of 2021B	1,325,000	2.00	06/21/21	02/01/42	1,280,000
Total G.O. Revenue Bonds					\$ 5,155,635

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2024	\$ 367,036	\$ 131,929	\$ 498,965
2025	378,293	124,321	502,614
2026	389,587	115,594	505,181
2027	398,401	105,687	504,088
2028	408,630	95,224	503,854
2029 - 2033	1,524,208	343,567	1,867,775
2034 - 2038	1,244,480	148,181	1,392,661
2039 - 2042	445,000	15,300	460,300
Total	\$ 5,155,635	\$ 1,079,803	\$ 6,235,438

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2023 was as follows:

	Beginning Balance As Restated	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 5,747,339	\$ -	\$ (299,509)	\$ 5,447,830	\$ 320,783
General obligation special assessment bonds	7,768,324	-	(658,959)	7,109,365	662,965
Unamortized bond premiums	175,099	-	(15,031)	160,068	-
Total Bonds Payable	<u>13,690,762</u>	<u>-</u>	<u>(973,499)</u>	<u>12,717,263</u>	<u>983,748</u>
Compensated Absences payable	35,552	41,220	(35,751)	41,021	25,112
Governmental Activities Long-term Liabilities	<u>\$ 13,726,314</u>	<u>\$ 41,220</u>	<u>\$ (1,009,250)</u>	<u>\$ 12,758,284</u>	<u>\$ 1,008,860</u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 5,506,676	\$ -	\$ (351,041)	\$ 5,155,635	\$ 367,036
Unamortized bond premium	96,523	-	(3,724)	92,799	-
Total Bonds Payable	<u>5,603,199</u>	<u>-</u>	<u>(354,765)</u>	<u>5,248,434</u>	<u>367,036</u>
Compensated Absences payable	12,020	8,595	(7,903)	12,712	6,134
Business-type Activities Long-term Liabilities	<u>\$ 5,615,219</u>	<u>\$ 8,595</u>	<u>\$ (362,668)</u>	<u>\$ 5,261,146</u>	<u>\$ 373,170</u>

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

B. Benefits Provided

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

General Employee Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Police and Fire Plan Benefits

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

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

C. Contributions

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2023, 2022 and 2021 were \$44,221, \$41,454 and \$35,142, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2023, 2022 and 2021 were \$53,584, \$48,137 and \$47,094, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$408,208 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$11,251. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0073 percent at the end of the measurement period and 0.0071 percent for the beginning of the period.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

City Proportionate Share of the Net Pension Liability	\$ 408,208
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>11,251</u>
Total	<u>\$ 419,459</u>

For the year ended December 31, 2023, the City recognized pension expense of \$83,444 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$51 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2023, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 13,317	\$ 2,542
Changes in Actuarial Assumptions	59,927	111,886
Net Difference Between Projected and Actual Investment Earnings	-	6,020
Changes in Proportion	13,258	-
Contributions Paid to PERA Subsequent to the Measurement Date	<u>20,993</u>	<u>-</u>
Total	<u>\$ 107,495</u>	<u>\$ 120,448</u>

The \$20,993 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 18,483
2025	(51,671)
2026	8,098
2027	(8,856)
2028	-
Thereafter	-

Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$376,458 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0218 percent at the end of the measurement period and 0.0224 percent for the beginning of the period.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense of \$112,464 for its proportionate share of the Police and Fire Plan’s pension expense. In addition, the City recognized an additional -\$914 as pension expense (grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$1,962 for the year ended December 31, 2023 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund.

At December 31, 2023, the City reported its proportionate share of the Police and Fire Plan’s deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 104,526	\$ -
Changes in Actuarial Assumptions	445,469	529,225
Net Difference Between Projected and Actual Investment Earnings	-	14,175
Changes in Proportion	5,884	24,760
Contributions Paid to PERA Subsequent to the Measurement Date	24,769	-
Total	\$ 580,648	\$ 568,160

The \$24,769 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 11,632
2025	4,930
2026	91,888
2027	(27,329)
2028	(93,402)
Thereafter	-

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

E. Long-term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

F. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1.00 percent for the the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan is based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.5 percent to 7.0 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014 was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023 prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees and Police and Fire Funds were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

H. Pension Liability Sensitivity

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

	<u>1 Percent Decrease (6.0%)</u>	<u>Current (7.0%)</u>	<u>1 Percent Increase (8.0%)</u>
General Employees Fund	\$ 722,152	\$ 408,208	\$ 149,976
Police and Fire Fund	746,937	376,458	71,874

I. Pension Plan Fiduciary Net Position

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

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 5: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

The Gaylord Fire Department (the Department) participates in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2023, the plan covered 25 active firefighters and 1 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota statutes, chapter 353g. The Department switched to this plan in 2022.

B. Benefits Provided

A firefighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$30,960 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2023, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2023 were \$30,960. The City's contributions were equal to the required contributions as set by state statute. The City made voluntary contributions to the plan of \$5,200. The firefighter has no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2023, the City reported a net pension liability of \$64,729 for the Volunteer Firefighter Fund. The net pension liability was measured as of December 31, 2022. The total pension liability used to calculate the net pension liability in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2023	\$ 539,547	\$ 474,818	\$ 64,729
Ending Balance December 31, 2023	<u>\$ 539,547</u>	<u>\$ 474,818</u>	<u>\$ 64,729</u>

For the year ended December 31, 2023, the City recognized pension expense of \$36,160.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

At December 31, 2023, the City reported its deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 110,270	\$ -
Net Difference Between Projected and Actual Earnings on Plan Investments	84,630	-
Contributions to Plan Subsequent to the Measurement Date	36,160	-
Total	\$ 231,060	\$ -

Deferred outflows of resources totaling \$36,160 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2024	\$ 48,727
2025	48,725
2026	48,725
2027	48,723

E. Actuarial Assumptions

The total pension liability at December 31, 2023 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at the Later of Age 50 or 20 Years of Service	
Inflation	2.5% per year
Investment Rate of Return	5.00%

There was the following changes in actuarial assumptions in 2023:

- There have been no changes since the prior valuation.

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

G. Pension Liability Sensitivity

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate one percent lower or one percent higher than the current discount rate:

	Sensitivity of the NPL		
	1 Percent Decrease (4.00%)	Current (5.00%)	1 Percent Increase (6.00%)
	Single Employer Pension Plan	\$ 72,735	\$ 64,729

H. Asset Allocation

The long-term expected rate of return on pension plan investments was set based on the plan's target investment allocation along with long-term return expectations by asset class. All economic assumptions were based on input from various published sources and projected future financial data available.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Allocation at Measurement Date	Long-term Expected Real Rate of Return	Long-term Expected Nominal Rate of Return
Domestic Equity	36.00 %	4.76 %	7.26 %
International Equity	4.00	5.41	7.91
Fixed Income	17.00	2.01	4.51
Real Estate and Alternatives	1.00	4.53	7.03
Cash and Equivalents	42.00	0.74	3.24
Total	100.00 %		5.48
Reduced for assumed investment expense			(0.50)
Net assumed investment return (weighted average, rounded to 1/4%)			5.00

I. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Gaylord Fire Relief Association, 200 East Highway 5, Gaylord, MN 55334.

Note 6: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 6: Other Information (Continued)

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

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2023, the City is under the legal debt margin.

D. Tax Increment District

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

E. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota via the Local Government Aid (LGA) program. The amount received in 2023 was \$897,806 which accounted for 36 percent of General fund revenues.

F. Joint Powers Agreements

In October of 1984, the Cities of Gaylord, Arlington, Gibbon and Winthrop entered into a joint powers agreement for monitoring and operating the activities of cable communications within the four Cities. The public agency created under the joint powers agreement to manage this activity is known as the Gaylord/Arlington/Gibbon/Winthrop Cable Communications Commission (the Commission). The Commission consists of eight directors, of which each member Council is responsible for appointing two directors to the Commission.

Property ownership is only determinable in the event of the Commission's dissolution. In the event of dissolution, after payment of obligations, remaining assets would be distributed among the existing members in proportion to the most recent member by member breakdown of the franchise fees as reported by the Grantee. As of December 31, 2015, the City's only equity interest in the Commission is the residual interest upon such dissolution and thus the City reports no equity interest in the Commission.

During 2014, the City of Gaylord entered into a joint powers agreement with several surrounding cities and townships for a high-speed fiber-optic connection project known as the RS Fiber Cooperative (the Cooperative). The Cooperative will be funded by various sources including the issuance of a Tax Abatement Bond by the City of Winthrop, the Cooperative's fiscal agent. Consequently, the Cooperative's members will be responsible for any shortfall of revenues based on the members' appropriate percentage share. This Bond was refunded with the 2020B funds on December 15, 2020. The bond payments for 2023 were principal of \$104,509 and interest \$40,454 that was paid directly to the bond agent.

PROPOSAL FORM

TO: City of Gaylord, Minnesota
 C/O Northland Securities, Inc.
 150 South 5th Street, Suite 3300
 Minneapolis, Minnesota 55402
 Phone: 612-851-5900, Fax: 612-851-5918
 Email: PublicSale@northlandsecurities.com

Sale Date: June 26, 2024

For all or none of the \$2,135,000* General Obligation Bonds, Series 2024A, in accordance with the Notice of Sale, we will pay you \$ _____, (not less than \$2,135,280) plus accrued interest, if any, to date of delivery (estimated to be July 25, 2024) for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Interest Rate</u>	<u>Yield</u>
2026	_____ %	_____ %	2033	_____ %	_____ %	2040	_____ %	_____ %
2027	_____ %	_____ %	2034	_____ %	_____ %	2041	_____ %	_____ %
2028	_____ %	_____ %	2035	_____ %	_____ %	2042	_____ %	_____ %
2029	_____ %	_____ %	2036	_____ %	_____ %	2043	_____ %	_____ %
2030	_____ %	_____ %	2037	_____ %	_____ %	2044	_____ %	_____ %
2031	_____ %	_____ %	2038	_____ %	_____ %	2045	_____ %	_____ %
2032	_____ %	_____ %	2039	_____ %	_____ %			

True interest percentage: _____ %

Net interest cost: \$ _____

Term Bond Option: Bonds maturing in the years:

_____ through _____
 _____ through _____
 _____ through _____
 _____ through _____
 _____ through _____

To be accumulated into a Term Bond maturing in year:

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in the bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds.

As set forth in the Notice of Sale, this bid shall not be cancelled in the event that the competitive sale requirements are not satisfied. The City may determine to apply the Hold-the-Offering-Price Rule to the Bonds (such terms are used as described in the Notice of Sale).

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

A Good Faith Deposit in the amount as stated in the Notice of Sale in the form of a federal wire transfer payable to the order of the City will only be required from the apparent winning bidder, and must be received within two hours after the receipt of the bids. Award of the Bonds will be on the basis of True Interest Cost (TIC).

Account Members:

Account Manager: _____ By: _____

The foregoing proposal is hereby duly accepted by and on behalf of the City of Gaylord, Minnesota at 7:00 PM on June 26, 2024.

 Administrator

 Mayor

* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.