PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 2, 2024

NEW ISSUE — **BOOK ENTRY ONLY**
NOT BANK QUALIFIED — **S&P GLOBAL RATINGS RATING "AA"**

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.

OTSEGO ECONOMIC DEVELOPMENT AUTHORITY, MINNESOTA
$17,860,000*
Lease Revenue Bonds, Series 2024A (City of Otsego, Minnesota Lease with Option to Purchase Project)

Dated Date: Date of Delivery (Estimated to be December 30, 2024) — **Interest Due: Each February 1 and August 1 Commencing August 1, 2025**

Principal is due on the dates and in the amounts as shown on the inside cover.

The Lease Revenue Bonds, Series 2024A (City of Otsego, Minnesota Lease with Option to Purchase Project) (the "Bonds" or the "Issue") are being issued pursuant to Minnesota Statutes, Sections 469.090 through 469.1082 and 465.71, as amended, a Lease Agreement, dated as of December 1, 2024 (the "Lease"), between the Otsego Economic Development Authority, Minnesota (the "EDA," "Landlord" or "Issuer") and City of Otsego (the "City" or "Tenant"), an Indenture of Trust, dated as of December 1, 2024, between the EDA and U.S. Bank Trust Company, National Association, St. Paul, Minnesota, as Trustee (the "Trustee"), a Ground Lease dated as of December 1, 2024 between the City as Lessor and the EDA as Lessee, and a resolution adopted by the EDA's Board of Commissioners on December 9, 2024 (the "Resolution"). Proceeds of the Bonds will be used to finance the construction of a fire and emergency services building, and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are special limited obligations of the EDA and do not constitute an indebtedness of the EDA nor give rise to a charge against the general credit or taxing powers of the EDA. Neither the full faith and credit nor the taxing powers of the EDA, the City, or any other governmental entity is pledged for the payment of principal or interest thereon. The Bonds are payable solely from Rental Payments (the "Rental Payments") to be made by the City to the EDA pursuant to a Lease Agreement, dated as of December 1, 2024 (the "Lease"). See *Security/Sources and Uses of Funds* herein for additional information.

The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 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, 2027. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing August 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 and Trustee will be U.S. Bank Trust Company, National Association, St. Paul, Minnesota.

Proposals: Monday, December 9, 2024 10:00 A.M., Central Time
Award: Monday, December 9, 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 $17,547,450 (98.25%) and accrued interest on the total principal amount of the Bonds. **Bids will <u>not</u> 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 $357,200, in the form of a federal wire transfer payable to the order of the EDA, 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.

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OTSEGO ECONOMIC DEVELOPMENT AUTHORITY, MINNESOTA
$17,860,000*
Lease Revenue Bonds, Series 2024A (City of Otsego, Minnesota Lease with Option to Purchase Project)

Dated Date: Date of Delivery (Estimated to be December 30, 2024)

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

*Maturity**	*Amount**	*Rate*	*Yield*	*Price*	*Maturity**	*Amount**	*Rate*	*Yield*	*Price*
2/1/2027	$630,000	_____%	_____%	_____	2/1/2037	$875,000	_____%	_____%	_____
2/1/2028	650,000	_____	_____	_____	2/1/2038	910,000	_____	_____	_____
2/1/2029	670,000	_____	_____	_____	2/1/2039	945,000	_____	_____	_____
2/1/2030	690,000	_____	_____	_____	2/1/2040	985,000	_____	_____	_____
2/1/2031	715,000	_____	_____	_____	2/1/2041	1,025,000	_____	_____	_____
2/1/2032	735,000	_____	_____	_____	2/1/2042	1,070,000	_____	_____	_____
2/1/2033	760,000	_____	_____	_____	2/1/2043	1,115,000	_____	_____	_____
2/1/2034	790,000	_____	_____	_____	2/1/2044	1,160,000	_____	_____	_____
2/1/2035	815,000	_____	_____	_____	2/1/2045	1,210,000	_____	_____	_____
2/1/2036	845,000	_____	_____	_____	2/1/2046	1,265,000	_____	_____	_____

* Preliminary, subject to change.

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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 DECEMBER 30, 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 EDA 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 EDA 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 EDA 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

Otsego Economic Development Authority, Minnesota
$17,860,000 *
Lease Revenue Bonds, Series 2024A (City of Otsego, Minnesota Lease with Option to Purchase Project)
(Book-Entry Only)

AMOUNT -	$17,860,000
ISSUER -	Otsego Economic Development Authority, Minnesota (the “EDA” or the “Issuer”)
AWARD DATE -	December 9, 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 -	Lease Revenue Bonds, Series 2024A (City of Otsego, Minnesota Lease with Option to Purchase Project), Series 2024A (the “Bonds” or the “Issue”)
AUTHORITY, PURPOSE & SECURITY -	The Lease Revenue Bonds, Series 2024A (City of Otsego, Minnesota Lease with Option to Purchase Project) (the “Bonds” or the “Issue”) are being issued pursuant to Minnesota Statutes, Sections 469.090 through 469.1082 and 465.71, as amended, a Lease Agreement, dated as of December 1, 2024 (the “Lease”), between the Otsego Economic Development Authority, Minnesota (the “EDA,” “Landlord” or “Issuer”) and City of Otsego (the “City” or “Tenant”), an Indenture of Trust, dated as of December 1, 2024, between the EDA and U.S. Bank Trust Company, National Association, St. Paul, Minnesota, as Trustee (the “Trustee”), a Ground Lease dated as of December 1, 2024 between the City as Lessor and the EDA as Lessee, and a resolution adopted by the EDA’s Board of Commissioners on December 9, 2024 (the “Resolution”). Proceeds of the Bonds will be used to finance the construction of a fire and emergency services building, and to pay costs associated with issuance of the Bonds. **The Bonds are special limited obligations of the EDA and do not constitute an indebtedness of the EDA nor give rise to a charge against the general credit or taxing powers of the EDA. Neither the full faith and credit nor the taxing powers of the EDA, the City, or any other governmental entity is pledged for the payment of principal or interest thereon.** The Bonds are payable solely from Rental Payments (the “Rental Payments”) to be made by the City to the EDA pursuant to a Lease Agreement, dated as of December 1, 2024 (the “Lease”). See *Authority and Purpose* as well as *Security/Sources and Uses of Funds* herein for additional information.
DATE OF ISSUE -	Date of Delivery (Estimated to be December 30, 2024)
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing August 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* -

2/1/2027	$630,000	2/1/2032	$735,000	2/1/2037	$875,000	2/1/2042	$1,070,000
2/1/2028	650,000	2/1/2033	760,000	2/1/2038	910,000	2/1/2043	1,115,000
2/1/2029	670,000	2/1/2034	790,000	2/1/2039	945,000	2/1/2044	1,160,000
2/1/2030	690,000	2/1/2035	815,000	2/1/2040	985,000	2/1/2045	1,210,000
2/1/2031	715,000	2/1/2036	845,000	2/1/2041	1,025,000	2/1/2046	1,265,000

REDEMPTION -	The Bonds maturing on February 1, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 and on any date thereafter at a price of par plus accrued interest. See *Description of the Bonds* herein for additional information.
EXTRAORDINARY REDEMPTION -	The Bonds are subject to Extraordinary Redemption. See *Description of the Bonds* 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/ TRUSTEE -	U.S. Bank Trust Company, National Association, St. Paul, Minnesota
TAX DESIGNATIONS -	NOT Private Activity Bonds - The Bonds are not “private activity bonds” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”). Not Bank Qualified Tax-Exempt Obligations - The EDA will not 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 EDA received an underlying rating of “AA” from S&P Global Ratings (“S&P”). See *Bond Rating* herein for additional information.
CLOSING -	Estimated to be December 30, 2024
PRIMARY CONTACTS -	Adam Flaherty, Executive Director, Otsego Economic Development Authority, Minnesota 763-235-3161 Jessica Green, Managing Director, Northland Securities, Inc., 612-851-5930

* Preliminary, subject to change.

OTSEGO ECONOMIC DEVELOPMENT AUTHORITY, MINNESOTA

PRINCIPAL EDA OFFICIALS

Elected Officials	EDA Board	
Name	*Position*	*Term Expires*
Jessica Stockamp	President	12/31/2024
Tina Goede	Vice President	12/31/2026
Ryan Dunlap	Treasurer	12/31/2026
Brittany Moores	Assistant Treasurer	12/31/2024
Audra Etzel	Secretary	12/31/2024

PRINCIPAL CITY OFFICIALS

Elected Officials	City Council	
Name	*Position*	*Term Expires*
Jessica Stockamp	Mayor	12/31/2024
Ryan Dunlap	Council Member	12/31/2026
Tina Goede	Council Member	12/31/2026
Brittany Moores	Council Member	12/31/2024
Jeffrey Dahl	Council Member	12/31/2024

Appointed Officials

Adam Flaherty	City Administrator/Finance Director/EDA Executive Director

BOND COUNSEL

Taft Stettinius & Hollister LLP
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

NOTICE OF SALE

$17,860,000*

LEASE REVENUE BONDS, SERIES 2024A

(CITY OF OTSEGO, MINNESOTA LEASE WITH OPTION TO PURCHASE PROJECT)

OTSEGO ECONOMIC DEVELOPMENT AUTHORITY, 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 Economic Development Authority's (the "EDA") Treasurer or designee, on Monday, December 9, 2024, at 10:00 A.M., CT, at the offices of Northland Securities, Inc. (the EDA'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 EDA Board at its special meeting at the City Offices beginning Monday, December 9, 2024 at 7:00 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

a) submitted to the office of Northland Securities, Inc.,

b) emailed to PublicSale@northlandsecurities.com

c) 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

d) 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 Monday, December 9, 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 EDA 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 EDA 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.

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* The EDA 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 EDA through U.S. Bank Trust Company, National Association, St. Paul, Minnesota (the "Paying Agent/Registrar" and "Trustee"), 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 EDA 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 December 30, 2024)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Sections 469.090 through 469.1082 and 465.71, as amended, a Lease Agreement, between the Otsego Economic Development Authority, Minnesota (the "EDA") and the City of Otsego, Minnesota (the "City"), an Indenture of Trust, between the EDA and US. Bank Trust, National Association, St. Paul, Minnesota, as Trustee, a Ground Lease, between the City and the EDA and a resolution adopted by the EDA's Board of Commissioners on December 9, 2024. Proceeds will be used to finance a fire and emergency services building (the "Project") and to pay costs associated with the issuance of the Bonds. **The Bonds are special limited obligations of the EDA and do not constitute an indebtedness of the EDA nor give rise to a charge against the general credit or taxing powers of the EDA. Neither the full faith and credit nor the taxing powers of the EDA, the City, or any other governmental entity is pledged for the payment of principal or interest thereon**. The Bonds are payable solely from Rental Payments to be made by the City to the EDA pursuant to a Lease Agreement.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing August 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:

Year	Amount	Year	Amount	Year	Amount	Year	Amount
2027	$630,000	2032	$735,000	2037	$875,000	2042	$1,070,000
2028	650,000	2033	760,000	2038	910,000	2043	1,115,000
2029	670,000	2034	790,000	2039	945,000	2044	1,160,000
2030	690,000	2035	815,000	2040	985,000	2045	1,210,000
2031	715,000	2036	845,000	2041	1,025,000	2046	1,265,000

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 EDA in establishing the issue price of the Bonds and shall execute and deliver to the EDA 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 EDA and Bond Counsel. All actions to be taken by the EDA under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the EDA by the EDA's Municipal Advisor and any notice or report to be provided to the EDA may be provided to the EDA's Municipal Advisor.

The EDA 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 EDA 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 EDA 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 EDA 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 EDA shall promptly so advise the winning bidder. The EDA 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 EDA 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 (5^{th}) 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 EDA 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 EDA 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 EDA (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 EDA to the winning bidder.*

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The EDA 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 EDA and shall be at the sole discretion of the EDA. The successful bidder may not withdraw or modify its Proposal once submitted to the EDA 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, 2034 through 2046 are subject to redemption and prepayment at the option of the EDA on February 1, 2033 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 EDA 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.

EXTRAORDINARY REDEMPTION

The Bonds shall be subject to extraordinary redemption and prepayment, in whole but not in part, at the option of the EDA on any date if there occurs an event of damage, destruction or condemnation relating to the Project and the EDA determines that rebuilding, restoration and replacement of the Project to an acceptable condition would not be economically feasible, subject to the provision so of the Lease relating thereto. Such extraordinary optional redemption shall be at a price equal to the principal amount to be redeemed plus accrued interest to the redemption date without premium.

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 EDA 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 $17,592,100 (98.50%) and accrued interest on the principal sum of $17,860,000 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:

Adam Flaherty, EDA Executive Director
13400 90th St. NE
Otsego, Minnesota 55330

A good faith deposit (the "Deposit") in the amount of $357,200 in the form of a federal wire transfer (payable to the order of the EDA) 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 EDA 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 EDA 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 EDA. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the EDA 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 EDA'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 EDA 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 EDA 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 EDA 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, as the Obligated Party, will covenant in a resolution 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.

NO BANK QUALIFICATION

The EDA will not 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 EDA has requested and received a rating on the Bonds from a rating agency, the EDA 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 EDA reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: November 12, 2024 BY ORDER OF THE OTSEGO ECONOMIC DEVELOPMENT AUTHORITY, MINNESOTA

/s/ Adam Flaherty
EDA Executive Director

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 Lease Revenue Bonds, Series 2024A City Of Otsego, Minnesota Lease With Option to Purchase Project) (the "Bonds") of the Otsego Economic Development Authority, 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 December 9, 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).

(3) 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: December 30, 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 the Lease Revenue Bonds, Series 2024A City Of Otsego, Minnesota Lease With Option to Purchase Project) (the "Bonds") of the Otsego Economic Development Authority, Minnesota (the "Issuer").

Initial Offering Price of the Bonds.

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.

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.

Defined Terms.

"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.

"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 December 9, 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 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: December 30, 2024.

AUTHORITY AND PURPOSE

The Lease Revenue Bonds, Series 2024A (City of Otsego, Minnesota Lease with Option to Purchase Project) (the "Bonds" or the "Issue") are being issued by the Otsego Economic Development Authority, Minnesota (the "EDA") pursuant to Minnesota Statutes, Sections 469.090 through 469.1082 and 465.71, as amended. Proceeds from issuance of the Bonds will be used to finance the construction of a fire and emergency services building, and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Lease

At closing, Bond Counsel will render an opinion that the Bonds are special limited obligations of the EDA and are exempt from federal and State of Minnesota income tax. The Bonds are payable solely from Rental Payments (the "Rental Payments") to be made by the City to the EDA pursuant to the Lease as described herein. The Bonds do not constitute an indebtedness of the EDA nor give rise to a charge against the general credit or taxing powers of the EDA. Neither the full faith and credit nor the taxing powers of the EDA, the City, or any other governmental entity is pledged for the payment of principal or interest thereon. The City's obligation to make Rental Payments under the Lease is subject to the annual right to terminate the Lease prior to the end of any fiscal year by failure to appropriate the funds to make Rental Payments. See *Investment Considerations/Risk Factors – Non-appropriation* described herein.

The Rental Payments are expected to be sufficient to pay principal and interest on the Bonds when due. Rental Payments may be made from any funds legally available to the City. The City expects to annually levy general ad valorem taxes for the Rental Payments. The original term of the Lease extends through the final maturity on the Bonds, subject to the rights of prepayment and termination through non-appropriation as described herein. Except for the City's right of non-appropriation, the City's obligation to pay Rental Payments is absolute and unconditional.

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	$ 17,860,000*
Issuer Equity Contribution	2,000,000
Total Sources of Funds:	$ 19,860,000
Uses of Funds	
Deposit to Project Fund	$ 18,707,868
Capitalized Interest	746,924
Costs of Issuance/Underwriter's Discount	401,807
Rounding Amount	3,401
Total Uses of Funds:	$ 19,860,000

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.

* Preliminary, subject to change.

Non-appropriation

Rental Payments will be payable solely by City funds which will be annually budgeted and appropriated by the Council of the City and which may be reduced or terminated by affirmative action of the City Council. An Event of non-appropriation is defined in the Lease as "The failure of the governing body of Tenant to appropriate money for any Fiscal Year of Tenant sufficient for the continued performance and discharge by the Tenant of its obligations under the Lease (including Tenant's obligations to make Rental Payments hereunder); provided, that such non-appropriation shall only be deemed to exist and be effective hereunder if declared in and evidenced by the passage of a resolution of the City Council of the Tenant specifically stating Tenant will no longer appropriate any moneys to pay the Rental Payments due under the Lease for a designated upcoming Fiscal Year and all subsequent Fiscal Years." Under the terms of the Lease, the City Council of the City must provide notice of a non-appropriation to the Trustee and the EDA at least ninety (90) days prior to the end of a Fiscal Year. The governing body of the City is under no ongoing obligation to make the Rental Payments in any Fiscal Year after an event of Non-appropriation. The Bonds are not a general obligation of the EDA or the City. In the event that the City elects an event of non-appropriation under the Lease, or otherwise defaults under the Lease, the Lease may be terminated. If a Non-appropriation or a default occurs, the Bonds will be payable from proceeds the Trustee may receive from leasing or selling the Project, which revenues will likely be limited and unknown.

Acceleration

The Indenture provides for acceleration as a remedy upon the occurrence of an event of default under the Indenture. See Remedies on Default within the excerpts of the *Lease Agreement* herein.

Failure of the City to Make Rental Payments

In the event the City fails to make the Rental Payments as required under the Lease, the Trustee, as agent for the Bonds, has the right to terminate the Lease and exclude the City from possession of the Project. The Trustee can attempt to lease the Project to another entity or can attempt to sell the Project; however, there is no assurance that the Trustee will be able to lease or sell the Project or that the Project could be leased or sold for amounts equal to Rental Payments required to be made by the City under the Lease.

Damage, Destruction and/or Condemnation

In the event the Project, or a portion thereof, is condemned, destroyed or damaged, or taken by condemnation the City shall (i) restore and/or replace, or cause to be restored and/or replaced the Project at the City's sole cost and expense or (ii) at its option redeem the Bonds in whole but not in part. The Net Proceeds payable with respect to the loss may be applied towards the costs of such replacement or restoration.

The City is required under the Lease to cause the Project to be insured by policies of casualty and property damage insurance on a replacement cost basis. However, there is no assurance that, in the event of damage to or destruction or condemnation of the Project or a portion thereof, Net Proceeds of insurance made available by reason of such an occurrence will be sufficient to repair and replace the Project or, alternatively, pay the amount necessary to redeem the Bonds at a price equal to the principal amount thereof outstanding plus accrued interest to the redemption date.

Inadequacy of Other Revenues

The primary security for the payment of the Bonds is the Lease and Rental Payments. In the event the Lease is canceled by the City and the EDA decides not to continue paying principal of and interest on the Bonds, the Trustee may attempt to sell the Project or sub-lease the Project so as to produce sale proceeds or lease revenues to pay the principal and interest on the Bonds.

Potential purchasers should be aware that the Trustee may be unable to lease or sell the Project for an amount or at the times sufficient to pay the principal and interest on the Bonds when due.

Remedies

Remedies provided for in the Lease and Indenture may be unenforceable, or enforcement may be delayed or be subject to judicial discretion, as a result of the application of principles of equity or of state and federal laws relating to bankruptcy, other forms of debtor relief, and creditors' rights generally.

Inability to Liquidate, or Delay in Liquidating, the Project

An Event of Default under the Indenture gives the Trustee the right to possession of, and the right to lease or liquidate the Project subject to encumbrances allowed by the Indenture. The enforceability of the Bonds and the Indenture are subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights. A potential purchaser should not anticipate that lease or liquidation could be accomplished rapidly. Any delays in the ability of the Trustee to obtain unencumbered title to the Project will result in delays in the payment of Bonds. No assurance can be given that any amounts received upon lease or liquidation of the Project would be sufficient to pay the principal of the Bonds and interest accrued thereon.

Effect of Termination of Agreement on the Bonds

Bond Counsel has rendered no opinion with respect to the applicability or inapplicability of the registration requirements of the Securities Act of 1933, as amended, to any Bonds subsequent to a termination of the Lease by reason of non-appropriation or an Event of Default. If the Lease is terminated by reason of either such event, there is no assurance that the Bonds may be transferred by an owner thereof without compliance with the registration provisions of the Securities Act of 1933, as amended, or the availability of an exemption therefrom.

In addition, Bond Counsel has rendered no opinion as to the treatment for United States and State of Minnesota income tax purposes of any moneys received by an owner of the Bonds subsequent to a termination of the Lease by reason of non-appropriation or an Event of Default. There is no assurance that any moneys received by the owners of the Bonds subsequent to either such event will be exempt from United States or State of Minnesota income taxation.

Loss of Tax Exemption

If, at any time during the term of the Bonds, the interest on the Bonds were to become subject to taxation, no provision has been made for redemption and investors would not be entitled to any additional interest exceeding the rate printed on the Bonds. The Holder would subsequently then be holding a security with a substantially lower interest rate return than that of a comparable taxable security.

No Credit Enhancement Facility

There is no credit enhancement facility, letter of credit, or bond insurance policy securing the payment of debt service on the Bonds, nor is there any provision for a credit enhancement facility, letter of credit, or bond insurance policy to be provided to secure the payment of debt service on the Bonds.

No Mortgage and Limited Term of Ground Lease

The Trustee will not receive a mortgage or similar security instrument with respect to fee title for the Land on which the Project is located. Accordingly, the Trustee will not have any right to foreclose on and gain title to any real property of the EDA other than the Project, subject to the terms of the Lease and the Ground Lease, as a result of an Event of Default under the Lease or the Indenture. Under the terms of the Ground Lease, the Trustee will not be able to occupy the Land after February 1, 2050. However, until the expiration of the term of the Ground Lease, the Trustee will have the right to attempt to generate revenue from the Project (i) in the event of a default of the EDA under the terms of the Lease or (ii) upon the EDA's termination of the Lease. The Trustee will have the obligation to attempt to lease and/or operate the Project (i) during the remaining term of the Lease if the EDA is in default under the Lease, or (ii) after the EDA's termination of the Lease. Prospective purchasers of the Bonds should assume that the Trustee will not be able to realize any value for the Project upon the Trustee seeking to enforce its rights under the Indenture and the Lease. See "SECURITY/SOURCES AND USES OF FUNDS" in this Official Statement.

No As-Built Appraisal

No as-built appraisal has been commissioned in connection with the issuance of the Bonds and the acquisition, renovation and equipping of the Project Improvements. In the event of a default under the Lease and abandonment of the Project by the Tenant, the value of the Project in such event cannot be determined and may be substantially less than the cost of the acquisition, renovation and equipping of the Project Improvements and no assurance that the value received for the Project Improvements will be sufficient to pay the principal of and interest due on the Bonds.

No Non-Substitution Clause

The Lease does not contain a non-substitution clause. In the event of a non-appropriation, or other event of default, by the City under the Lease, the City is not prohibited or restricted in any manner from acquiring or building government law enforcement service centers elsewhere of the size and nature of the Project.

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 "AA" 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 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 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.

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.

LEASE AGREEMENT

The following are excerpts of certain provisions of the Lease Agreement (the "Lease"). These excerpts do not purport to be complete, and reference is made to the full text of the Lease for complete recital of its terms. Copies of the Lease may be obtained from the EDA or Northland Securities, Inc.

Representations, Covenants and Warranties of Tenant. Tenant represents, covenants and warrants as follows:

(a) Tenant is a municipal corporation and a political subdivision duly organized and existing under the Constitution and laws of the State.

(b) Tenant is authorized under the Constitution and laws of the State to execute and deliver this Lease, to acquire, construct, operate and maintain the Project, and to perform all of its obligations provided hereunder and contemplated hereby.

(c) The officers of Tenant executing this Lease have been duly authorized to execute and deliver this Lease, under the terms and provisions of a resolution of Tenant's governing body, or by other appropriate official action.

(d) In authorizing and executing this Lease, Tenant has complied with all open meeting, public bidding and other State and Federal Laws applicable to this Lease and the Tenant and any other laws relating to the indebtedness of the Tenant applicable to this Lease, the sublease of the Land and lease of the Project and the acquisition, construction, operation and maintenance of the Project.

(e) Tenant will not pledge, mortgage or assign this Lease, or its duties and obligations hereunder to any other person, firm or corporation except as provided under the terms of this Lease.

(f) The Project is necessary to the Tenant in order for the Tenant to perform its essential governmental functions and the Project will be used during the Term of this Lease only to carry out the governmental purposes of Tenant.

(g) During the Term of this Lease, Tenant will not take any action (or suffer any action to be taken or circumstance to exist which is within the power of Tenant to prevent) the effect of which would be (1) to cause the interest on the Bonds to become subject to federal income taxation, including, but not limited to, permitting any entity that is not a Governmental Unit to use, directly or indirectly, any portion of the Project in a trade or business so as to impair the tax-exempt status of the Bonds, all within the meaning of Section 141 of the Code, or (2) to cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(h) The Project will comply with all applicable land use, environmental control, building, subdivision, and zoning ordinances, codes and regulations, if any, and will be constructed wholly within the boundaries of the Land. The Land is properly zoned for the purpose of the Project. All taxes, assessments or impositions of any kind with respect to the Land (if any), except current taxes (if any), have been paid in full.

(i) The Land is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the acquisition, construction, operation and maintenance of the Project on the Land..

(j) The Tenant has good and marketable title to the Land, subject only to Permitted Encumbrances.

(k) The execution and delivery hereof, the compliance with the terms and conditions hereof, and the consummation of the transactions contemplated hereby, do not and will not conflict with or result in a breach of the terms, conditions, and provisions of any restriction or any agreement or instrument to which the Tenant is now a party or by which the Tenant is bound, or constitute a default under any of the foregoing.

(l) There is no litigation, action, suit or proceeding pending (or to the best of Tenant's knowledge, threatened) before any court, administrative agency, arbitrator or governmental body that challenges (1) the authority of Tenant or its officers or its employees to enter into this Lease, or the Ground Lease (2) the proper authorization, approval and/or execution of this Lease and other documents contemplated hereby, (3) the ability of Tenant otherwise to perform its obligations under this Lease or the Ground Lease and the transactions contemplated hereby, or (4) the issuance of the Series 2024A Bonds by the Landlord.

(m) The Tenant has reviewed the Indenture respecting the Series 2024A Bonds and hereby consents to the terms of the Indenture and agrees to be bound by and to discharge any obligations specifically imposed upon the Tenant pursuant to the terms of the Indenture.

(n) The Tenant covenants, notwithstanding any termination of this Lease (whether arising pursuant to an Event of Default, a Non-appropriation or otherwise), that it will use its best efforts to assist the Landlord and/or the Trustee in re-leasing and/or selling the Project.

(o) The Project is a facility essential to the operations of the Tenant and the public safety of the residents of the Tenant.

(p) The Tenant certifies that this Lease is a "triple net" lease that requires the Tenant to pay all expenses, taxes, fees, insurance premiums, rebate payments, and costs associated with the Project and this Lease without the right of offset.

(q) Except as disclosed in the Official Statement, no member of the governing body of the Tenant or any other officer of the Tenant has any significant or conflicting interest, financial, employment or otherwise, in the Tenant or the Project or in the transactions contemplated hereby.

(r) The Tenant does not rely on any warranty of the Landlord or the Trustee, either express or implied, as to the title or condition of the Project or that it will be suitable to the Tenant's needs, and recognizes that the Landlord or the Trustee is not obligated to operate or maintain the Project or to expend any funds thereon, and acknowledges the Landlord and the Trustee have made no such warranty either express or implied.

(s) Except as disclosed in the Official Statement (as defined in the Trust Agreement), to the best of the knowledge of the Tenant, (i) no Hazardous Substances have been generated, treated, stored, transferred from, released or disposed of, or otherwise placed, deposited in or located on the Land, (ii) the Land is not now, and never has been, used as a landfill, dump or other disposal, storage, transfer or handling area for Hazardous Substances for industrial, military or manufacturing purposes, or as a gasoline service station or a facility for selling, dispensing, storing, transferring or handling petroleum and/or petroleum products, (iii) no above ground or underground tanks have been located under, in or about the Land and subsequently removed or filled, and (iv) to the extent storage tanks currently exist on or under the Land, such storage tanks have been duly registered with all appropriate regulatory and governmental bodies and otherwise are in compliance with applicable federal, state and local statutes, regulations, ordinances, and other regulatory requirements.

(t) Except as disclosed in the Official Statement, to the best of the knowledge of the Tenant, the Land is not located in a flood hazard area and has never been subject to material damage from flooding.

<u>Tenant Required to Pay Project Costs in Event Construction Fund Insufficient.</u> In the event that, after the Series 2024A Bonds have been issued, the moneys in the Construction Fund available for payment of the Project Costs should not be sufficient to pay all costs required to complete the Project in accordance with the Plans and Specifications, the Tenant agrees, for the benefit of the Landlord and the Holders of the Series 2024A Bonds, to complete the Project and the Tenant shall pay the Costs thereof directly or by causing to be deposited in the

Construction Fund such amounts as are necessary and sufficient for payment of the balance of the Project Costs, and to this end Tenant shall promptly perform its obligations. The Landlord does not make any representation or warranty, either express or implied, that the moneys which will be paid into the Construction Fund and which will be available for payment of the Project Costs will be sufficient to pay all such Costs. The Tenant agrees that if after exhaustion of the moneys of the Construction Fund the Tenant should pay any portion of the Project Costs pursuant to the provisions of this Section, Tenant shall not be entitled to any reimbursement therefor from the Landlord, the Trustee, or the Holders of any of the Series 2024A Bonds or be entitled to any diminution in or postponement of the amounts payable under Section 5.1 or 5.3.

Liens and Encumbrances. The Tenant shall pay, before delinquency, all costs for work done or caused to be done by the Tenant which could result in any lien or encumbrance on the Project or any part thereof, shall keep the title to the Project and every part thereof free and clear of any lien or encumbrance in respect of such work, and shall, to the extent permitted by law, indemnify and hold harmless the Landlord against any claim, loss, costs, demand and legal or other expense, whether in respect of any lien or otherwise, arising out of the supply of materials, services or labor for such work. The Tenant shall immediately notify the Landlord of any lien, claim or lien or other action which affects the title to the Project or any part thereof, and shall cause the same to be removed within five days (or such additional time as the Landlord may permit in writing), failing which the Landlord may take such action as the Landlord deems necessary to remove the same and the entire costs thereof shall be immediately due and payable by the Tenant to the Landlord; provided, however, that the Tenant may in good faith contest any mechanic's lien by appropriate proceedings if (i) the contest does not involve the imminent threat of forfeiture, sale or disturbance of the Project or any part thereof and (ii) the Tenant provides such security as the Landlord or the Trustee, or both may reasonably request. The Landlord shall not, without Tenant's prior written consent, which consent may be withheld in the Tenant's absolute discretion, encumber its interest in the Project or any part thereof except as provided in the Indenture.

Lease Term. Landlord hereby leases the Project to Tenant, and Tenant hereby leases, or in the case of the Land, subleases, the Project from Landlord upon the terms and conditions set forth in this Lease. This Lease shall be in effect for a Lease Term commencing upon the date of execution hereof and ending on the date the last Rental Payment is due and payable as shown in Exhibit B unless terminated by Tenant at the end of any Fiscal Year of Tenant occurring prior thereto in accordance with Section 4.3, or unless terminated as provided in Section 4.6.

Termination by Tenant; Effect of Non-Appropriation. In the sole event of Non-appropriation, Tenant shall have the right to terminate this Lease, in whole but not in part, at the end of any Fiscal Year of Tenant, in the manner and subject to the terms specified in this section and in Sections 4.5 and 4.6. Tenant may effect such termination by giving Landlord and the Trustee a written notice of termination and by paying to Landlord any Rental Payments and any other amounts due pursuant to Section 4.5 which are due and have not been paid and any other amount due pursuant to Section 4.5 at or before the end of its then current Fiscal Year. Tenant shall give written notice to the Trustee and the Landlord of any such termination not less than ninety days prior to the end of such Fiscal Year. If the Landlord and the Trustee are not delivered a written notice of an event of Non-appropriation with a certified copy of a resolution of the City Council the Tenant stating that Tenant will no longer appropriate any moneys to pay the Rental Payments due under this Lease, not less than ninety days prior to the end of a fiscal year then an event of Non-appropriation is deemed not to have occurred. In the event of termination of this Lease as provided in this section, Tenant shall convey to Landlord and release its interest under this Lease in the Project in accordance with Section 12.3 immediately after termination of this Lease.

Intent to Continue Lease Term; Appropriations and Property Taxes. Tenant presently intends to continue this Lease for its entire Term and to pay all Rental Payments. The Tenant covenants that the chief financial official and/or other appropriate official of the Tenant will include in the officer's annual budget for each Fiscal Year and thereby request an appropriation by Tenant's City Council of an amount sufficient to meet Tenant's obligations under this Lease. To provide sufficient funds to pay the Rental Payments due hereunder, subject to the provisions in Section 4.3, Tenant shall include in each annual budget an appropriation sufficient, and shall levy such taxes as may be necessary, when combined with any other appropriated and available funds, to make the Rental Payments. Upon request of the Trustee or the Landlord, the Tenant shall provide such annual budget.

Effect of Termination. Upon any termination of this Lease as described in Section 4.3, Tenant shall not be responsible for the payment of any additional Rental Payments coming due with respect to succeeding Fiscal Years.

If Tenant does not deliver possession of the Project to Landlord in accordance with Section 12.3 and convey to Landlord or release its interest under this Lease in the Project immediately upon the termination of this Lease, the termination shall nevertheless be effective, but Tenant shall be responsible for the payment of damages in an amount equal to the amount of the Rental Payments coming due which are attributable to the number of days after termination of this Lease during which Tenant fails to take such actions and for any other loss suffered by Landlord as a result of Tenant's failure to take such actions as required. Termination of this Lease for any reason shall not terminate Tenant's obligations under Sections 2.1, 6.5 or 6.6 or relieve Tenant from any liability for the nonperformance of any covenant in those sections or for any inaccuracy in the representations contained in Section 2.1.

Termination of Lease Term. The Term of this Lease will terminate upon any termination hereof by Tenant described in Section 4.3, upon a default by Tenant and Landlord's election to terminate this Lease pursuant to Article XII, or upon the Tenant's exercise of its option to purchase the Project pursuant to Article X and Tenant's payment of the Purchase Option Price. Upon Tenant's purchase of the Project, this Lease and the Ground Lease shall terminate and the Tenant thereupon shall become entitled to the Project AS IS, WITHOUT WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY TENANT, except that the Project shall not be subject to any lien or encumbrance created by or arising through Landlord, other than Permitted Encumbrances. To evidence the foregoing, the Landlord shall, at the request and expense of Tenant, execute such documents as the Tenant reasonably determines are required to convey and release to the Tenant, any and all of Landlord's remaining right, title and/or interest in and to the Project.

Rental Payments. Subject to Tenant's exercise of its option to purchase the Project or prepay in part Rental Payments pursuant to Article X, and payment of the Purchase Option Price, Tenant shall:

(a) On or before the date identified on Exhibit B pay the Rental Payments as set forth on Exhibit B.

(b) The Tenant shall have a credit against each Rental Payment to the extent of any investment earnings which are available and which are in excess of amounts otherwise required to pay principal of or interest on the Series 2024A Bonds.

(c) In the event the Tenant shall have paid Rental Payments with respect to a Rental Payment Date, but the funds on deposit in the Bond Fund are nevertheless insufficient to pay such principal, premium (if any) and interest on the Bonds then due or to become due on such Interest Payment Date, the Tenant will forthwith pay as Rental Payments the amount of the deficiency.

Additional Rental Payments. The Tenant shall pay Additional Rental Payments as follows:

(a) To the Trustee, for itself or remittance to the paying agents, promptly after being billed, until the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the provisions of the Indenture, (i) an amount equal to the annual fee of the Trustee as trustee, for the ordinary services of the Trustee rendered and its ordinary expenses incurred under the Indenture during the preceding billing period, (ii) the fees and charges of paying agents, authenticating agents, and registrars on the Bonds for acting as paying agent, authenticating agent, and registrar as provided in the Indenture, as and when the same become due, and (iii) the fees and charges of the Trustee for necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture, as and when the same become due, other than the fees and charges which were required by reason of the gross negligence or willful default of the Trustee under the Indenture; provided, that the Tenant may, without creating a default hereunder, contest in good faith the necessity for any such extraordinary services and extraordinary expenses and the reasonableness of any such fees, charges or expenses; and

(b) To the Trustee or Landlord, as the case may be, upon demand, any amounts advanced by the Trustee for the account of the Tenant or the Landlord under the Indenture or advanced by the Landlord under this Lease; and

(c) To the Treasurer of City of Otsego, or other appropriate authority or official for the account of the Tenant and before the same become delinquent or any penalty attaches, all taxes, special assessments, or other governmental charges imposed on or with respect to the Project or any part thereof, subject to Section 7.3; and

(d) To the Landlord, all reasonable expenses incurred by the Landlord in connection with the transactions contemplated hereby which are not otherwise required to be paid by the Tenant under the terms of this Lease; and

(e) All other costs and expenses specifically required to be paid by the Tenant or Landlord under the terms of this Lease or the Indenture.

(f) To the Landlord, upon its request or the request of the Trustee, any amount of arbitrage profit required to be rebated to the United States under Section 6.07 of the Indenture.

Rental Payments to be Unconditional. Except as provided in Section 4.3, the obligation of Tenant to make Rental Payments required hereunder, and to perform and observe all other covenants and agreements of Tenant contained herein, shall be absolute and unconditional in all events and the obligation to make such Rental Payments shall remain notwithstanding any dispute between Tenant and Landlord or any other person unless the Landlord shall violate the Tenant's right to quiet enjoyment of the Project to such a degree that Tenant no longer enjoys its right of possession to the Project. Tenant shall make all Rental Payments and other payments required hereunder when due and shall not withhold any Rental Payment or other payment pending final resolution of such dispute and Tenant shall not assert any right of setoff or counterclaim against its obligation to make such Rental Payments or other payments required under this Lease. Tenant shall have the right pursuant to Section 7.3 to in good faith contest taxes, special assessments, utility or other charges in accordance with the provisions of Section 7.3. However, nothing herein shall be construed to release Landlord from the performance of its obligations hereunder; and if Landlord should fail to perform any such obligation, Tenant may institute such legal action against Landlord as Tenant may deem necessary to compel the performance of such obligation or to recover damages therefor.

Liability Insurance. The Tenant shall, at its own expense, cause comprehensive liability and property damage insurance to be carried and maintained with respect to the activities to be undertaken by and on behalf of the Tenant in connection with the use of the Project substantially the same as insurance carried by the Tenant with respect to other governmental activities.

Property Insurance. The Tenant shall cause casualty and property damage insurance to be carried and maintained with respect to the Project in an amount at least equal to the replacement value of the Project with a deductible not to exceed the deductible carried by the Tenant with respect to other similar governmental buildings (except that during construction of the Project, builders risk insurance, full value of completed structure - all risk coverage, may be substituted for property insurance required for that portion of the Project). Such coverage must apply exclusively to the Project and must be available to repair/rebuild the Project under all circumstances after the occurrence of an insured peril. Full payment of insurance proceeds up to the required policy dollar limit in connection with damage to the Project shall, under no circumstances, be contingent on the degree of damage sustained at other facilities owned or leased by the Tenant. The policy must explicitly waive any co-insurance penalty. The Net Proceeds of insurance required by this section will be applied to the prompt repair, restoration or replacement of the Project or to the prepayment of Rental Payments as provided herein. Any Net Proceeds not needed for those purposes will be paid to the Tenant.

Worker’s Compensation Insurance. If required by State law, Tenant shall carry Worker's Compensation Insurance covering all employees on, in, near or about the Project, and upon request, shall furnish to Landlord certificates evidencing such coverage throughout the Term of this Lease.

Requirements For All Insurance. All insurance policies (or riders or endorsements to existing policies) required by this Article shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State and rated A by Best or in the two highest categories of Standard and Poor's and Moody's and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least thirty days before the cancellation or revision becomes effective. All insurance policies or riders required by Sections 6.1 and 6.2 shall name Tenant, Landlord and Trustee as insured parties and, with respect to the property insurance, shall also name the Landlord and Trustee as loss payees. During the period of completion of the Project, the requirement that Landlord and Trustee be named as an insured party under the liability insurance may be satisfied by having Landlord and Trustee named as additional insureds under the liability insurance policy carried by the general Contractor. Tenant shall annually deposit with the Trustee a certificate of the Tenant stating that the insurance it carries for the Project is in full force and effect and complies with Article VI of this Lease and the Trustee shall be authorized to conclusively rely on such certificate. The Trustee has no duty or obligation to determine the sufficiency of such insurance requirements. Before the expiration of any such policy (or rider), Tenant shall furnish to Landlord evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article.

Damage to or Destruction or Condemnation of Project. If after the execution of this Lease all or any part of the Project is lost, stolen, condemned, destroyed or damaged, or taken by condemnation, Tenant shall either (i) as soon as practicable after such event restore and/or replace (as in the case may be required), or cause to be restored and/or replaced, the same at Tenant's sole cost and expense such restoration or replacement to be of equal or greater value to the Project or the applicable portion thereof immediately prior to the time of the loss occurrence or condemnation, whereupon such restoration or replacement shall be substituted in this Lease by appropriate endorsement, if necessary or (ii) at its option redeem the Bonds in whole but not in part. By way of example but not limitation, restoration shall include any demolition, clearance or other clean-up or safety measures reasonably required in connection with any casualty, destruction or other loss of any portion of the Project. The Net Proceeds payable with respect to the loss may be applied towards the costs of such replacement or restoration.

Use; Permits. Tenant shall exercise due care in the construction, use, operation and maintenance of the Project, and shall not install, use, operate or maintain the Project improperly, carelessly, in violation of any State and Federal Law or for a purpose or in a manner contrary to that contemplated by this Lease. Tenant shall obtain (or cause to be obtained) all permits and licenses necessary for the construction, operation, possession and use of the Project. Tenant shall comply with all State and Federal Laws applicable to the construction, use, possession and operation of the Project, and if compliance with any such State and Federal Law requires changes or additions to be made to the Project, such changes or additions shall be made by Tenant at its expense.

Maintenance of Project by Tenant. Tenant shall, at its own expense, maintain, preserve and keep the Project in good repair, working order and condition and shall from time to time make all repairs and replacements necessary to keep the Project in such condition. Neither Landlord nor Trustee shall have any responsibility for any of these repairs or replacements.

Taxes, Other Governmental Charges and Utility Charges. Except as expressly limited by this section, Tenant shall pay (or cause to be paid) all taxes and other charges of any kind which are at any time lawfully assessed or levied against or with respect to the Project, or which become due during the Term of this Lease, whether assessed against Tenant or Landlord. Tenant shall also pay (or cause to be paid) when due all gas, water, steam, electricity, heat, power, telephone, and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project, and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments Tenant shall only be required to pay (or cause to be paid) such installments, during the Term of this Lease as and when the same become due.

Landlord Access to Project. Tenant agrees that Landlord shall have the right at all reasonable times upon reasonable notice to examine and inspect the Project. Tenant further agrees that Landlord shall have such rights of access to the Project as may be reasonably necessary to cause the proper maintenance of any portion of the Project in the event of failure by Tenant to perform its obligations hereunder.

Transfer of Functions. The Tenant covenants that it will, at all times during the Term of this Lease, use the Project to the fullest extent possible in the governmental functions of the Tenant. The Tenant further covenants that, to the extent it may lawfully do so under the laws of the State of Minnesota, and to the extent it would not obviate the Tenant's right to terminate this Lease at the end of any Fiscal Year, it will not transfer any governmental functions from the Project to any other location during the Term of this Lease and will not otherwise eliminate or diminish the use of the Project by the Tenant in its governmental functions unless the Tenant promptly replaces such governmental functions with other functions or programs of the Tenant which will be substituted at the Project for the transferred functions for the remaining Term of this Lease.

Title. During the Term of this Lease title to the Project and any and all repairs, replacements, substitutions and modifications to it under Sections 6.6 or 8.5 shall be in the Landlord. Upon any termination of this Lease described in Section 4.3 or upon a default by Tenant and Landlord's election to terminate this Lease pursuant to Article XII, Tenant shall have no further interest in the Project under this Lease. In such event Tenant shall execute and deliver to Landlord such documents as Landlord may request to evidence the termination of this Lease; and upon request by Landlord, Tenant shall deliver possession of the Project to Landlord, in accordance with Section 12.3. Upon payment in full of the Rental Payments this Lease shall terminate and the Landlord shall convey and release to the Tenant any and all of Landlord's right, title and/or interest in and to the Project. Upon payment in full of the Rental Payments this Lease shall terminate and the Landlord shall convey and release to the Tenant any and all of landlord's right, title and/or interest in and to the Project.

Security Interest. The Tenant hereby pledges, assigns and grants to the Landlord a security interest in all portions of the Project, whether now owned or existing or hereafter acquired or arising, that are deemed personal property or fixtures pursuant to applicable law, the proceeds thereof and all repairs, replacements, substitutions and modifications thereto or thereof made pursuant to Section 8.5 and a security interest in the proceeds of all insurance policies, in order to secure Tenant's payment of all Rental Payments due during the Term of this Lease and the performance of all other obligations herein to be performed by the Tenant. The Tenant will cause to be executed, filed and recorded all instruments, including financing statements and continuation statements, and will perform such acts as are required to establish and maintain a valid and perfected security interest in such portions of the Project. The Trustee shall not be responsible for filing any financing or continuation statement or recording any documents or instruments in any public office at any time or otherwise for perfecting or maintaining the perfection of any lien or security interest in the Trust Estate or under this Lease. The Trustee shall not be responsible for filing or for the sufficiency or accuracy of any financing statements initially filed to perfect security interests granted under this Lease or the Indenture.

Liens. During the Term of this Lease, Tenant shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Project, other than the respective rights of Landlord and Tenant as herein provided and Permitted Encumbrances. Except as expressly provided in Section 7.3 and this Article, Tenant shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time; provided that if any such lien for labor or materials is established against the Project and Tenant shall first notify Landlord of Tenant's intention to do so, Tenant may in good faith contest any such lien, and in such event may permit the lien so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom but only if (1) nonpayment of any such item will not materially endanger the interest of Landlord in the Project and will not subject to loss or forfeiture the Project or any part thereof, and (2) the Tenant files with the Landlord an opinion of Independent Counsel stating in effect that neither event will occur. Tenant shall reimburse Landlord for any expense incurred by Landlord in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Installation of Tenant's Equipment. Tenant may at any time and from time to time, in its sole discretion and at its own expense, install items of fixtures, equipment and other personal property in or upon the Project. All such items shall remain the sole property of Tenant, in which Landlord shall have no interest, and may be modified or removed by Tenant at any time provided that Tenant shall repair and restore on a timely basis any and all damage to the Project resulting from the installation, modification or removal of any such items. Nothing in this Lease shall prevent Tenant from purchasing items to be installed pursuant to this section under a conditional sale or lease-purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, or from entering into any other loan agreement secured by a lien or security interest in such property provided that no such lien or security interest shall attach to any part of the Project. Landlord and the Trustee shall, at the request and expense of Tenant, execute such releases and other documents as Tenant reasonably determines is necessary to facilitate such purchase or loan and as are consistent with the rights of the parties under this Lease; and as a condition to executing such documents, Landlord and the Trustee may require and conclusively rely upon a written statement of Tenant that the documents comply with the provisions of this section.

Modification of Project. Subject to Tenant's rights under Section 8.4, Tenant shall, at its own expense, have the right to make repairs to the Project, and to make repairs, replacements, substitutions and modifications to all or any of the parts thereof. All such work and any part or component used or installed to make a repair or as a replacement, substitution or modification, shall thereafter comprise part of the Project and be subject to the provisions of this Lease; provided, however, that an addition to the Project constructed on Tenant Land outside of the then-exterior walls of the Project will not become part of the Project. Such work shall not in any way damage the Project or cause it to be used for purposes other than those authorized under the provisions of State and Federal Law or those contemplated by this Lease; and the Project, upon completion of any such work shall be of value which is not less than the value of the Project prior to the commencement of such work. Any property for which a replacement or substitution is made pursuant to this section may be disposed of by Tenant in such manner and on such terms as are determined by Tenant. Landlord shall also at Tenant's expense execute such other releases from the provisions of this Lease for any replacement equipment as Tenant may reasonably request. For purposes of executing any such amendment or document, Landlord and Trustee may require and conclusively rely upon a written statement of Tenant that such amendment or document complies with the provisions of this section.

Easements and Utility Access. Tenant may, at Tenant's expense, at any time and from time to time request Landlord to convey an easement affecting the Land to a corporate utility or public body, or any other person, upon written certification by an Independent Engineer that in its opinion the easement is necessary or desirable to provide road or other access or utility service for the Project or other property and will not impair the usefulness of the Project for the purposes contemplated in this Lease and will not destroy the means of ingress therefrom and egress therefrom. No such easement shall result in any abatement of rents or other sums payable by Tenant under this Lease. Landlord will execute the easement and will join in the execution of a supplement to this Lease and the Ground Lease, providing for the subordination of this Lease and the Ground Lease to any such easement; but the subordination shall not become effective until the following items are filed with, and/or where applicable, executed by, the Landlord:

(1) a copy of the easement (or if Section 8.7 is applicable, release) executed or to be executed by Landlord;

(2) a plat or survey of the Land prepared and certified by a registered Minnesota land surveyor, showing the land to be subjected to the easement as described in the easement (or if Section 8.7 is applicable, the land to be released) and the location in relation thereto of all buildings, structures and permanently installed equipment on the land, and all other easements, roads, tracks and utility installations;

(3) evidence of the authority of the officers executing the lease supplement and easement (or, if Section 8.7 is applicable, the release) on behalf of Landlord and Tenant, including a certified copy of an authorizing resolution of the governing body of Landlord and of Tenant; and

(4) the certificate of the Independent Engineer.

Any money received by Tenant for the easement shall be remitted to the Landlord and credited to the Bond Fund. For purposes of executing the instruments described in this section, Landlord and Trustee may require and conclusively rely upon a written statement of Tenant that the provisions of this section have been fully satisfied.

Release of Unimproved Land. Tenant may, at Tenant's expense, at any time and from time to time request Landlord to release from the provisions of this Lease and the Ground Lease any part of the Land on which no building, structure or permanently installed equipment is situated, upon written certification by an Independent Engineer stating that in their opinion the Land proposed to be released is not needed for the operation of the Project for the purposes stated in this Lease, and that the release will not impair the usefulness of the Project for these purposes and will not destroy the means of ingress thereto and egress therefrom. Landlord will join in the execution of a supplement to this Lease providing for the release thereof, subject to the following conditions:

(1) the release shall not become effective until the filing with the Landlord of the following items:

(a) the items described in paragraphs (1) to (4), inclusive, of Section 8.6; and

(b) an opinion of Independent Counsel stating that the above documents satisfy the requirements of this Section and that the release is in appropriate form for execution by the respective parties; and

(2) the Tenant shall not be entitled to any abatement, reduction, or diminution of any rents payable under this Lease.

Covenant For the Benefit of the Bondholders. Tenant recognizes the authority of the Landlord to pledge all moneys receivable under this Lease, including any proceeds from the sale of all or a part of the Project, as security for the payment of the principal of and interest and redemption premiums, if any, on the Bonds. Each of the terms and provisions of this Lease is a covenant for the use and benefit of the Holders of the Bonds, so long as any thereof shall remain outstanding; and the Trustee shall be deemed, on behalf of the Bondholders, a third party beneficiary of said terms and conditions; but upon payment in full of the Bonds and of all fees and charges of the Trustee, all references in this Lease to the Bonds shall be ineffective, and no Holder of any of the Bonds shall thereafter have any rights hereunder, save and except those that shall have theretofore vested.

Disclaimer of Warranties. THE PROJECT IS LEASED TO TENANT HEREUNDER AS IS, AND LANDLORD MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY TENANT OF THE PROJECT, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROJECT.

Option to Prepay in Whole or in Part. Tenant may prepay the unpaid Principal Portion of the Rental Payments, in whole or in part and if in part, in multiples of $5,000, on February 1, 2033, or any day thereafter, at the Purchase Option Price equal to the principal amount of the Bonds outstanding and accrued interest to the next day on which they may be called for redemption, plus past due Rental Payments, and only in the manner provided in this Article.

Prepayment Upon Event of Damage or Destruction of Project. Tenant may prepay the unpaid Principal Portion of the Rental Payments, in whole but not in part, upon written notice and direction to the Landlord, in the event of damage to or destruction of the Project or any part thereof, at the Purchase Option Price equal to the principal amount of the Bonds outstanding and accrued interest to the redemption date, plus past due Rental Payments, and only in the manner provided in this Article.

Exercise of Purchase Option. Tenant shall give notice to Landlord and Trustee of its intention to exercise its purchase option pursuant to Sections 10.1 or 10.2 not less than forty-five days prior to the date on which the option is to be exercised and shall deposit with the Trustee on the date of exercise an amount equal to all Rental Payments and any other amounts then due or past due and the applicable Purchase Option Price. The purchase shall be on the date on which the option is to be exercised at the office of Landlord.

Release of Landlord's Interest. Upon exercise by Tenant of its option to purchase Landlord's interest in the Project and payment of the Purchase Option Price, this Lease and the Ground Lease shall terminate and Tenant thereupon shall become entitled to the Project AS IS, WITHOUT WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY TENANT, except that the Project shall not be subject to any lien or encumbrance created by or arising through Landlord other than Permitted Encumbrances. To evidence the foregoing, Landlord and Trustee, as agent for and on behalf of the Bondholders, shall, at the request and expense of Tenant, execute such documents as Tenant reasonably determines are required to convey and release to Tenant, any and all of their remaining right, title and/or interest in and to the Project.

Defeasance. Tenant shall have the option to provide for the payment of the Rental Payments (and, if applicable, the Purchase Option Price) by the deposit with the Trustee in escrow on behalf of the holders of the Bonds of cash or securities for which the full faith and credit of the United States are pledged for the payment of principal and interest or which are guaranteed as to payment of principal and interest by the United States, in an amount sufficient (together with interest earnings thereon) to provide for payment of said Rental Payments (and, if applicable, the Purchase Option Price) prior to their respective Payment Dates as provided in Section 5.1 through their final maturity date, or such earlier date upon which an option to purchase would have been exercisable by Tenant; provided that such earlier date is designated by Tenant as the date on which the applicable Purchase Option Price shall be paid; and provided further that Tenant files with Landlord and Trustee an opinion of Bond Counsel stating in effect that such defeasance will not impair the tax exempt status of the Bonds. Upon exercise by Tenant of this option, this Lease and the Ground Lease shall terminate and, at the request and expense of Tenant, Landlord and Trustee shall convey and release their interest in the Project as provided in Section 10.4. For purposes of executing such release both the Landlord and Trustee may conclusively rely upon a report of an independent certified public accountant stating in effect that the sums held in escrow satisfy the payment requirement set forth in this section.

Partial Prepayment or Defeasance. Tenant shall have the option to prepay on February 1, 2033, or any date thereafter a portion of any Rental Payment selected by the Tenant and scheduled to become due under this Lease. The Tenant shall also have the option to provide for the payment or prepayment, in increments, of a portion of Rental Payments scheduled to become due under this Lease by depositing in escrow with the Trustee sufficient funds for that purpose, in the manner and subject to the conditions set forth in Section 10.5 as if (a) those Rental Payments to be paid or prepaid were the only Rental Payments then scheduled to become due under this Lease and (b) any of the Rental Payments to be prepaid were the Purchase Option Price.

Exercise of Partial Prepayment or Defeasance Option. Tenant shall give written notice to Landlord and Trustee of its intention to exercise its option to partially prepay Rental Payments or defease its Rental Payment obligations, in whole or part, as provided in Sections 10.5 and 10.6. Tenant shall give such notice not less than forty-five days prior to the date on which a portion of any Rental Payments are to be prepaid, in whole or part, or the Purchase Option Price is to be paid, and shall deposit with Trustee on the date of exercise the sum required to effect such prepayment or defeasance.

Assignment by Landlord. Except for Landlord's assignment of this Lease to the Trustee pursuant to the Indenture, Landlord shall not assign this Lease, in whole or in part, and no such purported assignment thereof shall be effective. The Landlord's sole obligation is to provide to the Tenant quiet enjoyment of the Project. Subject to the provisions of the Indenture, any and all of Landlord's rights, title and/or interest in and to this Lease, the Rental Payments and other amounts due hereunder and the Project may only be assigned and reassigned in whole to the Trustee without the consent of the Tenant.

Assignment and Subleasing by Tenant. Neither this Lease nor Tenant's interest in the Project may be assigned or subleased by Tenant without the written consent of Landlord, and the Trustee and any such assignment or sublease shall not relieve Tenant from its obligations hereunder, including without limitation the obligation to make the Rental Payments hereunder; provided that Landlord's consent to any other sublease shall not be required if (1) the sublease provides that the sublessee will not take any action in derogation of Tenant's obligations hereunder, (2) a copy of the sublease is filed with Landlord and the Trustee, (3) the term of the sublease coincides with the term of this Lease, and (4) either (A) the sublease is to a Governmental Unit or (B) an opinion of Bond Counsel is first filed with the Landlord and the Trustee stating in effect that the sublease will not impair the tax-exempt status of the Bonds.

Restriction on Mortgage or Sale of Project by Tenant. Tenant will not sell, transfer or convey its interest in the Project or any portion thereof during the Term of this Lease without the written consent of Landlord.

Events of Default Defined. The following shall be “events of default” under this Lease and the terms “events of default” and “default” shall mean, whenever they are used in this Lease, with respect to the Project, any one or more of the following events:

(a) Failure by Tenant to pay any Rental Payment or other payment required to be paid under this Lease at the time specified herein and, except in the case of a failure to pay when due any Rental Payment, the continuation of said failure for a period of seven days.

(b) Failure by Tenant to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i) of this section, for a period of thirty days after written notice specifying such failure and requesting that it be remedied has been given to Tenant by Landlord, unless Landlord shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Landlord will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Tenant within the applicable period and diligently pursued until the default is corrected.

(c) The filing by Tenant of a voluntary petition in bankruptcy; or failure by Tenant promptly to lift any execution, garnishment or attachment of such consequence as would impair the ability of Tenant to carry on its governmental or proprietary function; or adjudication of Tenant as a bankrupt; or assignment by Tenant for the benefit of creditors, or the entry by Tenant into an agreement of composition with creditors; or the approval by a court of competent jurisdiction of a petition applicable to Tenant in any proceedings instituted under the provisions of federal bankruptcy laws, or any similar acts which may hereafter be enacted.

(d) The vacation or abandonment by the Tenant of the Project for a period of ninety consecutive days.

The provisions of this section and Section 12.2 are subject to the following limitation: if by reason of force majeure Tenant is unable in whole or in part to carry out its obligations under this Lease with respect to the Project, other than its obligation to pay Rental Payments with respect thereto, which shall be paid when due notwithstanding the provisions of this paragraph, Tenant shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of nature; strikes, lockouts or other labor disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or the State or their respective departments, agencies or officials, or any civil or military authority; insurrections; riots, landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of Tenant and not resulting from its negligence. Tenant agrees, however, to remedy with all reasonable dispatch the cause or causes preventing Tenant from carrying out its obligations under this Lease; provided that the settlement of strikes, lockouts and other labor disturbances shall be entirely within the discretion of Tenant and Tenant shall not be required to make settlement of strikes, lockouts and other labor disturbances by acceding to the demands of the opposing party or parties when such course is, in the reasonable judgment of Tenant, unfavorable to Tenant.

Remedies on Default. Whenever any event of default referred to in Section 12.1 shall have happened and be continuing with respect to the Project, the Landlord, shall have the right, at its option and without any further demand or notice, to take one or any combination of the following remedial steps:

(a) Landlord, with or without terminating this Lease, may declare all Rental Payments due or to become due during the Term of the Lease to be immediately due and payable by Tenant, whereupon such Rental Payments shall be immediately due and payable. If Landlord has not terminated the Lease and has not declared all Rental Payments immediately due and payable and if Tenant has cured the event of default and has paid the late charge provided in Section 12.6, if applicable, the Tenant shall be restored to its former position before the event of default occurred.

(b) Landlord, with or without terminating this Lease, may repossess the Project or any portion thereof by giving Tenant written notice to vacate the Project, whereupon Tenant shall do so in the manner provided in Section 12.3; or in the event Tenant fails to do so within ten days after receipt of such notice, Landlord may enter upon the Project and take possession of the Project and charge Tenant for costs incurred in repossessing such portion of the Project, including reasonable attorneys' fees. Tenant hereby expressly waives any damages occasioned by such repossession.

(c) If the Landlord terminates this Lease and takes possession of the Project or any portion thereof, Landlord shall have the right to lease or sell the Landlord's interests in the Project or any portion thereof, subject to Tenant's fee simple title interest therein, in a commercially reasonable manner at public or private sale in accordance with applicable State laws, and the Tenant agrees to use its best efforts to assist the Landlord in so doing. Landlord shall apply the proceeds of such sale to pay the following items in the following order; (a) all costs incurred in securing possession of the Project and prepayment of the Bonds; (b) all expenses incurred in completing the sale; and (c) the balance of any accrued Rental Payments owed by Tenant.

(d) Landlord may take any other remedy available at law or in equity to require Tenant to perform any of its obligations hereunder.

In no event, however, shall the Tenant be liable under this Article XII for Rental Payments (or the equivalent thereof) in excess of the moneys appropriated by it on a yearly basis (other than for any additional Rental Payments due if the Tenant occupies the Project after termination of this Lease pursuant to Section 4.3).

Return of Project. Upon the termination of this Lease prior to the payment of all Rental Payments in accordance with Exhibit B, Tenant, shall vacate the Project in the condition, repair, appearance and working order required in Section 7.2, reasonable wear and tear, damage by the elements and insured damage excepted in the following manner as may be specified by Landlord; (i) by executing such documents as Landlord reasonably deems necessary to transfer all of Tenant's right, title and interest under this Lease in and to the Project to Landlord and (ii) by paying all reasonable costs and expenses whether incurred by the Landlord or Trustee (including attorneys fees) with respect to such transfer of the Property, provided that nothing herein shall limit the rights of the Tenant as fee owner of the Land subject to the rights of the Landlord under the Ground Lease. If Tenant refuses to return the Project in the manner designated, Landlord may repossess the Project and charge to Tenant the costs of such repossession or pursue any remedy described in Section 12.2.

No Remedy Exclusive. No remedy conferred upon or reserved to Landlord by this Article is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right and power may be exercised from time to time and as often as may be deemed expedient by Landlord or the Trustee.

Effect of Waiver. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

INDENTURE OF TRUST

The following are excerpts of certain provisions of the Indenture of Trust (the "Indenture"). These excerpts do not purport to be complete, and reference is made to the full text of the Lease for complete recital of its terms. Copies of the Indenture may be obtained from the EDA or Northland Securities, Inc.

Payment of Interest on Series 2024A Bonds; Interest Rights Preserved. Interest on the Bonds which is payable on any Interest Payment Date shall be paid to the person in whose name that Bond is registered at the close of business on the fifteen day (whether or not a Business Day) of the month preceding said Interest Payment Date (the "Regular Record Date").

Issuance of Additional Bonds. After the delivery of the Series 2024A Bonds, the Issuer and the City may from time to time, upon the conditions stated in this section, agree upon and approve the issuance and delivery of Additional Bonds for completing, improving, expanding or modifying the Project, including the refunding of any Bonds, payable equally and ratably from the revenues of the Project pledged and appropriated hereunder with the Bonds, but bearing such date or dates and interest rate or rates and with such maturities and redemption dates and premiums as may be agreed upon. Every series of such Additional Bonds shall be authorized by an amendment to the Lease and a supplement to this Indenture, establishing the terms thereof, providing for any additional facilities to be financed by the Additional Bonds as part of the Project, and providing for Additional Rental Payments sufficient to pay the interest when due for such Additional Bonds, and to pay and redeem all such Additional Bonds at or before maturity as provided in such supplement to this Indenture. Each series of Additional Bonds shall be executed, authenticated and delivered as provided in this Article Two upon filing with the Issuer original executed counterparts of the supplement to the Indenture and the amendment to the Lease, together with such additional certificates, opinions and other documents described in Section 2.08 as Bond Counsel determines to be applicable. No such Additional Bonds, however, shall be issued unless the following conditions are met:

(a) The Lease shall be in effect, and no "event of default", as such term is defined in the Lease, shall exist thereunder; and

(b) The Issuer shall have been furnished an opinion of Bond Counsel to the effect that the issuance of the Additional Bonds will not impair the tax-exempt status of the interest on the Bonds; and

(c) There shall have been furnished to the Issuer a supplement to the Lease providing for additional Rental Payments sufficient to pay the principal of and interest on the Additional Bonds when due; and

(d) There shall have been furnished to the Issuer a certificate of a City Representative to the effect that the proceeds of the Additional Bonds, together with any additional funds supplied or to be supplied by the City will be sufficient to complete the costs of the improvement, expansion or modification of the Project or the cost of refunding, as the case may be; and

Establishment of Construction Fund. The Issuer hereby establishes a trust account with the Trustee designated the Construction Fund and there shall be deposited with the Trustee to the credit of the Construction Fund (i) those proceeds of the Series 2024A Bonds described in Section 4.01(b) and (ii) those funds of the City in the amount of $2,000,000. As provided in Section 4.05, Construction Period income and profit from the investment of moneys in the Construction Fund shall be credited to the Construction Fund. The Issuer has no obligation hereunder or under the Act to deposit any moneys in the Construction Fund or apply moneys to Project Costs except proceeds of Bonds or funds made available therefor by the City.

The moneys in the Construction Fund shall be held in trust by the Trustee and applied to the payment of the Project Costs in accordance with and subject to the provisions of this article and the applicable provisions of the Lease, and pending such application shall be subject to a lien and charge in favor of the Holders of the Bonds issued and Outstanding under this Indenture and shall be held for the further security of such Holders until paid out as herein provided. In the event the moneys in the Bond Fund shall be insufficient on any Interest Payment Date to pay principal of, premium (if any) or interest on the Bonds due on such date, the Trustee shall use any moneys then on deposit to the credit of the Construction Fund, to the extent needed, to pay such principal, premium and interest.

Payments from Construction Fund. Payments shall be made by the Trustee from the Construction Fund to the City or its order, as the case may be, upon receipt of the statements set forth in Section 3.3 of the Lease and the Draw Request Certificate attached to the Lease as Exhibit C, which may be submitted by fax or by email in a PDF format. All payments made from the Construction Fund shall be presumed by the Trustee to be made for the purposes certified in said statement, and the Trustee shall not be required to see to the application of any payments made from the Construction Fund. Such written request shall be submitted no more often than twice a month.

None of the funds in the Construction Fund shall be used for any purposes other than the payment or reimbursement of Project Costs and, if authorized hereby and applicable, the payment of principal of, premium (if any) on and interest on the Bonds.

The Trustee shall not be bound to make an investigation into the facts or matters stated in any Draw Request Certificate of the City. The Trustee shall not be responsible for determining whether the funds on hand in the Construction Fund are sufficient to complete the Project. The Trustee shall not be responsible to collect lien waivers.

Bond Fund. The Issuer hereby establishes with the Trustee and shall maintain, so long as any of the Bonds are Outstanding, with the Trustee a separate trust account to be designated "Public Project Lease Revenue Bond Fund" (the "Bond Fund") into which the following deposits shall be made:

(a) All payments by the City as Rental Payments under Section 5.1 of the Lease.

(b) All other moneys received by the Trustee from the City when accompanied by directions of the City that such moneys are to be paid into the Bond Fund or used for purposes for which moneys in the Bond Fund may be used. If the City so directs, such monies shall be credited against Rental Payments due or to become due.

(c) All other moneys required to be deposited in the Bond Fund pursuant to any provision of this Indenture or the Lease.

The moneys and investments in the Bond Fund are irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of, and interest on the Bonds, as and when such principal and interest shall become due and payable.

Payment of Bonds. The Issuer will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture and the Bond Resolution and in each and every Bond executed, authenticated and delivered hereunder; will pay or cause to be paid, from payments of Rental Payments by the City and other amounts received in respect of the Project or available under this Indenture, the principal of, premium (if any) on and interest on every Bond issued hereunder on the dates, at the places and in the manner prescribed in the Bonds in any coin or currency which, on the respective dates of payment of such principal and interest, is legal tender for the payment of public and private debts; and other than as provided in Section 3.04, will cause such amounts received to be deposited with the Trustee fifteen days prior to the due date of each installment of principal and interest and prior to the maturity of any Bond in amounts sufficient to pay such installment (to the end that the Trustee may cause to be placed in any other bank the payment specified herein and in the Bonds, on time, money required for payment of principal and interest); provided, however, that the principal of and interest on any Bond is not and shall not be deemed to represent a debt or pledge the full faith or credit of the Issuer or the City or grant to the Holder of any Bond any right to have the Issuer or the City levy any taxes or appropriate any funds to the payment of principal of or interest on the Bonds, such payment to be made solely and only out of the moneys received pursuant to the Lease and this Indenture, including the funds and accounts established and maintained with the Trustee pursuant to the requirements of this Indenture and appropriated to the payment of the Bonds by the Indenture.

Extensions of Payments of Bonds. The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds, or the time of payment of any claims for interest by the purchase or refunding of such Bonds or claims for interest or by any other arrangement; and in case the maturity of any of the Bonds, or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any Default hereunder to the benefit of the Indenture or to any payment out of any assets of the Issuer or the funds (except funds held in trust by the Trustee for the payment of particular Bonds or claims for interest pursuant to this Indenture) held by the Trustee except subject to the prior payment of the principal of all Bonds issued and outstanding hereunder, the maturity of which Bonds or principal installments has not been extended, and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing in this section shall, however, be deemed to limit the right of the Issuer to fund or refund at one time all of such Bonds and claims for interest.

Concerning the Lease. The Issuer will cause and permit the Trustee to take such action as may be necessary or advisable to enforce the covenants, terms and conditions of the Lease and the Ground Lease if such action shall, in the Trustee's discretion and upon consultation with counsel as provided in Section 8.02 hereof, be deemed to be in the best interest of the Bondholders. The Issuer shall do or cause to be done all things on its part to be performed under the Lease so that the obligations of the City thereunder shall not be impaired or excused.

To Observe All Covenants and Terms; Limitations on Issuer's Obligations. The Issuer will not issue or permit to be issued any Bonds hereunder in any manner other than in accordance with the provisions of this Indenture and the agreements in that behalf herein contained, and will not suffer or permit any Default to occur under the Indenture, but will faithfully observe and perform all the conditions, covenants and requirements hereof. Under the Act, and it is expressly agreed that, the Issuer has no obligation to levy taxes for, or make any advance or payment or incur any expense or liability from its general funds in performing, any of the conditions, covenants or requirements of the Bonds or this Indenture or from any funds other than revenues and income received pursuant to the Lease or moneys in the funds and accounts provided for herein.

Liens. Other than conveyances allowed by the provisions of Sections 8.6 and 8.7 of the Lease, the Issuer and Trustee agree they will not mortgage, sell or otherwise encumber their interests in the Project during the term of the Lease, except as such liens may constitute Permitted Encumbrances (as defined in the Lease).

Events of Default. Each of the following events is hereby defined as, and is declared to be and to constitute, an "Event of Default" (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) if payment of the principal of any of the Bonds, when the same shall become due and payable, whether at maturity or by proceedings for redemption (by redemption, declaration or otherwise), shall not be made; or

(b) if payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made; or

(c) if the Issuer should default in the performance, or breach, any covenant or warranty of the Issuer contained in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this section specifically dealt with), and continuance of such default or breach (i) for a period of thirty days after there has been given, by registered or certified mail, to the Issuer by the Trustee, or to the Issuer and the Trustee by the Holder or Holders of at least twenty-five percent in aggregate principal amount of the Bonds then Outstanding, a written notice specifying such default or breach and requiring it to be remedied provided that if such default cannot be cured within such thirty (30) day period through the exercise of diligence but can be wholly cured, the failure of the Issuer to remedy such default within such thirty (30) day period shall not constitute an event of default hereunder if the Issuer shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch and provides the Trustee with a certification to that effect; or

(d) if an event of default shall occur under Section 12.1 of the Lease; or

(e) if any Non-appropriation should occur under the Lease.

Enforcement of Covenants and Conditions. Upon the occurrence and continuation of an event of default (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise and use in the circumstances in the conduct of their own affairs. The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture except for its own negligence or willful misconduct.

Upon the occurrence of an Event of Default, the Trustee may, and shall upon the written request of the Holders of a majority in aggregate principal amount of Outstanding Bonds, by written notice to the Issuer, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, notwithstanding anything in this Indenture or in the Bonds to the contrary.

At any time after such a declaration of acceleration has been made, but before the Trustee has exercised any other remedy specified herein or in the Lease, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Issuer and the Trustee, may rescind and annul such declaration and its consequences if:

(1) there has been paid to or deposited with the Trustee by or for the account of the Issuer, or provision satisfactory to the Trustee has been made for the payment of, a sum sufficient to pay

(a) all overdue installments of interest on all Bonds,

(b) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Bonds,

(c) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate borne by the Bonds, and

(d) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default, other than the non-payment of the principal of Bonds which have become due solely by such acceleration, have been cured or waived as provided herein.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Upon the happening and continuance of an Event of Default, in addition to the acceleration of the Bonds, the Trustee may (subject to the provisions of Section 8.06 hereof), and shall upon the written request by registered or certified mail to the Trustee of the Holders of a majority in aggregate principal amount of outstanding Bonds:

(1) proceed to protect and enforce its rights by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained herein or in the Lease or the Bonds, or in aid of the execution of any power herein or therein granted, or for the enforcement of any other appropriate legal or equitable remedy;

(2) with respect to the Project Equipment, exercise any remedies available to a secured party under the Uniform Commercial Code as then in effect in the State of Minnesota;

(3) exercise any remedies available to the Trustee under the Lease or any other Collateral Document.

In the event of a sale under this Indenture, whether by virtue of judicial proceedings or advertisement or otherwise, the Trust Estate may, at the option of the Trustee if directed in writing by the Holders of a majority in aggregate principal amount of Outstanding Bonds, be sold as one parcel and as an entirety or in such parcels, manner and order as the Trustee, as directed in writing by the Holders of a majority in aggregate principal amount of Outstanding Bonds, may elect.

Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders, as aforesaid, unless such Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Indenture or any Collateral Document, shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys, including any proceedings undertaken by the Issuer, and of the expenses, liabilities and advances incurred or made by the Trustee or Issuer, and after such funds shall have been applied as may be specifically required pursuant to this Indenture or any Collateral Document (e.g., to the restoration and replacement of any portion of the Project following casualty thereto or other loss thereof, as described in Section 6.6 of the Lease), and after payment of all taxes, assessments or liens prior to the lien of this Indenture (including reasonable fees and disbursements of the Trustee), except any taxes, assessments or liens subject to which any sale or other disposition of the Trust Estate or part thereof shall have been made, be deposited in the Bond Fund, and all moneys in the Bond Fund maintained with the Trustee shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

(1) First: To the payment to the Bondholders entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Bondholders entitled thereto, without any discrimination or privilege; and

(2) Second: To the payment to the Bondholders entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the

payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the Bondholders entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Bondholders entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this section, such moneys shall be applied by it at such times, and from time to time, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Bonds and interest thereon have been paid under the provisions of this section and all expenses and charges of the Trustee have been paid, any balance remaining shall be paid to the persons entitled to receive the same; if no other person shall be entitled thereto, then the balance shall be paid to the City.

Concerning the Trustee. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no duties shall be implied. The Trustee shall, during the existence of any Event of Default which has not been cured, exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of their own affairs.

The Trustee shall not be required to take notice or be deemed to have notice of any Default hereunder, except Default in the deposits or payments specified herein, unless the Responsible Officer shall be specifically notified in writing of such Default by the City, by the Issuer or by the Holders of a majority in aggregate principal amount of Bonds Outstanding hereunder, and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume that there is no Default, except as aforesaid.

Amendments to Lease or Ground Lease Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in Section 12.01, neither the Issuer nor the Trustee shall consent to any other amendment, change or modification of the Lease or any other Collateral Document without the written approval or consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and procured as in this section, provided, however, that no such amendment, change or modification shall ever affect the obligation of the City to make payments of Rental Payments as they become due and payable. If the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding hereunder at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution thereof as herein provided, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee, the Issuer or the City from executing the same or from taking any action pursuant to the provisions thereof.

No Amendment May Reduce Rental Payments. Under no circumstances shall any amendment to the Lease reduce the Rental Payments thereunder without the consent of the Holders of all the Bonds Outstanding.

GROUND LEASE

The following are excerpts of certain provisions of the Ground Lease (the "Ground Lease"). These excerpts do not purport to be complete, and reference is made to the full text of the Lease for complete recital of its terms. Copies of the Ground Lease may be obtained from the EDA or Northland Securities, Inc.

THIS GROUND LEASE AGREEMENT, made and entered into as of December 1, 2024 (the "Ground Lease"), by and between CITY OF OTSEGO, MINNESOTA, a municipal corporation and political subdivision of the State of Minnesota, as Lessor (the "Lessor" or the "City") and the OTSEGO ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic duly organized and existing under the laws of the State of Minnesota, as Lessee (the "Lessee" or the "EDA").

Warranties. Lessor covenants and warrants to Lessee:

(a) That Lessor has authority to enter into, execute and deliver this Ground Lease, and has duly authorized the execution and delivery of this Ground Lease;

(b) The Lessor is authorized under the Constitution and laws of the State to acquire, construct, operate and maintain the Improvements and lease the Land to the Lessee;

(c) The execution and delivery of this Ground Lease, the consummation of the transactions contemplated hereby, and the performance of or compliance with the terms and conditions of this Ground Lease by the Lessor will not conflict with or result in a breach of any of the terms, conditions or provisions of, or constitute a default under, any mortgage, deed of trust, lease or any other restriction or any agreement or instrument to which the Lessor is a party or by which it or any of its property is bound, or any order, rule or regulation applicable to the Lessor or any of its property, of any court or governmental body, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Lessor under the terms of any instrument or agreement to which the Lessor is a party;

(d) The Lessor has good and marketable title to the Land, subject only to Permitted Encumbrances (as defined in the Lease);

(e) That Lessor has determined that the Land can best be made suitable and convenient for public purposes through Lessor's entering into this Ground Lease and the Lease, and the completion of the transactions contemplated thereby;

(f) That the Land is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the construction of the Improvements on the Land, as contemplated by the Lease.

(g) That all taxes, assessments or impositions of any kind with respect to the Land, except current taxes, have been paid in full;

(h) That the Land is properly zoned for the purpose of the Improvements and complies with all presently applicable health, environmental and safety ordinances and laws and all other applicable laws, rules and regulations;

(i) Except as disclosed in the Official Statement (as defined in the Indenture), to the best of the knowledge of the Lessor, (i) no Hazardous Materials (as defined in the Lease) have been generated, treated, stored, transferred from, released or disposed of, or otherwise placed, deposited in or located on the Land, (ii) the Land is not now, and never has been, used as a landfill, dump or other disposal, storage, transfer or handling area for Hazardous Materials for industrial, military or manufacturing purposes, or as a gasoline service station or a facility for selling, dispensing, storing, transferring or handling petroleum and/or petroleum products, (iii) no above ground or underground tanks have been located under, in or about the Land and subsequently removed or filled, and (iv) to the extent storage tanks currently exist on or under the Land, such storage tanks have been duly registered with all appropriate regulatory and governmental bodies and otherwise are in compliance with applicable federal, state and local statutes, regulations, ordinances, and other regulatory requirements;

(j) Except as disclosed in the Official Statement, to the best of the knowledge of the Lessor, the Land is not located in a flood hazard area and has never been subject to material damage from flooding;

(k) The Lessor has not made, done, executed or suffered, and will not make, do, execute or suffer, any act or thing whereby the Lessor's interest in any property now or hereafter included in the Project will be or may be impaired, changed or encumbered in any manner whatsoever except as permitted by this Ground Lease and the Lease; and

(l) That Lessor has authority to enter into, execute and deliver the Lease, and has duly authorized its execution and delivery.

Lessee's Warranties. Lessee covenants and warrants to Lessor that Lessee has authority to enter into, execute and deliver this Ground Lease and the Lease, and has duly authorized the execution and delivery of this Ground Lease and the Lease and the assignment of all of its rights, title and interest in and under this Ground Lease and the Lease to the Trustee.

Term. The term of this Ground Lease shall commence as of the day and year first above written, and shall end on the Expected Termination Date, subject to earlier termination as provided in this Ground Lease and the Lease.

Rent. The rent shall be One Dollar ($1.00) payable in advance on the date hereof.

Lease. In further consideration of the authorization, execution and delivery of this Ground Lease by each of the parties, the parties have entered into the Lease and have agreed to carry out and perform their obligations thereunder.

Use. Except in the event the Lease is terminated by the City by Non-appropriation or by the EDA upon the occurrence of an event of default by the City thereunder, in which case the Trustee may possess and use the Project in accordance with the provisions of the Lease and the Indenture, the Trustee shall use the Land solely for the purpose of subleasing it to the City pursuant to the Lease and for the acquisition, construction and operation of the Project, and the leasing of the Improvements to the City. The Lessee shall not use or permit the use of the Land for any unlawful purpose.

Assignment and Subletting. Lessee shall have the right to assign or mortgage its interest in this Ground Lease and Land, and to sublet the Land in accordance with the Lease. If the Lease is terminated by the City by Non-appropriation or by the EDA upon the occurrence of an event of default by the City thereunder, the Trustee may assign its interests in this Ground Lease and may use, sublease and/or lease the Project without the consent of the City.

Additional Covenants. In the event that any person or entity, however organized (other than Lessee or any assignee of Lessee), shall be determined to hold any interest that in any manner affects Lessor's good and merchantable title to the Land, Lessor shall use its best efforts to acquire the interest in the Land so held, such acquisition to be made at Lessor's sole cost and expense. Lessor hereby agrees to save and keep harmless Lessee, or any assignee of Lessee, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatever kind and nature, imposed on, incurred by or asserted against Lessee, or any assignee of Lessee, that in any way relate to or arise out of the assertion of any interest affecting Lessor's good and merchantable title to the Land by any person or entity, however organized (other than Lessee or any assignee of Lessee).

Release of Land. Lessee shall have the right to release Land from this Ground Lease as provided in Section 8.7 of the Lease.

Lessee's Default. The following shall be an "event of default" or a "default" hereunder: if Lessee shall fail to (i) pay the rent provided herein, or (ii) observe or perform any of the obligations of Lessee otherwise provided herein.

Lessor's Remedies. Upon the occurrence of an event of default by Lessee hereunder, which shall remain uncured for thirty days after receipt by Lessee of written notice of such event of default, Lessor may thereafter or any time subsequently during the existence of such breach or default; (i) enter into and upon the Land and repossess the same, expelling and removing therefrom all persons and property, and (ii) terminate this Ground Lease.

THE RESOLUTION

The City will ratify the resolution approving the issuance of the Bonds on December 9, 2024.

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 December 30, 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, 2027. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing August 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, 2034 and thereafter are subject to redemption, in whole or in part, on February 1, 2033 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 EDA. 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 EDA 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 EDA 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 EDA, 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 EDA 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 EDA 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 EDA 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 EDA believes to be reliable, but the Otsego Economic Development Authority 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, as the Obligated Party, 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.

Although the City has filed its annual reports each year on a timely basis, in compliance with its continuing disclosure obligations, notices for the City's General Obligation Water Revenue Bonds, Series 2020 (a loan from the Minnesota Public Facilities Authority) and the City's General Obligation Sewer Revenue Note of 2023A (a loan from the Minnesota Public Facilities Authority) were not posted within ten business days of occurrence. The material event notices have since been filed as required. The City's audit for the fiscal year ending December 31, 2022 was filed on time and available to view on the MSRB's EMMA website, but was not linked to the City's General Obligation Water Revenue Bonds, Series 2021A at the time of filing. 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 EDA 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 EDA 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 EDA does not anticipate the need to issue any additional general obligation debt within the next three months.

BOND RATING

The EDA received an underlying rating of "AA" 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 EDA is not aware of any threatened or pending litigation that questions the organization or boundaries of the EDA 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 EDA 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 EDA 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.

Not Qualified Tax-Exempt Obligations

The EDA will not 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.

APPENDIX A

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE OTSEGO ECONOMIC DEVELOPMENT AUTHORITY, MINNESOTA AND DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE CITY OR THE EDA, AND THE FULL FAITH AND CREDIT AND TAXING POWERS OF THE CITY ARE NOT PLEDGED FOR THE PAYMENT OF THE BONDS. THE FOLLOWING INFORMATION CONCERNING THE CITY IS PRESENTED FOR INFORMATIONAL PURPOSES ONLY AND NOT AS A REPRESENTATION OF SECURITY FOR THE BONDS.

CITY OF OTSEGO, MINNESOTA

GENERAL INFORMATION

Location/Access/Transportation

Otsego, situated in Wright County, is located in the central portion of Minnesota. The City lies on the Mississippi River and is situated approximately 30 miles northwest of the Twin Cities Metropolitan Area. Access is provided via Interstate Highway 94, State Highway 101 and County Roads 19, 39 and 42.

Area

16,324 Acres
(25.51 Square Miles)

Population

2000 Census	6,384	2020 Census	19,966
2010 Census	13,571	2023 Estimate*	23,132

Labor Force Data[1]

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

	2024 (August)		2023	
	Civilian Labor Force	*Unemployment Rate*	*Civilian Labor Force*	*Unemployment Rate*
Wright County	77,162	3.6%	75,232	2.9%
Minneapolis/St. Paul MSA	2,017,645	3.3	2,023,955	2.7
Minnesota	3,099,351	3.4	3,099,923	2.8

Income Data[2]

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

	City of Otsego	State of Minnesota	United States
Median Family Income	$136,489	$107,072	$92,646
Per Capita Income	45,856	44,947	41,261

* Source: City of Otsego and State of Minnesota Demographer.
[1] Source: Minnesota Department of Employment and Economic Development.
[2] Source: 2018-2022 American Community Survey, U.S. Census Bureau.

City Government

Otsego, organized in November 1990, is a Minnesota Statutory City with an 'Optional Plan A' form of government. It has a mayor elected at large for a four-year term and four council members also elected at large for four-year terms. The professional staff is appointed and consists of an administrator, clerk, attorney, and engineer.

The City has the following enterprise services: water, sanitary sewer, and storm water utilities.

Employee Pension Programs

The City employs 60 people, 40 full-time and 20 part-time. The pension plan currently covers all eligible employees.

The City participates in contributory pension plans through the Public Employees Retirement Association (PERA) under Minnesota Statutes, Chapters, 353 and 356, which covers all full-time and certain part-time employees. PERA administers the General Employees Retirement Fund (GERF) which is a cost sharing, multiple-employer retirement plan. Benefits are established by State Statute and vest after three years of credited service. GERF Coordinated Plan members were required to contribute 6.50% of their annual covered salary in 2023. As of January 1, 2023, the City is required to contribute 7.50% for Coordinated Plan GERF members of annual covered payroll.

Audited City contributions to GERF for the past five years have been as follows:

Year	*Amount*	*Year*	*Amount*
2023	$189,626	2020	$133,158
2022	161,169	2019	120,583
2021	142,796		

Other Postemployment Benefits (OPEB)

The City does not offer any postemployment benefits to former or retired employees and has no liability with respect thereto.

Estimated Cash and Investment Balances as of September 30, 2024 (unaudited)

Fund Name	
General Fund	$ 6,237,515
Special Revenue Fund	787,827
Capital Projects Fund	27,568,135
Debt Service Fund	830,013
Enterprise Fund	39,401,889
Escrow Fund	3,604,273
Total:	$ 78,429,652

General Fund Budget Summary

	2023 Budget	2023 Actual	2024 Budget
Revenues:			
Property Taxes	$5,354,550	$5,253,657	$6,324,793
Licenses and Permits	1,695,523	1,544,769	1,657,040
Intergovernmental Revenue	92,300	575,521	461,984
Charges for Services	268,776	256,324	258,515
Fines and Forfeits	24,000	25,956	30,900
Franchise Fees	133,000	126,594	132,000
Miscellaneous	87,900	332,789	128,220
Transfers In	320,600	320,600	427,000
Total Revenues	$7,976,649	$8,436,210	$9,420,452
Expenditures:			
General Government	$1,783,425	$1,677,552	$2,120,045
Economic Development	113,360	91,788	104,960
Public Safety	3,406,291	3,323,206	4,029,903
Recreation	935,745	943,533	1,129,706
Public Works	1,737,828	1,694,597	2,035,838
Transfers Out	0	710,829	0
Total Expenditures	$7,976,649	$8,441,505	$9,420,452
Revenues Over (Under) Expenditures	0	(5,295)	0
Beginning Fund Balance (January 1)	$ 4,624,111	$ 4,624,111	$ 4,618,816
Ending Fund Balance (December 31)	$ 4,624,111	$ 4,618,816	$ 4,618,816

Development

Otsego continues to experience strong residential and commercial growth due to its ideal location. The City is 30 miles from downtown Minneapolis, the center of the Twin Cities metropolitan area and has excellent transportation access with Interstate 94 and State Highway 101. The City maintains a Comprehensive Plan document for land use and development to manage and encourage growth.

The residential growth can be expressed with the 221 new residential construction permits issued during 2023. The average number of new residential construction permits over the past five years is 335. The latest estimates developed by the City show total households at 7,916 or a growth of 51 percent over the past ten years.

The City is expecting for this trend in residential housing growth to continue into the future as well. There have been several builders continuing to develop properties and go through the final platting process.

The taxable market value of property within the City increased $657 million (22.27 percent) to a total of $3,608,349,843 for taxes payable 2024. According to Wright County, for taxes payable 2024, there was approximately $176 million of value added for new residential, commercial, and industrial development. The remaining portion of the growth is due to market driven factors. The increased taxable value translates into increased tax capacity and has allowed the City to maintain or slightly decrease the property tax rate for eleven consecutive years. The City’s tax rate for payable 2024 is 23.109, a decrease of 21.86% compared to the previous year.

As the City has continued to grow over the years, commercial development has paced well behind residential and industrial sectors. The City has seen this trend change course during 2023 and 2024. The City had a busy 2023 with completed projects including Due North Car Wash, ALDI, Michael's, Smile Orthodontics, New Century Service, Blu Dot, Dakota Supply Group and Satellite Shelters. A few projects started in 2023 are nearing completion and should be open for service early in 2024 including Starbuck's, Kennedy Vision, and the Little Gym. The City approved a number of projects in 2023 that have not broken ground, but are expected to begin construction in 2024 including O2B Kids Daycare, Christian Brothers Automotive, R&L Carriers, and a retail center with spaces for three future tenants.

The City has recently received development applications which have not been approved by the City Council, but include the expansion of the Coborn's Grocery Store, a new retail building including tenants of a hardware store and a pet store, and most recently an application from Costco for a new store and gas station to be constructed at the northwest corner of Maciver Avenue and 60th Street. Given the economic importance of this type of development, the City is navigating planning efforts to supply the infrastructure necessary to accommodate such development.

Building Permits

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

Year	*Commercial/ Industrial Number of Permits*	*Residential Number of Permits*	*Total Number of Permits*	*Total Permit Valuation*
2024 (as of 9/30)	7	195	1,521	$115,426,526
2023	5	221	2,172	106,174,994
2022	8	319	1,827	166,093,209
2021	4	435	1,857	192,269,071
2020	4	403	1,792	191,073,862
2019	3	300	1,227	104,638,659

Banking/Financial Institutions

Banking and financial services within the City are provided by The Bank of Elk River.

Education

The City is served by ISD No. 728, Elk River; ISD No. 882, Monticello; and ISD No. 885, St. Michael-Albertville.

Major/Leading Employers[1]

Following are some of the major/leading employers within the City:

Name	*Product/Service*	*Number of Employees*[2]
Target	Retail	330
Independent School District No. 728	Education – Public Schools	225
Keller Williams Realty	Real Estate	175
Corborn's	Grocerty	160
Guardian Angels Senior Services	Senior Living	117
Rockwoods	Restaurant	103
Kaleidoscope Charter School	Education – Charter School	100
Nystrom & Associates	Professional Services	100
R.L. Carriers	Industrial	100
Michels Corporation	Industrial	83
City of Otsego	Government	60
Wyndham Garden Hotel	Hospitality	50

Largest Taxpayers[3]

Following are ten of the largest taxpayers within the City:

Name	*Classification*	*2023/2024 Tax Capacity*	*Percent of Total Tax Capacity ($39,516,976)*[4]
Duke Realty LP	Industrial	$ 1,587,504	4.02%
Centerpoint Energy	Utility	536,078	1.36
Wagner Spray Tech Corp	Industrial	312,016	0.79
Evans Park Inc.	Apartments	254,745	0.65
Target Corporation	Commercial	229,328	0.58
Endeavor Investments XII LLC	Industrial	213,838	0.54
Otsego Apartments LLC	Apartments	187,194	0.47
R Schultz Exchange LLC	Apartments	182,359	0.46
Ahava Realty Ada Compliant LP	Industrial	181,250	0.46
US Home LLC	Residential	159,870	0.40
		$ 3,844,182	9.73%

[1] Sources: the City and Data Axle Reference Solutions.
[2] Includes full-time, part-time, and seasonal employees.
[3] As reported by Wright 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.

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The following is a partial summary of these factors:

Property Tax Classifications

Class	Type of Property	Class Rate Schedule 2021/2022	2022/2023	2023/2024
1a	Residential Homestead: First $500,000	1.00%	1.00%	1.00%
	Over $500,000	1.25	1.25	1.25
1c	Commercial seasonal-residential recreational- 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	Agricultural Homestead – House, Garage, One Acre:			
	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
	Agricultural Homestead Land[1]	1.00	1.00	1.00
2a	Non-Homestead Agricultural Productive Land*	1.00	1.00	1.00
2b	Non-Homestead Rural Vacant Land[2]	1.00	1.00	1.00
3a	Commercial/Industrial and Public Utility			
	First $150,000†	1.50	1.50	1.50
	Over $150,000†	2.00	2.00	2.00
4a	Apartment (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
4bb(1)	Residential Non-Homestead (Single Unit)			
	First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
4c(1)	Seasonal Residential Recreational/Commercial†			
	(Resort): First $500,000	1.00	1.00	1.00
	Over $500,000	1.25	1.25	1.25
4c(12)	Seasonal Residential Recreational†			
	Non-Commercial (Cabin): First $500,000*	1.00	1.00	1.00
	Over $500,000*	1.25	1.25	1.25
4d	Qualifying Low-Income Rental Housing			
	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 OTSEGO, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION[1]

Valuations

	Estimated Market Value 2023/2024	*Net Tax Capacity 2023/2024*
Real Property	$ 3,711,433,600	$ 38,916,421
Personal Property	30,069,000	600,555
Less Tax Increment Deduction	- - -	(618,743)
Less Power Line	- - -	(338)
Total Adjusted Valuation	$ 3,741,502,600	$ 38,897,895

Valuation Trends (Real and Personal Property)

Levy Year/ Collection Year	*Economic Market Value*	*Sales Ratio*	*Estimated Market Value*	*Taxable Market Value*	*Tax Capacity Before Tax Increments*	*Tax Capacity After Tax Increments*
2023/2024	$3,716,607,804	100.78%	$3,741,502,600	$3,608,349,843	$39,516,976	$38,897,895
2022/2023	3,428,468,381	89.99	3,083,366,800	2,951,117,012	32,075,441	31,550,432
2021/2022	2,774,812,034	89.24	2,467,755,200	2,315,141,700	25,254,743	24,852,871
2020/2021	2,350,119,568	95.20	2,237,499,800	2,087,427,000	22,876,221	22,591,258
2019/2020	2,165,556,649	94.41	2,043,966,400	1,892,088,300	20,742,285	20,497,278

Breakdown of Valuations

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

Residential Homestead	$ 28,057,398	71.00%
Agricultural	887,817	2.25
Commercial & Industrial	5,456,735	13.81
Public Utility	41,039	0.10
Railroad	10,450	0.03
Residential Non-Homestead	4,367,770	11.05
Seasonal/Recreational	95,212	0.24
Personal Property	600,555	1.52
Totals:	$ 39,516,976	100.00%

[1] Property valuations, tax rates, and tax levies and collections are provided by Wright County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue.

Tax Capacity Rates

Tax capacity rates for a City resident within ISD 728, Elk River, for the past five-assessable/collection years have been as follows:

Levy Year/ Collection Year	*2019/20 Tax Capacity Rates*	*2020/21 Tax Capacity Rates*	*2021/22 Tax Capacity Rates*	*2022/23 Tax Capacity Rates*	*2023/24 Tax Capacity Rates*
Wright County	44.421%	43.719%	43.751%	37.848%	33.737%
City of Otsego	35.099	34.653	34.545	29.572	23.109
ISD No. 728, Elk River	34.371	31.717	30.889	26.605	23.924
Totals:	113.891%	110.089%	109.185%	94.025%	80.770%

Tax Levies and Collections[1]

		Collected During Collection Year		Collected and/or Abated as of 12/31/23	
Levy/Collect	Net Levy	Amount	Percent	Amount	Percent
2023/2024	$8,980,307	In Process of Collection			
2022/2023	9,313,435	$9,241,448	99.23%	$9,241,448	99.23%
2021/2022	8,586,699	8,508,270	99.09	8,574,655	99.86
2020/2021	7,804,191	7,740,240	99.18	7,798,614	99.93
2019/2020	7,185,919	7,126,462	99.17	7,182,942	99.96

[1] 2023/2024 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Wright 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 December 2, 2024:

2023/2024 Estimated Market Value	$ 3,741,502,600
Multiplied by 3%	x .03
Statutory Debt Limit	$ 112,245,078
Less outstanding debt applicable to debt limit:	
$17,860,000 Lease Revenue Bonds, Series 2024A (this Issue)	$ 17,860,000
Total Debt applicable to debt limit:	$ 17,860,000
Legal debt margin	$ 94,385,078

[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 OTSEGO, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of December 2, 2024)

Purpose:	G.O. Water and Sewer Revenue Refunding Bonds, Series 2019A	G.O. Sewer Revenue Note of 2020	G.O. Water Revenue Bonds, Series 2021A	G.O. Water and Sewer Revenue Refunding Bonds, Series 2021B	G.O. Sewer Revenue Note of 2023			
Dated:	12/19/19	05/27/20	09/23/21	09/23/21	10/25/23			
Original Amount:	$3,525,000	$17,273,277	$4,345,000	$7,390,000	$34,045,359			
Maturity:	1-Dec	20-Aug	1-Feb	1-Dec	20-Aug	**TOTAL**	**TOTAL**	
Interest Rates:	4.000%	1.161%	1.00-3.00%	5.000%	2.843%	**PRINCIPAL:**	**PRIN & INT:**	
2024	$0	$0	$0	$0	$0	$0	$0	2024
2025	1,430,000	840,000	260,000	520,000	1,349,000	4,399,000	5,761,544	2025
2026	1,485,000	850,000	265,000	545,000	1,387,000	4,532,000	5,755,365	2026
2027	0	860,000	275,000	0	1,427,000	2,562,000	3,641,314	2027
2028	0	870,000	285,000	0	1,467,000	2,622,000	3,642,360	2028
2029	0	880,000	290,000	0	1,509,000	2,679,000	3,638,927	2029
2030	0	890,000	300,000	0	1,552,000	2,742,000	3,642,959	2030
2031	0	900,000	305,000	0	1,596,000	2,801,000	3,644,478	2031
2032	0	911,000	305,000	0	1,641,000	2,857,000	3,641,529	2032
2033	0	921,000	310,000	0	1,688,000	2,919,000	3,642,915	2033
2034	0	932,000	315,000	0	1,736,000	2,983,000	3,644,481	2034
2035	0	943,000	315,000	0	1,785,000	3,043,000	3,639,187	2035
2036	0	954,000	325,000	0	1,836,000	3,115,000	3,643,091	2036
2037	0	965,000	330,000	0	1,888,000	3,183,000	3,641,268	2037
2038	0	976,000	0	0	1,942,000	2,918,000	3,308,088	2038
2039	0	988,000	0	0	1,997,000	2,985,000	3,308,546	2039
2040	0	999,000	0	0	2,054,000	3,053,000	3,308,300	2040
2041	0	0	0	0	2,112,000	2,112,000	2,297,307	2041
2042	0	0	0	0	2,172,000	2,172,000	2,297,263	2042
2043	0	0	0	0	2,234,000	2,234,000	2,297,513	2043
	$2,915,000	$14,679,000	$3,880,000	$1,065,000	$33,372,000	$55,911,000	$68,396,432	
	(1) (2)	(3)	(4)	(1) (5)	(3)			

NOTE: 50% 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 and sewer utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.

(2) These bonds current refunded the General Obligation Water and Sewer Revenue Refunding Bonds, Series 2009A on December 30, 2019, at a price of par plus accrued interest.

(3) These bonds are payable primarily from net revenues of the municipal sewer utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.

(4) These bonds are payable primarily from net revenues of the municipal water utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.

(5) These bonds current refunded the General Obligation Water and Sewer Revenue Refunding Bonds, Series 2010C on December 1, 2021, at a price of par plus accrued interest.

CITY OF OTSEGO, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS
(As of December 2, 2024)

Purpose:	**G.O. Improvement Bonds, Series 2018A**	**G.O. Improvement Refunding Bonds, Series 2020A**			
Dated:	07/11/18	11/17/20			
Original Amount:	$2,305,000	$2,950,000			
Maturity:	1-Feb	1-Feb	**TOTAL**	**TOTAL**	
Interest Rates:	3.00-3.125%	4.00%	**PRINCIPAL:**	**PRIN & INT:**	
2024	$0	$0	$0	$0	2024
2025	200,000	280,000	480,000	561,556	2025
2026	205,000	290,000	495,000	559,081	2026
2027	210,000	315,000	525,000	570,756	2027
2028	220,000	320,000	540,000	566,606	2028
2029	225,000	0	225,000	238,531	2029
2030	60,000	0	60,000	69,256	2030
2031	65,000	0	65,000	72,381	2031
2032	65,000	0	65,000	70,391	2032
2033	70,000	0	70,000	73,281	2033
2034	70,000	0	70,000	71,094	2034
	$1,390,000	$1,205,000 (1)	$2,595,000	$2,852,934	

NOTE: 97% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

(1) These bonds current refunded $805,000 of the $1,220,000 General Obligation Improvement Bonds, Series 2010D. Maturities 2021 through 2028, inclusive, were called for redemption on November 17, 2020, at a price of par plus accrued interest. These bonds also current refunded $2,365,000 of the $4,640,000 General Obligation Improvement Bonds, Series 2011A. Maturities 2021 through 2028, inclusive, were called for redemption on November 17, 2020, at a price of par plus accrued interest.

OTSEGO ECONOMIC DEVELOPMENT AUTHORITY, MINNESOTA
SPECIAL OBLIGATION DEBT
(As of December 2, 2024, Plus This Issue)

	This Issue			
Purpose:	**Lease Revenue Bonds, Series 2024A**			
Dated:	12/30/24			
Original Amount:	$17,860,000			
Maturity:	1-Feb	**TOTAL**	**TOTAL**	
Interest Rates:		**PRINCIPAL:**	**PRIN & INT:**	
2024	$0	$0	$0	2024
2025	0	0	403,072	2025
2026	0	0	687,705	2026
2027	630,000	630,000	1,307,625	2027
2028	650,000	650,000	1,307,470	2028
2029	670,000	670,000	1,307,010	2029
2030	690,000	690,000	1,305,758	2030
2031	715,000	715,000	1,308,271	2031
2032	735,000	735,000	1,304,341	2032
2033	760,000	760,000	1,303,920	2033
2034	790,000	790,000	1,306,788	2034
2035	815,000	815,000	1,302,891	2035
2036	845,000	845,000	1,302,174	2036
2037	875,000	875,000	1,299,486	2037
2038	910,000	910,000	1,299,670	2038
2039	945,000	945,000	1,297,561	2039
2040	985,000	985,000	1,298,233	2040
2041	1,025,000	1,025,000	1,296,771	2041
2042	1,070,000	1,070,000	1,298,033	2042
2043	1,115,000	1,115,000	1,296,869	2043
2044	1,160,000	1,160,000	1,293,235	2044
2045	1,210,000	1,210,000	1,291,978	2045
2046	1,265,000	1,265,000	1,292,830	2046
	$17,860,000	$17,860,000	$27,111,689	
	(1)			

NOTE: 27% OF SPECIAL OBLIGATION DEBT WILL BE RETIRED WITHIN TEN YEARS.

(1) Issued by the Otsego Economic Development Authority, Minnesota and payable from rental payments made by the City of Otsego to the Otsego EDA.

Indirect Debt*

Issuer	*2023/2024 Tax Capacity Value(1)*	*2023/2024 Tax Capacity Value in City(1)*	*Percentage Applicable in City*	*Outstanding General Obligation Debt*	*Taxpayers' Share of Debt*
Wright County	$ 281,065,244	$38,897,895	13.84%	$69,090,000	$ 9,562,056
ISD No. 728, Elk River	152,363,590	33,895,732	22.25	263,240,000	58,570,900
ISD No. 882, Monticello	51,477,169	2,479,132	4.82	38,515,000	1,856,423
ISD No. 885, St. Michael - Albertville	41,932,129	2,523,031	6.02	113,720,000	6,845,944
				Total Indirect Debt:	$ 76,835,323

(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 December 2, 2024, unless otherwise noted.

(1) Tax Capacity Value is after tax increment deduction and power line adjustments.

General Obligation Debt

Bonds secured by special assessments	$ 2,595,000
Bonds secured by water/sewer revenues	55,911,000
Subtotal	$ 58,506,000
Less bonds secured by water/sewer revenues	(55,911,000)
Direct General Obligation Debt	2,595,000
Add taxpayers' share of indirect debt	76,835,323
Direct and Indirect Debt	$ 79,430,323

Special Obligations

$17,860,000 Lease Revenue Bonds, Series 2024A (this issue)	$ 17,860,000

Facts for Ratio Computations

2023/2024 Economic Market Value (real and personal property)	$3,716,607,804
Population (2023 estimate)	23,132

Debt Ratios Excluding Revenue-Supported Debt

	Direct Debt	*Indirect Debt*	*Direct and Indirect Debt*
To Economic Market Value	.07%	2.07%	2.14%
Per Capita	$112	$3,322	$3,434

APPENDIX B

Form of Legal Opinion

$______________

OTSEGO ECONOMIC DEVELOPMENT AUTHORITY
LEASE REVENUE BONDS, SERIES 2024A
(CITY OF OTSEGO, MINNESOTA LEASE WITH OPTION TO PURCHASE PROJECT)

We have acted as bond counsel in connection with the issuance by the Otsego Economic Development Authority (the "Issuer"), of its $___________ Lease Revenue Bonds, Series 2024A (City of Otsego, Minnesota Lease with Option to Purchase Project), bearing a date of original issue of December 30, 2024 (the "Bonds"). We have examined a Lease Agreement dated as of December 1, 2024 (the "Lease"), between the Issuer, as landlord, and the City of Otsego, Minnesota (the "City"), as tenant, a Ground Lease Agreement between the City, as lessor, and the Issuer, as lessee, an Indenture of Trust dated as of December 1, 2024 (the "Indenture"), between the Issuer and U.S. Bank Trust Company, National Association (the "Trustee"), 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:

(a) the Issuer is a body corporate and politic duly organized and existing under the Constitution and laws of the State of Minnesota with authority under Minnesota Statutes, Sections 469.090 through 469.1082, as amended, to issue the Bonds, to enter into the Lease and Ground Lease and to execute and deliver the Indenture to secure the Bonds;

(b) the Indenture, the Ground Lease, and the Lease have been duly and validly authorized, executed and delivered by the Issuer and the City and, assuming in the case of the Indenture due authorization and execution by the Trustee thereto, are valid instruments legally binding on the parties thereto and legally enforceable in accordance with their terms, except to the extent that enforceability of the indemnification provisions in the Lease is limited by state and federal securities laws;

(c) the proceedings show lawful authority for issuance of the Bonds under the Indenture and under the provisions of the Constitution and laws of the State of Minnesota now in force, including Minnesota Statutes, Sections 469.090 through 469.1082, as amended;

(d) the Bonds have been duly and validly executed and delivered by the Issuer and authenticated by the Trustee, and are valid and binding special, limited obligations of the Issuer payable in accordance with their terms solely from the revenues and other sums (the "Revenues") irrevocably pledged to the payment of the Bonds and interest thereon under the Indenture;

(e) the Bonds are not a general obligation or indebtedness of the Issuer within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Issuer, or charge against their general credit or taxing powers, but are payable solely from Revenues pledged to the payment thereof in accordance with the provisions of the Indenture; and

(f) 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 and the City 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. The Issuer and the City have covenanted to comply with such requirements. 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.

It is understood that the rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture, the Ground Lease, and the Lease may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Dated at Minneapolis, Minnesota this ___ day of December, 2024.

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX C

Form of Continuing Disclosure Certificate

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Otsego, Minnesota (the "City"), in connection with the issuance by the Otsego Economic Development Authority (the "Authority") of its $_________ Lease Revenue Bonds, Series 2024A (City of Otsego, Minnesota Lease with Option to Purchase Project) (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust dated as of December 1, 2024 between the Authority and U.S. Bank Trust Company, National Association, as trustee (the "Indenture"). Pursuant to a resolution adopted by the Board of Commissioners of the Authority on December 9, 2024 the Authority approved the form of the Indenture. Pursuant to a Resolution adopted by the City Council of the City on December 9, 2024 the City approved this Undertaking and therefore the City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the City for the benefit of the Owners and in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5). Although the Authority is the issuer of the Bonds, it is not an "obligated person" subject to the disclosure requirements under the Rule because (i) the Bonds are payable from lease payments to be made by the City and (ii) financial information and operating data set forth in the Official Statement relates only to the City.

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 City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the City 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 City to act as information dissemination agent and which has filed with the City 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 City.

"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 December __, 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 City 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, 2024, the City 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, 2025, and by December 31 of each year thereafter.

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

SECTION 4. Content and Format of Annual Reports. The City's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the City 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 City. The Audited Financial Statements of the City may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the City 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 City 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 City;
(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 City 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 City agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the City to provide the Annual Reports described in Section 4.

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the City 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 City 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 City 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 City 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 City 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 City 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 City 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 City 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 City, 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 City 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 City determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: December 30, 2024 CITY OF OTSEGO, MINNESOTA

By: ___________________________
Its Mayor

By: ______________________________
Its City Administrator

APPENDIX D

City's Financial Statement

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 Otsego City Hall and the office of Northland Securities. 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.

June 6, 2024

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Otsego.

Transmitted herewith is the Annual Comprehensive Financial Report of the City of Otsego for the fiscal year ended December 31, 2023.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City following the policies and procedures specified by the City's system of internal control. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

To the best of our knowledge and belief, the enclosed data is accurate, in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures deemed necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Minnesota Statutes require that the financial statements of the City be audited annually by the State Auditor, or a Certified Public Accountant selected by the City Council. These financial statements have been audited by BerganKDV (the Auditors). The Auditors expressed an unmodified opinion on the financial statements, and their opinion letter is included as the first component within the financial section of this report.

The Auditors have also issued several other reports on compliance with Government Auditing Standards and Minnesota Legal Compliance. These reports have been issued under separate cover.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

City of Otsego | 13400 90th Street NE, Otsego, MN 55330 | Tel. (763) 441-4414 Fax (763) 441-9163

PROFILE OF THE CITY

The first town site in Otsego was originally platted in 1857 in what was once known as the Big Woods, heavily laden with deciduous trees, and interspersed with rivers, ponds, and prairies. The first settlers to the area were of European descent settling the area in 1852. On April 5, 1858, Otsego Township was established. The area remained a township until 1990 when it was incorporated into the City of Otsego to serve its residents more fully and to manage growth.

Otsego is located at the confluence of the Mississippi and Crow Rivers approximately thirty miles northwest of Minneapolis. The Mississippi River runs along the northern and eastern borders of the City and the Crow River runs along the southern border in the far eastern part of the City until it enters the Mississippi River.

The City is located in the northeast corner of Wright County and covers an area of about 30.5 square miles. The State Demographer's most recent population estimate was 22,705, compared with 19,966 from the 2020 US Census. Otsego is both the largest and fastest growing city in Wright County and outpaces growth in neighboring cities outside Wright County.

The City operates under the "Optional Plan A" form of government as defined in Minnesota Statutes. Under this plan, the government of the City is directed by a City Council consisting of an elected mayor and four elected councilmembers at large. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The mayor and councilmembers serve four year terms with two councilmembers elected to four year terms every two years. The mayor is also elected to a four year term.

The City provides its residents and businesses a full range of municipal services consisting of the construction & maintenance of highways, streets, and other infrastructure, park facilities, recreational opportunities, and general administrative services. The City services also provide public utilities including water, sanitary sewer and storm water services accounted for in enterprise funds. Police protection has been provided for more than 25 years through an agreement with the Wright County Sheriff's department which provides 50 hours of service every day. Fire suppression and emergency response services are provided through agreements with the neighboring cities of Albertville, Elk River, and Rogers, with each agreement having geographical boundaries based upon response times.

Financial planning and control for the City of Otsego are based on the annual Operating Budget and the multi-year Capital Improvement Plan. Under Minnesota Statutes, a preliminary property tax levy must be adopted by the City Council no later than September 30th of each year for the ensuing year's collection. This establishes a maximum levy that may subsequently be lowered but may not be increased at the time of final adoption. A ceiling on the increase of the annual property tax levy is established from time to time by the Minnesota Legislature. Such a limit was not in place for taxes payable 2023 and 2024.

Effective establishment of this levy means that a preliminary operating budget must be prepared. The City Administrator, with the assistance of the Finance Director and management staff, prepares such a budget each year and presents it along with the preliminary levy for City Council review. The City Council is required to adopt a final tax levy and annual budget each December for the subsequent year, which begins on January 1. Departments may make transfers of appropriations within their department. However, transfers of budget appropriations between departments need authorization of the City Administrator. The legal level of budgetary control is at the fund level, so any appropriation transfers between funds need the approval of the City Council.

In addition, a Capital Improvement Plan covering a ten-year period is reviewed and revised during the annual budget process. This includes projects for which the City may issue debt and/or assess portions of the cost to adjacent or benefiting property owners. Because there are limited funds available each year and the City does not wish to issue excessive amounts of debt, these projects are reviewed and reprioritized each year.

ECONOMIC CONDITION

Otsego continues to experience strong residential and commercial growth due to its ideal location. The City is 30 miles from downtown Minneapolis, the center of the Twin Cities metropolitan area and has excellent transportation access with Interstate 94 and State Highway 101. The City maintains a Comprehensive Plan document for land use and development to manage and encourage growth.

The residential growth can be expressed with the 221 new residential construction permits issued during 2023. The average number of new residential construction permits over the past five years is 335. The latest estimates developed by the City show total households at 7,916 or a growth of 51 percent over the past ten years.

The City is expecting for this trend in residential housing growth to continue into the future as well. There have been several builders continuing to develop properties and go through the final platting process.

The taxable market value of property within the City increased $657 million (22.27 percent) to a total of $3,608,349,843 for taxes payable 2024. According to Wright County, for taxes payable 2024, there was approximately $176 million of value added for new residential, commercial, and industrial development. The remaining portion of the growth would be due to market driven factors. The increased taxable value translates into increased tax capacity and has allowed the City to maintain or slightly decrease the property tax rate for eleven consecutive years. The City's tax rate for payable 2024 is 23.109, a decrease of 21.86% compared to the previous year.

As the City has continued to grow over the years, commercial development has paced well behind residential and industrial sectors. The City is seeing this trend change course during 2023 and 2024. The City had a busy 2023 with completed projects including Due North Car Wash, ALDI, Michael's, Smile Orthodontics, New Century Service, Blu Dot, Dakota Supply Group and Satellite Shelters. A few projects started in 2023 are nearing completion and should be open for service early in 2024 including Starbuck's, Kennedy Vision, and the Little Gym. The City approved a number of projects in 2023 that have not broken ground, but are expected to begin construction in 2024 including O2B Kids Daycare, Christian Brothers Automotive, R&L Carriers, and a retail center with spaces for three future tenants.

The City has recently received development applications which have not been approved by the City Council, but include the expansion of the Coborn's Grocery Store, a new retail building including tenants of a hardware store and a pet store, and most recently an application from Costco for a new store and gas station to be constructed at the northwest corner of Maciver Avenue and 60th Street. Given the economic importance of this type of development, the City is navigating planning efforts to supply the infrastructure necessary to accommodate such development.

LONG-TERM FINANCIAL PLANNING

The City has adopted and annually updates a ten-year Capital Improvement Plan (CIP) to facilitate the growth and maintenance of public infrastructure, community facilities and capital equipment. Projects in the CIP demonstrate the importance of developing long range financial planning strategies to facilitate the growth and prosperity of the City. The process assists with both short- and long-range financial planning needs by:

- Prioritizing capital projects and equipment acquisitions
- Estimating resource needs and related cash flows
- Identifying adequate and sustainable funding sources

MAJOR INITIATIVES

With all of the growth that has been experienced in Otsego, the City has identified the need to expand our future planning, and has illustrated this by developing a Strategic Plan. Within this Plan, the City has developed a practical vision of what Otsego should be in three to five years. The following list outlines the City's strategic directions with certain examples of initiatives that have been accomplished in 2023 or set as goals in 2024.

- Positioning for Growth.
  - *Continued Construction of the West Wastewater Facility Expansion Project*
  - *Established the Fire & Emergency Services Department*
  - *Completed facility designs for future City Hall & Public Works*
  - *Authorized a space needs study for the Fire & Emergency Services Building*

- Empowering the Organization.
  - *Conducted an Employee Survey to gauge employee engagement*
  - *Continued Administrator & Department group discussions*
  - *Established an annual all-employee team building and training session*

- Engaging Stakeholders.
  - *Conducted Neighborhood and Community Surveys for Park Plans*
  - *Budgeted for a Communications Specialist staff position*
  - *Obtained County and Federal grant funding for multiple projects*

RELEVANT FINANCIAL POLICIES

The City Council has approved a fund balance policy that established the minimum fund balance requirements of the General Fund at forty-five percent of the subsequent year's expenditures. The policy also includes the annual review of the fund balance reserves of all other funds and the criteria for the use of reserves. Reserve balances are reviewed annually as part of the budget/financial planning process and at the time the Capital Improvement Plan is approved by the City Council.

The financial management staff of the City of Otsego have developed and implemented internal controls designed to protect the City's assets from loss, abuse, theft, or other misappropriation. These controls provide reasonable assurance of the safety of the City's assets while recognizing that management estimates and judgements as to the cost of such controls are also important to deriving maximum benefit from these controls.

Policies relating to investment of City funds, billing and collection of public utility charges, management of long-term debt, purchasing, fund balances and general accounting procedures have been developed. In addition, goals and objectives have been established for internal and external financial reporting and for long-term financial planning strategies.

FINANCIAL REPORTING AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Otsego for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2022. This was the 11th consecutive year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized annual comprehensive financial report that satisfied both accounting principles generally accepted in the United States and applicable federal, state and local legal requirements.

A Certificate of Achievement is valid for a period of one year. It is expected that the 2023 Annual Comprehensive Financial Report continues to meet the Certificate of Achievement program requirements and it will be submitted to the GFOA to determine the eligibility for another Certificate.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the skill, effort, and dedication of the City's staff. Further, the City Council's support to promote and sustain the highest standards of professionalism in the financial management of the City of Otsego is acknowledged and appreciated.

Respectfully submitted,

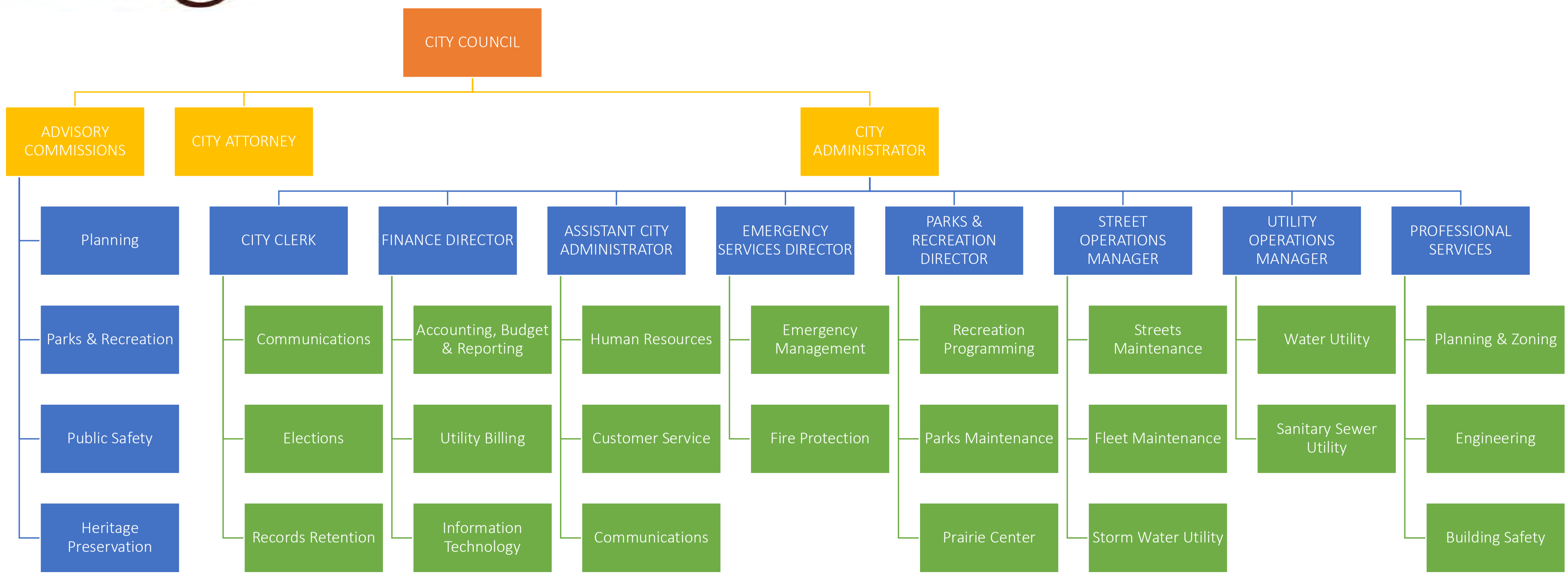
Adam Flaherty
City Administrator & Finance Director

ELECTED OFFICIALS

Name	Position	Term Expires
Jessica Stockamp	Mayor	December 31, 2024
Jeff Dahl	Council Member	December 31, 2024
Brittany Moores	Council Member	December 31, 2024
Tina Goede	Council Member	December 31, 2026
Ryan Dunlap	Council Member	December 31, 2026

ADMINISTRATION

Name	Position
Audra Etzel	City Clerk
Adam Flaherty	City Administrator & Finance Director
Sabrina Hille	Assistant City Administrator & Human Resources
Kevin Lamson	Street Operations Manager
Nick Jacobs	Parks & Recreation Director
Kurt Neidermeier	Public Utilities Manager
David Kendall	City Attorney
Daniel Licht	City Planner
Ron Wagner	City Engineer



CITY COUNCIL
ADVISORY COMMISSIONS
CITY ATTORNEY
CITY ADMINISTRATOR
Planning
Parks & Recreation
Public Safety
Heritage Preservation
CITY CLERK
Communications
Elections
Records Retention
FINANCE DIRECTOR
Accounting, Budget & Reporting
Utility Billing
Information Technology
ASSISTANT CITY ADMINISTRATOR
Human Resources
Customer Service
Communications
EMERGENCY SERVICES DIRECTOR
Emergency Management
Fire Protection
PARKS & RECREATION DIRECTOR
Recreation Programming
Parks Maintenance
Prairie Center
STREET OPERATIONS MANAGER
Streets Maintenance
Fleet Maintenance
Storm Water Utility
UTILITY OPERATIONS MANAGER
Water Utility
Sanitary Sewer Utility
PROFESSIONAL SERVICES
Planning & Zoning
Engineering
Building Safety

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Otsego
Minnesota

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morrill

Executive Director/CEO

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Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Otsego
Otsego, Minnesota

Report on the Audit of the Financial Statements

Opinions
We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Otsego, Minnesota, as of and for the year ended December 31, 2023, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Otsego, Minnesota, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Otsego 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
The City of Otsego's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of Otsego'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 Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Otsego'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 of Otsego'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents 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 (GASB), 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 of Otsego's basic financial statements. The accompanying combining and individual fund statements and schedules identified in the Table of Contents 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 accompanying combining and individual fund 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 Comprehensive Financial Report. The other information comprises the introductory and statistical sections 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated June 6, 2024, on our consideration of the City of Otsego's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Otsego's internal control over financial reporting and compliance.

BergenKDV, Ltd.

St. Cloud, Minnesota
June 6, 2024

As management of the City of Otsego, 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. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report.

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 by $165,489,299 (net position). Of this amount, $60,391,810 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $16,041,130 (10.73%) from the previous year. The net position of the governmental activities increased $6,316,457 (9.14%). The increase is primarily attributable to the investment in public assets and infrastructure by the City and housing developers in the community. This infrastructure consists of streets, trail systems and park additions. The business type activities increased $9,724,673 (12.11%) due to a combination of connection fees to the City's public utility system, and similar to the governmental activities, the investment in public assets and infrastructure.

- As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of $30,700,012, which is an increase of $3,044,532 (11.01%) from the previous year. Of the total fund balance, the unassigned portion is $2,069,035, which is free from any internal or external constraints upon its use.

- The General fund has a fund balance of $4,981,515 at the close of the current fiscal year. During 2023, the fund balance increased $30,072 (0.61%) from the previous year. The increase in fund balance was net of a transfer of $710,829, made in accordance with the City's fund balance policy, the transfer was made to the Capital Improvements fund. The policy indicates that any fund balance exceeding 45% of the subsequent years budget will be transferred, and set aside for future capital expenditures. There is $338,076 (6.79%) of fund balance that is nonspendable, which is a combination of prepaid items and land held for resale. The remaining fund balance is either restricted, $465,819 (9.35%), assigned, $342,861 (6.88%) or is unassigned, $3,834,759 (76.98%).

- The City issued $34,045,359 of General Obligation Sewer Revenue Notes to finance the construction of the West Wastewater Treatment Facility Expansion. The City paid off $26,215,000 of General Obligation Temporary Sewer Revenue Bonds in conjunction with the issuance of the 2023A Note. The City's total outstanding bonded debt decreased by $9,754,880 (16.65%) during the year.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's overall financial position is stable, 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 the 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, special assessments and earned but unused personal time off).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (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, public works, culture & recreation, economic development, and interest on long-term debt.
The business- type activities of the City include: water utility, sanitary sewer utility and storm water utility.

The government-wide financial statements can be found on pages 28 through 29 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. 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 financial 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 of the City's near-term financial decisions. Both the governmental funds balance sheet and governmental funds 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 19 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the following: General fund, the Debt Service fund, the Pavement Management fund, the Capital Improvements fund, and the Development & Builder Escrows fund, which are considered to be major funds. Data from the remaining 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 the General Fund, the Debt Service Fund, Tax Increment District No. 1, Tax Increment District No. 3, and Tax Increment District No. 4 special revenue funds. A budgetary comparison statement has been provided in the basic financial statements for the General fund.

The basic governmental fund financial statements can be found on pages 30 through 37 of this report.

Proprietary Funds: Proprietary funds provide similar information to the government-wide financial statements, but in more detail. 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, sanitary sewer and storm water utilities. All of the City's enterprise funds are considered to be major funds, and separate information is provided for each of them in the basic financial statements.

The basic proprietary fund financial statements can be found on pages 38 through 40 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 on pages 41 through 71 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information in relation to the City's net pension liability. The schedules and related notes can be found on pages 73 through 78 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 80 through 105 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 by $165,489,299 at the close of the most recent fiscal year.

The largest portion of the City's net position ($95,159,856 or 57.50%) reflects its investment in capital assets, which includes: land, infrastructure, buildings, and machinery & equipment, less any related debt used to acquire those assets that is 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 OTSEGO - SUMMARY OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current Assets	$ 40,027,059	$ 39,253,266	$ 40,231,550	$ 57,606,553	$ 80,258,609	$ 96,859,819
Capital Assets	47,738,125	44,955,325	100,194,097	81,430,682	147,932,222	126,386,007
Total Assets	87,765,184	84,208,591	140,425,647	139,037,235	228,190,831	223,245,826
Deferred Outflows of Resources	365,540	569,758	123,770	203,274	489,310	773,032
Long-term Liabilities	4,125,336	5,031,666	43,370,123	53,104,742	47,495,459	58,136,408
Other Liabilities	7,078,343	8,574,870	6,534,668	5,164,266	13,613,011	13,739,136
Total Liabilities	11,203,679	13,606,536	49,904,791	58,269,008	61,108,470	71,875,544
Deferred Inflows of Resources	1,496,823	2,058,048	585,549	637,097	2,082,372	2,695,145
Net Investment in Capital Assets	44,222,133	40,938,214	50,937,723	47,080,808	95,159,856	88,019,022
Restricted	9,937,633	8,427,066	-	-	9,937,633	8,427,066
Unrestricted	21,270,456	19,748,485	39,121,354	33,253,596	60,391,810	53,002,081
Total Net Position	$ 75,430,222	$ 69,113,765	$ 90,059,077	$ 80,334,404	$ 165,489,299	$ 149,448,169

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

A portion of the City’s net position (6.01%) represents resources that are subject to external restrictions on how they may be used. The unrestricted portion (36.49%) may be used to meet the City's ongoing obligations to citizens and creditors.

The governmental activities experienced increases in both current and capital assets, with the increase of current assets being nominal. The increase in capital assets can be illustrated with street renewal projects, park improvements, vehicles and equipment, facility planning, and developer infrastructure contributions. The decrease in liabilities is primarily contributed to the decrease in Development & Builder Fund deposits payable, and with long-term liabilities decreasing as a result of continued debt service payments.

The current assets of the business-type activities decreased primarily due to the defeasance of the temporary bond financing for the sanitary sewer expansion project with some offset as a result from continued growth in development, which generates revenues such as water and sewer access fees. The capital asset increases were attributable to ongoing investment in the utility systems infrastructure and the construction of projects such as the West Wastewater Treatment Facility, East-West Watermain Connection, and Well No. 10. The long-term liabilities decreased with the defeasance of the 2022A Sewer Revenue bonds, but offset with the issuance of the 2023A PFA Revenue Note.

CITY OF OTSEGO - CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program Revenues						
Charges for Services	$ 2,237,454	$ 3,372,368	$ 7,952,180	$ 6,701,241	$ 10,189,634	$ 10,073,609
Operating Grants and Contributions	924,558	399,743	-	-	924,558	399,743
Capital Grants and Contributions	3,133,926	4,631,372	6,264,410	9,754,695	9,398,336	14,386,067
General Revenues						
Property Taxes	9,177,125	8,583,996	38,000	36,000	9,215,125	8,619,996
Tax Increment	491,535	436,817	-	-	491,535	436,817
Franchise Taxes	1,026,846	345,108	-	-	1,026,846	345,108
Grants and Contributions not Restricted to Specific Programs	111,798	152,452	-	-	111,798	152,452
Unrestricted Investment Earnings	1,242,417	(870,574)	2,704,796	(1,232,893)	3,947,213	(2,103,467)
Other General Revenues	822	11,956	537	-	1,359	11,956
Total Revenues	18,346,481	17,063,238	16,959,923	15,259,043	35,306,404	32,322,281
Expenses						
General Government	1,838,849	1,849,685	-	-	1,838,849	1,849,685
Public Safety	3,378,313	3,101,633	-	-	3,378,313	3,101,633
Public Works	4,761,125	4,559,629	-	-	4,761,125	4,559,629
Culture and Recreation	1,541,099	1,396,260	-	-	1,541,099	1,396,260
Economic Development	429,054	499,481	-	-	429,054	499,481
Interest on Long-term Debt	67,854	92,945	-	-	67,854	92,945
Water Utility	-	-	2,434,158	2,311,989	2,434,158	2,311,989
Sanitary Sewer Utility	-	-	4,590,454	4,084,200	4,590,454	4,084,200
Storm Water Utility	-	-	224,368	218,612	224,368	218,612
Total Expenses	12,016,294	11,499,633	7,248,980	6,614,801	19,265,274	18,114,434
Increase Before Transfers	6,330,187	5,563,605	9,710,943	8,644,242	16,041,130	14,207,847
Transfers	322,750	293,500	(322,750)	(293,500)	-	-
Transfers - Capital Assets	(336,480)	(61,500)	336,480	61,500	-	-
Change in Net Position	6,316,457	5,795,605	9,724,673	8,412,242	16,041,130	14,207,847
Net Position - January 1	69,113,765	63,318,160	80,334,404	71,922,162	149,448,169	135,240,322
Net Position - December 31	$ 75,430,222	$ 69,113,765	$ 90,059,077	$ 80,334,404	$ 165,489,299	$ 149,448,169

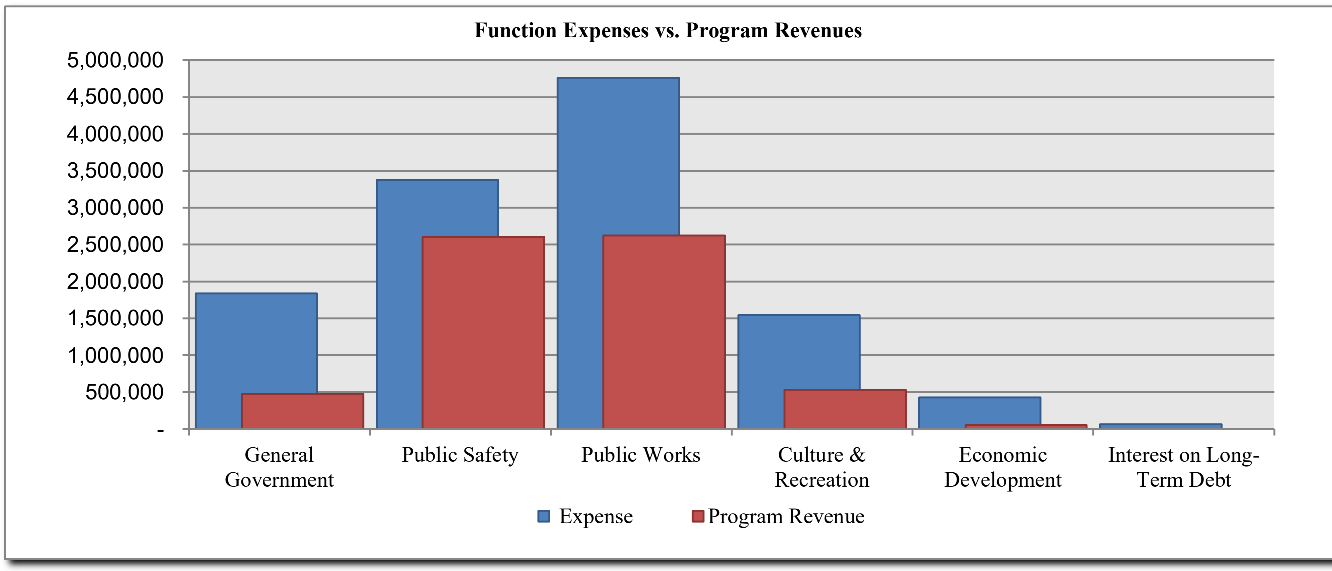
Governmental Activities

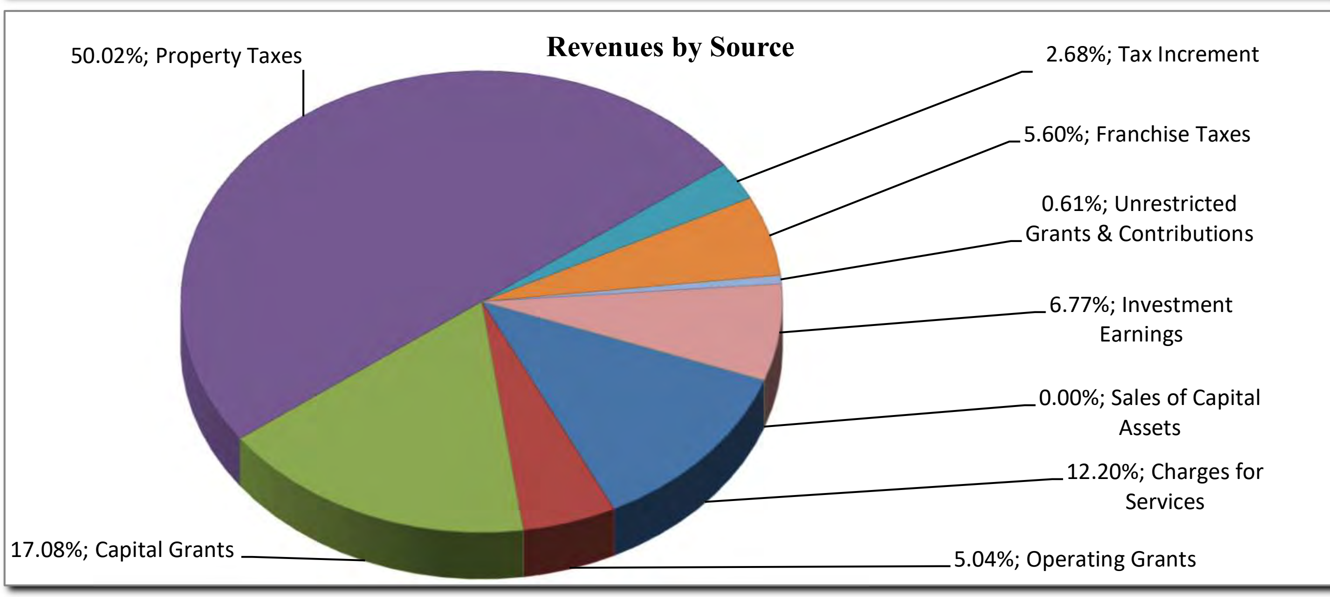
Governmental activities resulted in an increase of the City's net position by $6,316,457. Key elements of this change is as follows:

- Revenues increased $1,283,243 due to a full-year implementation of franchise taxes on natural gas and electricity utilities and from operating grants and contributions, the result of new state-aid revenues for affordable housing and public safety. Revenues from investment earnings wer also a significant positive change from the prior year. Notable decreases of revenues in charges for services and capital grants and contributions were the result of decreased pace of new housing construction with higher interest rates and market pricing conditions of existing residential homes.

- Expenses increased $516,661 compared to the previous year, with a concentration in public safety, public works and culture and recreation functions of the City. Drivers for increases in expenses from the previous year would include contracted public safety costs for law enforcement, fire protection and building safety. Personnel costs would be a second driver with increased wages and new hires.

Below are specific graphs which provide comparisons of the governmental activities revenues and expenses:





Business-type Activities

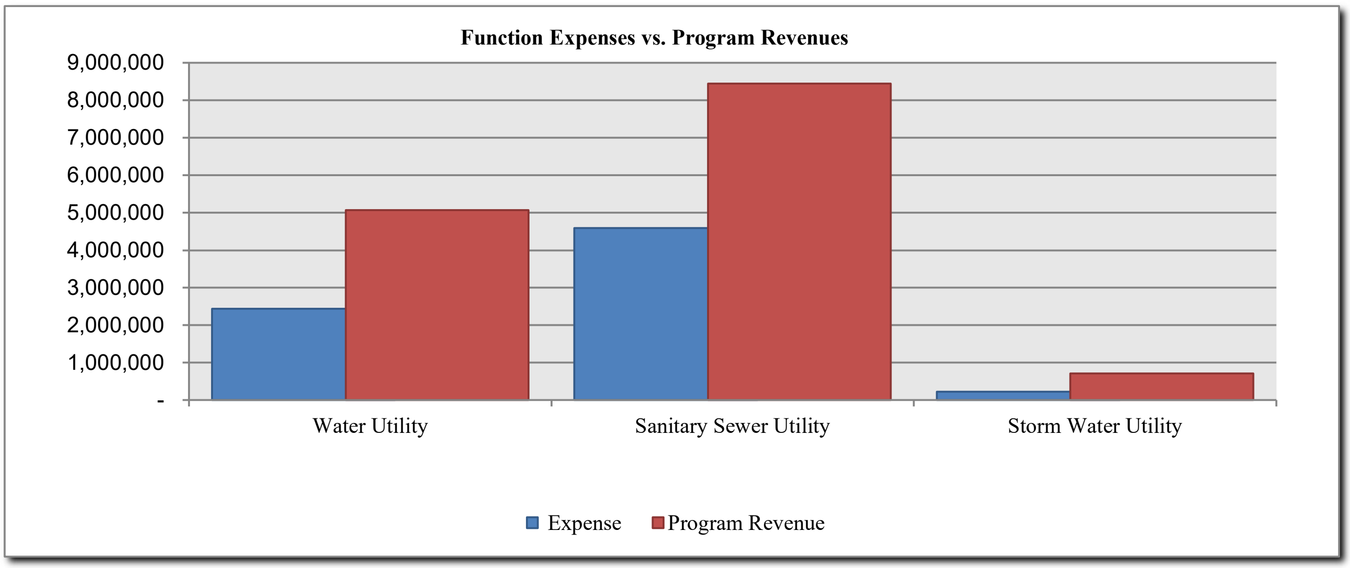
Business-type activities resulted in an increase of net position by $9,724,673. Key elements of this change are as follows:

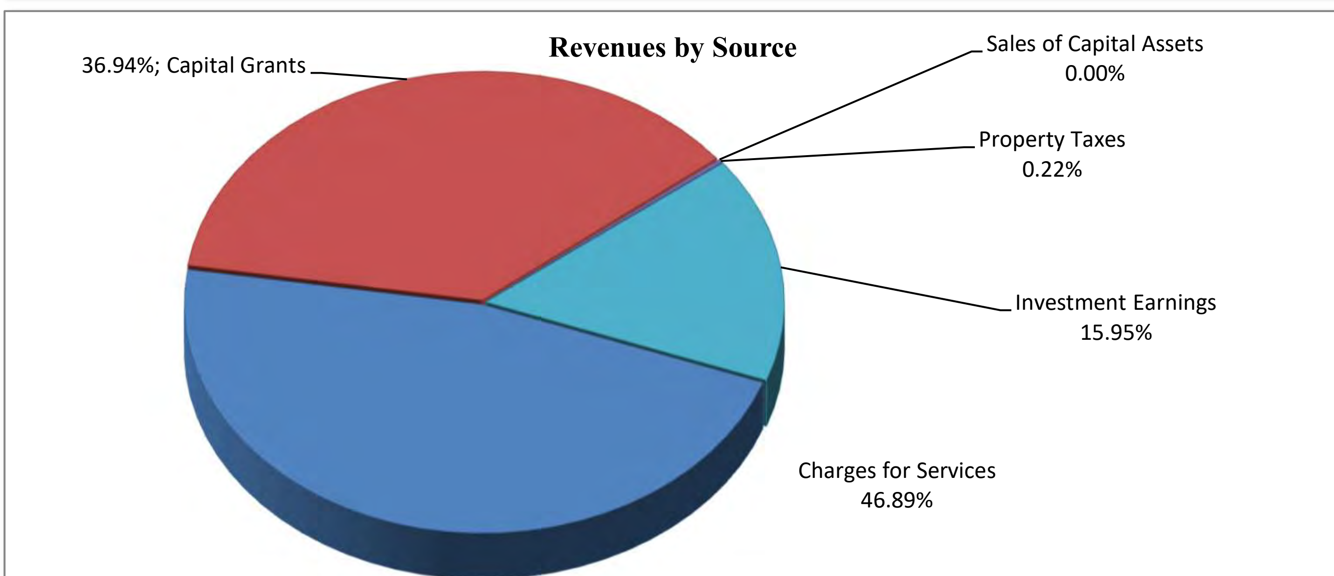
- Revenues increased $1,700,880 when compared to the previous year. Factors of this increase include investment earnings, which were positively impacted by the general stability of interest rates during the year. Charges for services was a positive change as the utility customer base continues to grow, rate adjustments, and additional usage from drier than normal weather conditions. The decrease in capital grants and contributions was the result of fewer new home permits being issued and the respective utility availability and connection fees. This decrease was offset some with an intergovernmental capital grant for the construction of the sewer expansion.

- Expenses increased $634,179 with increases amongst each utility function. The largest increase occurred in the sanitary sewer utility which had increases in personnel, supplies, utilities, and depreciation expenses.

- Revenues exceeding expenses is attributable to the new development within the City. Charges for services are adequately covering the expenses, with capital grants and contributions resulting in the increase and will provide for future debt service and capital projects.

Below are specific graphs which provide comparisons of the business-type activities revenues and expenses:





Financial Analysis of the Government's Funds

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 useful measure of a government's net resources available at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $30,700,012, which is an increase of $3,044,532 (11.01%) from the previous year. The unassigned fund balance, which is not subject to internal or external constraints upon its use, $2,069,035 (6.74% of total).

Major Funds

The General fund is the primary operating fund of the City. At the end of the current fiscal year, total fund balance is $4,981,515, an increase of $30,072 (0.61%). The increase in fund balance was net of a transfer of $710,829, made in accordance with the City's fund balance policy, with the transfer going to the Capital Improvements fund to be set aside for future capital projects. Revenues exceeded the budget by $500,292, and exceeded actual expenditures by $418,942. There were decreases in assets and liabilities of the fund as cash balance and unearned revenue for ARPA grant funding were reclassified from the General fund to the Fire Reserve fund. As a measure of the General fund's liquidity, it may be useful to compare both unassigned and total fund balance, to total fund expenditures. The unassigned fund balance, which is $3,834,759, represents 49.56% of the current year General fund expenditures. Total General fund balance represents 64.38% of those same expenditures

The Debt Service fund has a total fund balance of $1,147,451 at the end of the year, a decrease of $38,922 (3.28%) from the previous year. There were no new bond issuances in the fund during the year, and there were $685,000 of principal payments.

The Pavement Management fund has a fund balance of $5,692,164 at the end of the year, an increase of $140,540 (2.53%) from the previous year. Expenditures for the year totaled $2,498,180, which were for the annual street renewal project and annual pavement preservation projects including mill and overlay, crack filling, fog sealing, seal coating and micro-surfacing.

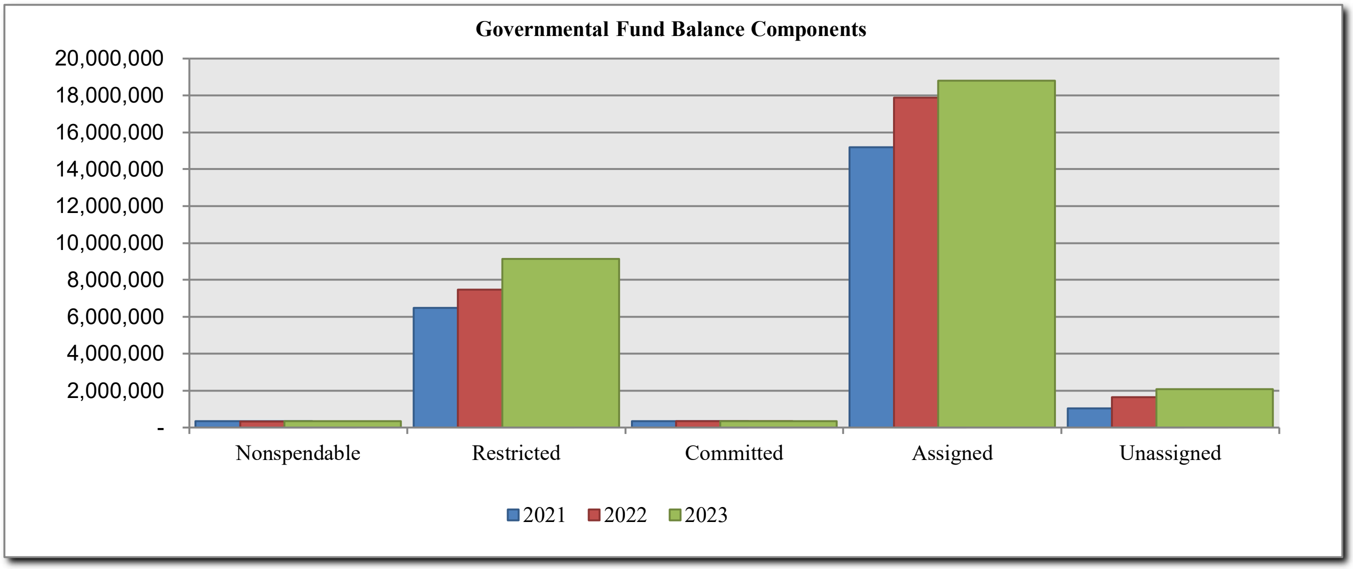
The Capital Improvements fund has a fund balance of $7,558,150 at the end of year, an increase of $1,236,003 (19.55%) from the previous year. An interfund transfer in the amount of $710,829 and property taxes were the primary reason for the increase in fund balance, which is assigned for future City buildings and infrastructure improvement projects. Expenditures for the year were $1,247,398 which the City invested into design services for a future City Hall, expansion of public works facility, and construction of a cold storage building.

The Development & Builder Escrows fund has no fund balance at the end of the current fiscal year. The fund has assets in the amount of $4,097,295, all of which are cash and investment balances that offset the accounts and deposits payable within the fund. The revenues and expenditures in this fund correlate with the level of development activity within the City.

Proprietary Funds: The City's proprietary funds provide the same type of information presented as business-type activities found in the government-wide financial statements, but in more detail.

The enterprise funds have a combined ending net position of $90,059,077, an increase of $9,724,673 (12.11%). There are two components to net position in the enterprise funds, unrestricted ($39,121,354 or 43.44%) and net investment in capital assets ($50,937,723 or 56.56%). As a measure of liquidity, the unrestricted net position amounts to 641.23% of the current year operating expenses. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Below is a graph with comparative amounts for each fund balance component for fiscal years 2021, 2022 and 2023:



The City's Unassigned fund balance is currently $2,069,035, and represents 6.74% of total governmental fund balance. The City also has four other components of fund balance, including Nonspendable (1.10%), Restricted (29.78%), Committed (1.13%) and Assigned (61.25%).

- Nonspendable fund balance represents the amount of assets the City has invested in prepaid items and land assets held for resale. This fund balance component can largely fluctuate with the timing of certain payments (e.g. insurance premiums) and the net realizable value of the land assets being held by the City for future resale.

- The City's restricted fund balance is the result of external constraints placed upon it. The source of that constraint includes debt service, park development, affordable housing programs, lawful gambling, public safety, and tax increments. This component of fund balance has been on an increasing trend as the result of fees collected on new development for park dedication. New components of this fund balance in 2023 is the result of state-aid funding for affordable housing programs and public safety, with the funds being limited to uses outlined in Minnesota Statutes.

- The committed fund balances are within the City's special revenue funds for Street Lighting and Revolving Loans. This fund balance component has remained consistent over the past three years.

- Assigned fund balances are primarily associated with the City's capital project funds. The fund balance in this component is the result of the City accumulating resources for future capital improvement projects and capital equipment purchases.

A more detailed breakdown of the fund balance components can be found in the basic financial statements and accompanying financial statement footnotes.

General Fund Budgetary Highlights

During the year, there were no amendments to the General fund budget. The budgeted revenues and expenditures resulted in no change in fund balance. Actual results for the fiscal year were an increase of $30,072 (0.61%). The key elements of this change are as follows:

- Actual revenues exceeded the budget by $500,292 (6.53%). The largest revenue variance was provided by intergovernmental sources, which were over budget by $483,221. This variance was the result of additional public safety state-aid grants approved by the Minnesota Legislature during the 2023 session, and amounts to $465,819 of restricted fund balance at year-end. The next most significant variance was for investment earnings, which exceeded the budget by $219,571 as the result of market conditions for interest rates which provided an increase in the fair market value of the City's investment portfolio compared with the prior year. Other notable variances were from licenses and permits, which was under budget by $150,754, and from property taxes, which was under budget by $100,893. The revenue for licenses and permits was less than budget due to new residential permits being less than forecasted in the budget. The variance for property taxes was the result of several prior year tax court settlements from the State of Minnesota.

- Actual expenditures were less than budget by $239,250 (3.00%). The largest variance was within the general government function which was under budget by $85,134, and is primarily the result of an unused contingency budget within the City Council department. The next largest variance, in the public safety function, which was under budget by $85,037. Mostly within the Building Inspections department, this variance was the result of fewer new residential home permits which resulted in fewer hours of contracted services. Other functions under budget included Public Works, Economic Development, and Capital Outlay. The only function over budget, Culture and Recreation was over budget by $13,740, as a result of contracted services in the Parks Maintenance department exceeding the budget.

- Transfers in were as budgeted, and represent annual contributions from the Water and Sanitary Sewer utility funds that help manage the property tax levy.

- Transfers out were not budgeted for during 2023. The actual transfer out of $710,829 is in accordance with the City's fund balance policy. That policy outlines that any General fund balance exceeding 45% of the subsequent year's expenditure budget will be transferred, and assigned for future capital items.

The ending unassigned fund balance of the General fund ($3,834,759) represents 40.71% of the adopted 2024 budget.

Capital Asset and Debt Administration

Capital Assets: The City's investment in capital assets for its governmental and business-type activities at the end of the current year, amounts to $147,932,222 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, street and utility infrastructure, parks equipment, trails, machinery and equipment and construction in progress. The City's investment in capital assets increased $21,561,802 (17.06%) from the previous year.

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

- The City updated its machinery & equipment fleet with several new pieces of equipment. The City maintains a ten-year capital improvement plan budget which schedules equipment and vehicle replacements and additions.

- The 2023 street renewal project was completed during the year. This project improved the condition of street infrastructure within the Vasseur's Oak Grove Estates, Otsego Acres, Hidden Valley, and Deer Field Acres residential subdvisions.

- The City received contributed infrastructure from housing developers. These assets include: streets, trail systems, and public utility infrastructure. These assets are paid for and installed by the developer, are inspected by the City Engineer to City standards, and are later accepted by the City, who is responsible for future maintenance and replacement.

- The City continued construction of the West Wastewater Treatment Facility Expansion which will increase the treatment capacity of the west sewer system. The project will also bring the treatment processes to the most current technologies available in order to meet current and future regulatory requirements. An additional component of the project will be the construction of an Administration building that will provide staff workspaces, vehicle storage, and customer service accessibility.

- The City initiated several drinking water system projects, that include the East-West Watermain Connection, Well No. 11, and Water Treatment Improvements at Wellhouse 4. These projects increase capacity, system redundancy, and quality for the drinking water system.

- The City completed design phases for construction of future City Buildings including a standalone City Hall facility, the expansion of the warm storage functions of the Public Works facility, and for a new cold storage facility for public works and park maintenance. The initiation of construction phases for these projects is currently unknown and is subject to additional review by the City Council.

- The City completed improvements to the City's first neighborhood park, School Knoll Park, which included an updated play structure, improvements to the basketball court, additional landscaping, and other site improvements. The City also completed design phases for projects scheduled for construction in the next year, including construction of Ashwood Park and improvements to Carrick's Landing.

CITY OF OTSEGO - CAPITAL ASSETS
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	$ 4,278,161	$ 4,278,161	$ 759,721	$ 741,333	$ 5,037,882	$ 5,019,494
Construction in Progress	1,092,466	50,128	25,365,280	5,994,416	26,457,746	6,044,544
Buildings and Improvements	3,955,436	3,996,488	15,787,127	16,210,154	19,742,563	20,206,642
Land Improvements	3,945,895	3,515,353	146,334	-	4,092,229	3,515,353
Machinery and Equipment	2,043,789	1,899,269	1,399,036	1,233,464	3,442,825	3,132,733
Infrastructure	32,422,378	31,215,926	56,736,599	57,251,852	89,158,977	88,467,778
	$ 47,738,125	$ 44,955,325	$ 100,194,097	$ 81,431,219	$ 147,932,222	$ 126,386,544

Additional information on the City's capital assets can be found in Note 3 (C) on pages 54 through 55 of this report.

Long-Term Debt: At the end of the current year, the City had outstanding long-term bonded debt of $48,836,609.

CITY OF OTSEGO - OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	$ 3,055,000	$ 3,740,000	$ -	$ -	$ 3,055,000	$ 3,740,000
Notes from Direct Borrowings	-	-	35,586,609	15,696,489	35,586,609	15,696,489
General Obligation Revenue Bonds	-	-	10,195,000	39,155,000	10,195,000	39,155,000
Unamortized Premiums	234,506	277,111	954,563	1,215,203	1,189,069	1,492,314
Compensated Absences	136,799	125,130	44,506	36,765	181,305	161,895
Total	$ 3,426,305	$ 4,142,241	$ 46,780,678	$ 56,103,457	$ 50,206,983	$ 60,245,698

Revenue streams for the repayment of the outstanding debt liabilities include: special assessments upon benefitting properties, fees from new connections to the water and sanitary sewer utility systems, and property tax levies. Should any of these sources of revenues prove inadequate, all outstanding bonds are backed by the full faith and credit of the City.

During 2023, the City issued $34,045,359 of General Obligation PFA Revenue Note, Series 2023 for the purpose of financing the eligible project costs of the Clean Water State Revolving Fund project to improve treatment and for expansion of the West Wastewater Treatment Facility. This note provided the permanent financing for this project and provided the City the ability to defease the Series 2022A bond in the amount of $26,215,000, which was an interim financing solution until the Minnesota Public Facilities Authority had the necessary funds in the Clean Water State Revolving Fund to provide long-term financing of the project.

The City made scheduled principal payments of $4,290,278 during the year with the outstanding debt of the City decreasing by 16.65%.

The City maintained it's long term bond rating of AA+, with a stable outlook, and was assigned a short term rating of SP-1+ from Standard & Poor's Rating Services.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total Estimated Market Value. The current debt limitation for the City is $88,533,510, with $1,357,659 in debt outstanding that is applicable to the limit.

Additional information on the City’s long-term debt can be found in Note 3 (F) on pages 58 through 61 of this report.

Economic Factors and Next Year's Budget and Rates

The following economic factors were identified by the City as potentially having an impact on the financial future of the City, and were considered in preparation of the 2024 operating budgets and capital improvement plans.

- The Taxable Market Value of real estate and personal property within the City increased 22.27% for taxes payable 2024. This increase is driven by both new construction within the City as well as market driven valuation increases.

- New construction in the residential sector continues within the City. During 2023, the City issued 221 building permits for new residential construction, which brings the five year average to 388. The City also continues to see builders final platting new developments for future years construction.

- Development of commercial and industrial properties was strong during 2023 with a total of eight completed development projects. The City has approved several additional commercial and industrial developments that have will intiate construction in 2024.

- The City continued construction of the City's West Wastewater Treatment Facility. The project, first identified in the City's Master Sewer Plan, will provide for not only expansion of the facility, but will change the way the City completes the treatment processing within sanitary sewer operations. Construction of this facility will continue through the spring of 2025.

- The City has continued planning efforts for development of the Fire & Emergency Services Department that is expected to initiate operations in January 2027. The City has entered contracts for the purchase of four apparatus that will be used in the operations of the department and have significant build lead times. The City has entered into design phases to complete a Facility Space Needs Analysis for the Fire & Emergency Services Building. Design is expected to be complete in the fall of 2024 with competitive bids to follow, and ground breaking of the facility in the spring of 2025.

- The City continues to expand upon and make improvements to the Capital Improvement Plan (CIP). The adopted CIP for 2024 plans for capital purchasing ten years into the future. These long range planning efforts assure that the City is always looking into the future and that the City is adequately planning from a financial resources standpoint.

Requests for Information

This financial report is designed to provide a general overview of the City of Otsego's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the: Finance Director, 13400 90th Street NE, Otsego, MN 55330.

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CITY OF OTSEGO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	$ 37,495,014	$ 33,402,729	$ 70,897,743
Receivables			
Interest	288,371	-	288,371
Accounts	231,775	927,164	1,158,939
Taxes	125,652	-	125,652
Special Assessments	1,529,172	1,719,067	3,248,239
Leases	-	230,862	230,862
Due from Other Governments	18,999	3,863,390	3,882,389
Land Held for Resale	202,200	-	202,200
Prepaid Items	135,876	88,338	224,214
Capital Assets			
Nondepreciable	5,370,627	26,125,001	31,495,628
Depreciable, Net of Accumulated Depreciation	42,367,498	74,069,096	116,436,594
Total Assets	87,765,184	140,425,647	228,190,831
DEFERRED OUTFLOWS OF RESOURCES			
General Employees Retirement Plan Pension Resources	365,540	123,770	489,310
LIABILITIES			
Accounts Payable	427,111	2,475,944	2,903,055
Deposits Payable	4,068,169	-	4,068,169
Due to Other Governments	13,792	31,425	45,217
Accrued Salaries Payable	58,042	19,675	77,717
Accrued Interest Payable	44,440	195,364	239,804
Unearned Revenue	1,979,429	-	1,979,429
Compensated Absences Payable			
Due Within One Year	27,360	8,901	36,261
Due in More than One Year	109,439	35,605	145,044
Bonds Payable			
Due Within One Year	460,000	2,335,000	2,795,000
Due in More than One Year	2,829,506	8,814,563	11,644,069
Notes from Direct Borrowings			
Due Within One Year	-	1,468,359	1,468,359
Due in More than One Year	-	34,118,250	34,118,250
General Employees Retirement Plan Net Pension Payable			
Due in More than One Year	1,186,391	401,705	1,588,096
Total Liabilities	11,203,679	49,904,791	61,108,470
DEFERRED INFLOWS OF RESOURCES			
Grants for Subsequent Years	1,148,198	-	1,148,198
General Employees Retirement Plan Pension Resources	348,625	118,042	466,667
Antenna Rental Leases	-	230,862	230,862
Deferred Gain on Refunding	-	236,645	236,645
Total Deferred Inflows of Resources	1,496,823	585,549	2,082,372
NET POSITION			
Net Investment in Capital Assets	44,222,133	50,937,723	95,159,856
Restricted			
Debt Service	1,931,847	-	1,931,847
Lawful Gambling Programs	138,020	-	138,020
Affordable Housing	52,757	-	52,757
Tax Increment Financing	375,370	-	375,370
Park Development	6,508,026	-	6,508,026
Public Safety	931,613	-	931,613
Unrestricted	21,270,456	39,121,354	60,391,810
Total Net Position	$ 75,430,222	$ 90,059,077	$ 165,489,299

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

CITY OF OTSEGO, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
FUNCTIONS/PROGRAMS	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government Activities							
General Government	$ 1,838,849	$ 477,051	$ -	$ -	$ (1,361,798)	$ -	$ (1,361,798)
Public Safety	3,378,313	1,579,278	563,201	465,794	(770,040)	-	(770,040)
Public Works	4,761,125	68,259	296,100	2,260,343	(2,136,423)	-	(2,136,423)
Culture and Recreation	1,541,099	112,866	12,500	407,789	(1,007,944)	-	(1,007,944)
Economic Development	429,054	-	52,757	-	(376,297)	-	(376,297)
Interest on Long-Term Debt	67,854	-	-	-	(67,854)	-	(67,854)
Total Government Activities	12,016,294	2,237,454	924,558	3,133,926	(5,720,356)	-	(5,720,356)
Business-Type Activities							
Water Utility	2,434,158	3,643,209	-	1,427,810	-	2,636,861	2,636,861
Sanitary Sewer Utility	4,590,454	4,165,010	-	4,277,544	-	3,852,100	3,852,100
Storm Water Utility	224,368	143,961	-	559,056	-	478,649	478,649
Total Business-Type Activities	7,248,980	7,952,180	-	6,264,410	-	6,967,610	6,967,610
Total	$ 19,265,274	$ 10,189,634	$ 924,558	$ 9,398,336	(5,720,356)	6,967,610	1,247,254
		General Revenues					
		Property Taxes			9,177,125	38,000	9,215,125
		Tax Increments			491,535	-	491,535
		Franchise Taxes			1,026,846	-	1,026,846
		Grants and Contributions Not Restricted to Specific Programs			111,798	-	111,798
		Unrestricted Investment Earnings			1,242,417	2,704,796	3,947,213
		Gain on Disposal of Capital Assets			822	537	1,359
		Transfers			322,750	(322,750)	-
		Transfers - Capital Assets			(336,480)	336,480	-
		Total General Revenues and Transfers			12,036,813	2,757,063	14,793,876
		Change in Net Position			6,316,457	9,724,673	16,041,130
		Net Position - January 1			69,113,765	80,334,404	149,448,169
		Net Position - December 31			$ 75,430,222	$ 90,059,077	$ 165,489,299

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

CITY OF OTSEGO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General	Debt Service
ASSETS		
Cash and Investments	$ 4,469,925	$ 1,148,139
Receivables		
Interest	288,371	-
Accounts	3,916	-
Taxes		
Current	22,341	-
Delinquent	101,821	-
Special Assessments		
Current	-	-
Deferred	6,000	827,797
Delinquent	2,100	1,039
Due from Other Governments	1,785	-
Due from Other Funds	-	-
Land Held for Resale	202,200	-
Prepaid Items	135,876	-
Total Assets	5,234,335	1,976,975
LIABILITIES		
Accounts Payable	74,461	688
Accrued Salaries Payable	58,042	-
Deposits Payable	-	-
Due to Other Governments	10,396	-
Due to Other Funds	-	-
Unearned Revenue	-	-
Total Liabilities	142,899	688
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	101,821	-
Unavailable Revenue - Special Assessments	8,100	828,836
Grants for Subsequent Years	-	-
Total Deferred Inflows of Resources	109,921	828,836
FUND BALANCES		
Nonspendable	338,076	-
Restricted	465,819	1,147,451
Committed	-	-
Assigned	342,861	-
Unassigned	3,834,759	-
Total Fund Balances	4,981,515	1,147,451
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 5,234,335	$ 1,976,975

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

Pavement Management	Capital Improvements	Development & Builder Escrows	Other Nonmajor Governmental	Total Governmental
$ 5,573,912	$ 7,105,100	$ 4,097,295	$ 15,100,643	$ 37,495,014
-	-	-	-	288,371
210,522	-	-	17,337	231,775
-	-	-	-	22,341
-	-	-	1,490	103,311
177	-	-	-	177
428,738	223,414	-	39,198	1,525,147
709	-	-	-	3,848
17,214	-	-	-	18,999
-	617,526	-	-	617,526
-	-	-	-	202,200
-	-	-	-	135,876
6,231,272	7,946,040	4,097,295	15,158,668	40,644,585
109,661	164,476	29,126	48,699	427,111
-	-	-	-	58,042
-	-	4,068,169	-	4,068,169
-	-	-	3,396	13,792
-	-	-	617,526	617,526
-	-	-	1,979,429	1,979,429
109,661	164,476	4,097,295	2,649,050	7,164,069
-	-	-	1,490	103,311
429,447	223,414	-	39,198	1,528,995
-	-	-	1,148,198	1,148,198
429,447	223,414	-	1,188,886	2,780,504
-	-	-	-	338,076
-	-	-	7,528,837	9,142,107
-	-	-	347,330	347,330
5,692,164	7,558,150	-	5,210,289	18,803,464
-	-	-	(1,765,724)	2,069,035
5,692,164	7,558,150	-	11,320,732	30,700,012
$ 6,231,272	$ 7,946,040	$ 4,097,295	$ 15,158,668	$ 40,644,585

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CITY OF OTSEGO, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023

Fund Balances - Governmental Funds	$ 30,700,012
Amounts reported for the governmental activities within the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds.	
Cost of Capital Assets	69,459,990
Accumulated Depreciation	(21,721,865)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in governmental funds.	
Bonds Payable	(3,055,000)
Unamortized Premium on Bonds Payable	(234,506)
Accrued Interest Payable	(44,440)
Compensated Absences Payable	(136,799)
General Employees Retirement Plan Net Pension Payable	(1,186,391)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore, are unavailable in governmental funds.	
Delinquent Property Taxes Receivable	103,311
Special Assessments Receivable	1,528,995
Deferred resources from pensions reported in governmental activities are not financial resources and are not payable in the current period, therefore are not reported in governmental funds.	
GERF Pension Deferred Outflows of Resources	365,540
GERF Pension Deferred Inflows of Resources	(348,625)
Total Net Position - Governmental Activities	$ 75,430,222

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

CITY OF OTSEGO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General	Debt Service
REVENUES		
Property Taxes	$ 5,253,657	$ 544,416
Tax Increments	-	-
Franchise Taxes	126,594	-
Licenses and Permits	1,544,769	-
Intergovernmental	575,521	-
Charges for Services	272,290	-
Special Assessments	10,389	222,746
Fines and Forfeitures	32,109	-
Investment Earnings (net)	295,571	-
Miscellaneous	45,441	-
Total Revenues	8,156,341	767,162
EXPENDITURES		
Current		
General Government	1,663,191	-
Public Safety	3,318,255	-
Public Works	1,688,881	-
Culture and Recreation	942,485	-
Economic Development	91,788	-
Capital Outlay		
General Government	15,216	-
Public Safety	4,953	-
Public Works	5,715	-
Culture and Recreation	6,915	-
Debt Service		
Principal	-	685,000
Interest	-	119,406
Fiscal Agent Fees	-	1,678
Total Expenditures	7,737,399	806,084
Excess (Deficiency) of Revenues Over (Under) Expenditures	418,942	(38,922)
OTHER FINANCING SOURCES (USES)		
Transfers In	320,600	-
Sales of Capital Assets	1,359	-
Transfers Out	(710,829)	-
Total Other Financing Sources (Uses)	(388,870)	-
Net Change in Fund Balance	30,072	(38,922)
Fund Balance - January 1	4,951,443	1,186,373
Fund Balance - December 31	$ 4,981,515	$ 1,147,451

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

Pavement Management	Capital Improvements	Development & Builder Escrows	Other Nonmajor Governmental	Total Governmental
$ 1,100,000	$ 1,424,282	$ -	$ 857,325	$ 9,179,680
-	-	-	490,045	490,045
900,252	-	-	-	1,026,846
-	-	-	-	1,544,769
296,100	26,176	-	1,427,411	2,325,208
-	-	370,534	550,713	1,193,537
107,985	27,144	-	8,861	377,125
-	-	-	-	32,109
232,320	246,738	-	467,788	1,242,417
2,063	114,274	-	66,537	228,315
2,638,720	1,838,614	370,534	3,868,680	17,640,051
-	-	104,035	-	1,767,226
-	-	-	-	3,318,255
-	-	266,499	-	1,955,380
-	-	-	-	942,485
-	-	-	337,266	429,054
-	472,812	-	9,357	497,385
-	-	-	108,524	113,477
2,498,180	774,586	-	774,450	4,052,931
-	-	-	1,030,436	1,037,351
-	-	-	-	685,000
-	-	-	-	119,406
-	-	-	-	1,678
2,498,180	1,247,398	370,534	2,260,033	14,919,628
140,540	591,216	-	1,608,647	2,720,423
-	710,829	-	68,192	1,099,621
-	-	-	-	1,359
-	(66,042)	-	-	(776,871)
-	644,787	-	68,192	324,109
140,540	1,236,003	-	1,676,839	3,044,532
5,551,624	6,322,147	-	9,643,893	27,655,480
$ 5,692,164	$ 7,558,150	$ -	$ 11,320,732	$ 30,700,012

CITY OF OTSEGO, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Total Net Change in Fund Balances - Governmental Funds	$ 3,044,532
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation.	
Capital Outlays	4,341,703
Depreciation Expense	(2,046,697)
Assets Contributed by Developers	824,811
Contributions of capital assets to the proprietary funds decrease net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	(336,480)
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net position differs from the change in fund balance by the cost of the capital assets sold.	(537)
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.	
Principal Repayments	685,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds 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.	53,230
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	(2,555)
Tax Increments	1,490
Special Assessments	(118,138)
In the statement of activities, personnel expenses are recognized as they are accrued, however these expenses do not consume current financial resources, and under the modified accrual basis of accounting, are not reported in the governmental funds until they are due.	
Compensated Absences	(11,670)
GERF Pension	(118,232)
Change in Net Position - Governmental Activities	$ 6,316,457

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

CITY OF OTSEGO, MINNESOTA
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Property Taxes	$ 5,354,550	$ 5,253,657	$ (100,893)
Franchise Taxes	133,000	126,594	(6,406)
Licenses and Permits	1,695,523	1,544,769	(150,754)
Intergovernmental	92,300	575,521	483,221
Charges for Services	268,776	272,290	3,514
Special Assessments	4,400	10,389	5,989
Fines and Forfeitures	24,000	32,109	8,109
Investment Earnings (net)	76,000	295,571	219,571
Miscellaneous	7,500	45,441	37,941
Total Revenues	7,656,049	8,156,341	500,292
EXPENDITURES			
Current			
General Government	1,748,325	1,663,191	(85,134)
Public Safety	3,403,292	3,318,255	(85,037)
Public Works	1,727,827	1,688,881	(38,946)
Culture and Recreation	928,745	942,485	13,740
Economic Development	113,360	91,788	(21,572)
Capital Outlay			
General Government	35,100	15,216	(19,884)
Public Safety	3,000	4,953	1,953
Public Works	10,000	5,715	(4,285)
Culture and Recreation	7,000	6,915	(85)
Total Expenditures	7,976,649	7,737,399	(239,250)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(320,600)	418,942	739,542
OTHER FINANCING SOURCES (USES)			
Transfers In	320,600	320,600	-
Sales of Capital Assets	-	1,359	1,359
Transfers Out	-	(710,829)	(710,829)
Total Other Financing Sources (Uses)	320,600	(388,870)	(709,470)
Net Change in Fund Balance	-	30,072	30,072
Fund Balance - January 1	4,951,443	4,951,443	-
Fund Balance - December 31	$ 4,951,443	$ 4,981,515	$ 30,072

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

CITY OF OTSEGO, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Water Utility	Sanitary Sewer Utility	Storm Water Utility	Total Enterprise
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 10,192,118	$ 22,419,754	$ 790,857	$ 33,402,729
Receivables				
Accounts	313,649	605,799	7,716	927,164
Special Assessments				
Current	1,280	-	268	1,548
Delinquent	179	-	816	995
Due from Other Governments	-	3,863,390	-	3,863,390
Prepaid Items	21,360	66,978	-	88,338
Total Current Assets	10,528,586	26,955,921	799,657	38,284,164
Noncurrent Assets				
Receivables				
Leases	230,862	-	-	230,862
Special Assessments				
Deferred	473,092	1,211,522	31,910	1,716,524
Capital Assets				
Land	217,010	542,711	-	759,721
Buildings and Building Improvements	109,096	16,561,654	-	16,670,750
Land Improvements	151,380	-	-	151,380
Machinery and Equipment	620,784	1,796,212	32,200	2,449,196
Infrastructure	32,842,744	40,657,804	8,209,738	81,710,286
Construction in Progress	4,458,694	20,788,390	118,196	25,365,280
Total Capital Assets	38,399,708	80,346,771	8,360,134	127,106,613
Less: Accumulated Depreciation	(9,245,484)	(16,781,404)	(885,628)	(26,912,516)
Net Capital Assets	29,154,224	63,565,367	7,474,506	100,194,097
Total Noncurrent Assets	29,858,178	64,776,889	7,506,416	102,141,483
Total Assets	40,386,764	91,732,810	8,306,073	140,425,647
DEFERRED OUTFLOWS OF RESOURCES				
General Employees Retirement Plan Pension Resources	30,950	92,820	-	123,770
LIABILITIES				
Current Liabilities				
Accounts Payable	597,729	1,877,712	503	2,475,944
Due to Other Governments	31,425	-	-	31,425
Accrued Salaries Payable	4,919	14,756	-	19,675
Accrued Interest Payable	43,417	151,947	-	195,364
Bonds Payable	1,000,600	1,334,400	-	2,335,000
Notes from Direct Borrowings	-	1,468,359	-	1,468,359
Compensated Absences Payable	2,225	6,676	-	8,901
Total Current Liabilities	1,680,315	4,853,850	503	6,534,668
Noncurrent Liabilities				
Bonds Payable (net)	5,797,069	3,017,494	-	8,814,563
Notes from Direct Borrowings	-	34,118,250	-	34,118,250
Compensated Absences Payable	8,901	26,704	-	35,605
General Employees Retirement Plan Net Pension Payable	100,451	301,254	-	401,705
Total Noncurrent Liabilities	5,906,421	37,463,702	-	43,370,123
Total Liabilities	7,586,736	42,317,552	503	49,904,791
DEFERRED INFLOWS OF RESOURCES				
General Employees Retirement Plan Pension Resources	29,518	88,524	-	118,042
Antenna Rental Leases	230,862	-	-	230,862
Deferred Gain on Refunding	85,192	151,453	-	236,645
Total Deferred Inflows of Resources	345,572	239,977	-	585,549
NET POSITION				
Net Investment in Capital Assets	21,739,082	21,724,135	7,474,506	50,937,723
Unrestricted	10,746,324	27,543,966	831,064	39,121,354
Total Net Position	$ 32,485,406	$ 49,268,101	$ 8,305,570	$ 90,059,077

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

CITY OF OTSEGO, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Water Utility	Sanitary Sewer Utility	Storm Water Utility	Total Enterprise
OPERATING REVENUES				
Charges for Services	$ 3,517,118	$ 4,082,829	$ 143,961	$ 7,743,908
OPERATING EXPENSES				
Personal Services	267,474	638,885	8,778	915,137
Supplies	584,431	403,471	689	988,591
Insurance	20,857	65,974	-	86,831
Utilities	167,662	438,922	-	606,584
Services and Other Charges	418,218	411,537	20,125	849,880
Depreciation	882,583	1,576,558	194,776	2,653,917
Total Operating Expenses	2,341,225	3,535,347	224,368	6,100,940
Operating Income (Loss)	1,175,893	547,482	(80,407)	1,642,968
NONOPERATING REVENUES (EXPENSES)				
Antenna Rental	96,181	-	-	96,181
Intergovernmental	-	737,311	-	737,311
Property Taxes	-	-	38,000	38,000
Investment Earnings (net)	447,460	2,230,779	26,557	2,704,796
Sales of Capital Assets	-	537	-	537
Miscellaneous Revenue	29,910	82,181	-	112,091
Interest and Fiscal Agent Fees	(92,933)	(1,055,107)	-	(1,148,040)
Total Nonoperating Revenues (Expenses)	480,618	1,995,701	64,557	2,540,876
Income (Loss) Before Capital Contributions and Transfers	1,656,511	2,543,183	(15,850)	4,183,844
Capital Contributions - Connection Fees	1,119,710	3,161,324	-	4,281,034
Capital Contributions - Developer Assets	308,100	378,909	559,056	1,246,065
Capital Contributions - Governmental Funds	-	-	336,480	336,480
Transfers Out	(80,150)	(242,600)	-	(322,750)
Change in Net Position	3,004,171	5,840,816	879,686	9,724,673
Net Position - January 1	29,481,235	43,427,285	7,425,884	80,334,404
Net Position - December 31	$ 32,485,406	$ 49,268,101	$ 8,305,570	$ 90,059,077

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

CITY OF OTSEGO, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Water Utility	Sanitary Sewer Utility	Storm Water Utility	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	$ 3,360,930	$ 3,939,573	$ 144,653	$ 7,445,156
Other Operating Receipts	126,091	82,718	-	208,809
Payments to Suppliers	(1,206,827)	(1,532,428)	(21,165)	(2,760,420)
Payments to Employees	(259,311)	(614,500)	(8,778)	(882,589)
Net Cash Flows Provided by Operating Activities	2,020,883	1,875,363	114,710	4,010,956
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property Taxes	-	-	38,000	38,000
Transfers Out	(80,150)	(242,600)	-	(322,750)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	(80,150)	(242,600)	38,000	(284,750)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(4,157,443)	(14,254,230)	-	(18,411,673)
Principal Paid on Revenue Bonds	(1,125,800)	(27,834,200)	-	(28,960,000)
Interest Paid on Revenue Bonds	(231,689)	(1,159,514)	-	(1,391,203)
Note Proceeds from Direct Borrowings	-	16,908,334	-	16,908,334
Principal Paid on Direct Borrowings	-	(860,278)	-	(860,278)
Interest Paid on Direct Borrowings	-	(181,230)	-	(181,230)
Intergovernmental Capital Grant	-	737,311	-	737,311
Connection Fees	1,202,281	3,433,087	-	4,635,368
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(4,312,651)	(23,210,720)	-	(27,523,371)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on Investments	447,460	2,230,779	26,557	2,704,796
Net Increase (Decrease) in Cash and Cash Equivalents	(1,924,458)	(19,347,178)	179,267	(21,092,369)
Cash and Cash Equivalents - January 1	12,116,576	41,766,932	611,590	54,495,098
Cash and Cash Equivalents - December 31	$ 10,192,118	$ 22,419,754	$ 790,857	$ 33,402,729
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ 1,175,893	$ 547,482	$ (80,407)	$ 1,642,968
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:				
Depreciation	882,583	1,576,558	194,776	2,653,917
GERF Pension Activity	5,257	15,667	-	20,924
Other Income Related to Operations	126,091	82,718	-	208,809
(Increase) Decrease in Assets & Deferred Outflows of Resources:				
Accounts Receivable	(120,893)	(141,212)	(1,140)	(263,245)
Special Assessments	(35,295)	2,087	1,832	(31,376)
Due from Other Governments	-	(4,131)	-	(4,131)
Prepaid Items	(3,359)	(10,543)	-	(13,902)
Increase (Decrease) in Liabilities & Deferred Inflows of Resources				
Accounts Payable	(24,509)	(201,981)	(351)	(226,841)
Due to Other Governments	12,209	-	-	12,209
Accrued Salaries Payable	971	2,912	-	3,883
Compensated Absences Payable	1,935	5,806	-	7,741
Net Cash Flows Provided by Operating Activities	$ 2,020,883	$ 1,875,363	$ 114,710	$ 4,010,956
NONCASH FINANCING ACTIVITIES				
Amortization of Premium on Bonds Payable	$ 132,273	$ 207,250	$ -	$ 339,523
Acquisition of Capital Assets on Account	$ 532,281	$ 1,751,276	$ -	$ 2,283,557
Contribution of Capital Assets - Developer	$ 308,100	$ 378,909	$ 559,056	$ 1,246,065
Contribution of Capital Assets - Governmental Funds	$ -	$ -	$ 336,480	$ 336,480

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Otsego, Minnesota (the City) was incorporated in 1990 after being an established township since 1858. The City operates under the "Optional Plan A" form of government, as defined in Minnesota statutes. The governing body of the City (City Council) consists of an elected Mayor, and four elected Council members, all of which are elected at-large and serve four year staggered terms. The City Council exercises legislative authority and determines all matters of policy.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units by the Governmental Accounting Standards Board (GASB).

The City includes all funds, organizations, institutions, agencies, departments, boards, and offices that are not legally separate from the City. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

Blended component units, although legally separate, are, in substance, part of the government's operations. A blended component unit is reported as if it were a fund of the City throughout the year. It is included at both the government-wide and fund financial reporting levels.

A description of the City's blended component unit follows:

The City of Otsego Economic Development Authority (EDA) – The City of Otsego EDA is a legal entity separate from the City. Although legally separate, the City of Otsego EDA is reported as if it were part of the primary government because the Board of Commissioners is made up of the Mayor and four Council members and the City has operational responsibility over the City of Otsego EDA. It is this criterion that results in the EDA being reported as a blended component unit within the primary government, although there is currently no financial activity for the City of Otesgo EDA. Separate financial statements would not be prepared for the City of Otsego EDA, even if there was financial activity.

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 activities of the City and its component units. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not 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.

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 and special assessments 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 year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, as well as expenditures related to claims and judgements, are recorded only when payment is due.

Property taxes, special assessments, intergovernmental revenues, charges for services and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Only the portion of special assessments receivable due within the current fiscal year 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.

The City reports the following major governmental funds:

General Fund - This is the City's primary operating fund, and accounts for all of the general financial resources of the City, except those required to be accounted for in another fund. Most of the current day-to-day operations of the City are financed from this fund.

Debt Service Fund - This fund is used to account for the collection of property taxes, special assessments and other resources which are used to repay the principal and interest on debt issued for various improvements in the City.

Pavement Management Fund - This fund was established to provide funds and to account for the expenditure of such funds, for costs associated with the City's street maintenance and replacement plan adopted annually within the Capital Improvement Plan. Annual projects may include: fog & seal coating, crack filling, paint striping, patching and asphalt overlays.

Capital Improvements Fund - This fund was established to accumulate resources that may be used to internally finance future City projects.

Development and Builder Escrows Fund - This fund was established to receipt funds and to account for the expenditure of such funds, for costs associated within residential, commercial and industrial developments in the City.

The City reports the following major enterprise funds:

Water Utility Fund - This fund accounts for the operations of the public water utility system. The resources accumulated are primarily from system user charges and system connection fees. The accumulated funds are then used to pay for the operational costs of pumping and distributing water to the system customers. The fund also accumulates resources to finance certain capital improvements and to pay the debt service associated with the water utility.

Sanitary Sewer Utility Fund - This fund accounts for the operations of the public sewer utility system. The resources accumulated are primarily from system user charges and system connection fees. The accumulated funds are then used to pay for the operational costs of collection and treatment of sewage from the system. The fund also accumulates resources to finance certain capital improvements and to pay the debt service associated with the sewer utility.

Storm Water Utility Fund - This fund accounts for the operations of the storm water collection system. The resources accumulated are primarily from system user charges and property taxes. The accumulated funds are then used to pay for the operational costs of collection and treatment of surface water runoff that does not require treatment.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes. 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 *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and investments with a maturity of three months or less when from the date of acquisition. All of the deposits and investments allocated to the proprietary funds are considered to meet this criteria.

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.

Minnesota statute §118A.04 governs the investment of public funds and outlines the allowable investment types. The City's investment policy is more restrictive than statute, and authorizes the City to invest in the following:

a] Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.

b] Shares of investment companies registered under the Federal Securities Act of 1940, and received the highest credit rating and is rated in one of the two highest categories by at least one nationally recognized statistical rating agency.

c] Obligations of any state or local government with taxing powers rated "A" for general obligations or with a rating of "AA" or better for revenue backed obligations, with the ratings being provided by a national bond rating service.

d] Commercial paper issued by a United States corporation or their Canadian subsidiaries that is rated in the highest quality by at least two nationally recognized rating agencies.

e] Time deposits that are fully insured by the Federal Deposit Insurance Corporation.

Certain investments for the City are reported at fair value as disclosed in Note 3 (A). 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; and Level 3 inputs are significant unobservable inputs.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 79, the Minnesota Municipal Investment Pool (4M) securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Amounts invested in the 4M Plus must be deposited for a minimum of 14 days. Withdrawals made prior to the 14-day requirement will be subject to a penalty equal to 7 days interest on the amount withdrawn. Term Series investments are designed to be held to maturity. If an investment made in a Term Series is withdrawn prior to the maturity date of that Series, seven days notice of redemption is required, and a penalty will likely be assessed.

E. RECEIVABLES AND PAYABLES

Accounts Receivable
Receivables include amounts billed for services provided by the City before year-end. Receivables within the enterprise funds do include unbilled charges for services provided from the middle of December to the end of the year, as the City bills for those services mid-month. The City currently has not established an allowance for doubtful accounts for either trade or utility charge receivables. The City annually certifies unpaid trade and utility charge receivable to Wright County for collection in the following year, and is the primary factor in reporting the receivables at a gross amount, rather than net of allowance.

Leases
The City is a lessor for several noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and proprietary fund financial statements.

At the commencement of a lease, the City measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments receive. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsquently, the deferred inflow of resources is recognized as revenue over the life of the lease term in a systematic and rational manner.

Key estimates and judgements include how the City determines: 1) the discount rate, 2) the lease term, 3) lease receipts, and 4) the amortization. The City determines the discount rate for leases based on the applicable State and Local Government Securities (SLGS) rate. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

Property Taxes
The City Council annually adopts a property tax levy and certifies it to Wright County in December. The County allocates this levy across taxable properties in the City based on valuations assessed in the prior year. These taxes become an enforceable lien against the property on January 1st, and are recorded as receivables by the City as of that date.

Tax statements are generated and mailed by the County to the respective taxpayers, with half of the total due on May 15th and the second half due on October 15th. The County is also the collecting agency, and remits the amounts collected to the City with primary settlements in June and December, and a minor settlement in January.

Property taxes that are unpaid as of December 31st, are then classified as delinquent. Delinquent taxes receivable include the past six years of uncollected taxes and are fully offset by a deferred inflow of resources for those collections not received within 60 days of year-end in the governmental fund financial statements.

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 have been offset by a deferred inflow of resources for those collections not received within 60 days after year end in the governmental fund financial statements.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as “due to/from other funds.” All short-term interfund receivables and payables at December 31, 2023 are planned to be eliminated in 2024. Long-term interfund loans are classified as “advances 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".

F. 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. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption rather than when purchased.

G. ASSETS HELD FOR RESALE

Assets held for resale represent various parcels of land that are currently owned by the City with the intent to sell in the future to create economic development activity within the City. The assets are reported at their net realizable value in the General fund. During the year ended December 31, 2023, management has reviewed the reported values of the assets.

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets such as easements and computer software, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost in excess of the amounts in the table below and with an estimated useful life in excess of three years. All land assets are recorded by the City with no assigned cost threshold. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Infrastructure	$	100,000
Buildings and Building Improvements		50,000
Land Improvements		25,000
Machinery and Equipment		5,000

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

Capital assets of the City, are depreciated using the straight line method over the following estimated useful lives:

Infrastructure	25 - 40 years
Buildings and Building Improvements	10 - 40 years
Land Improvements	5 - 20 years
Machinery and Equipment	3 - 15 years

I. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net 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 presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

J. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused personal time-off (PTO) benefits. All PTO pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured, for example, as a result of an employee retirement or resignation. The General fund is typically used to liquidate the compensated absences payable for governmental activities.

K. 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 amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums 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.

L. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to or 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 net pension liability for governmental activities. The Water Utility and Sanitary Sewer Utility funds would be used to liquidate the net pension liability for business-type activities.

M. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement was to improve accounting and financial reporting for postemployment benefits other than pensions (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.

N. SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription Based Information Technology Arrangements (SBITA). The primary objective of this Statement was to improve accounting and financial reporting of SBITA's by providing uniform guidance that will result in greater consistency in practice. The City has no SBITA's that would result in an intangible asset and corresponding subscription liability.

N. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has four types of items which qualify for reporting in this category. One item, unavailable revenue, which arises only under a modified accrual basis of accounting, therefore, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from sources such as: property taxes and special assessments not collected within 60 days of year-end. The statement of net position and governmental funds also report deferred inflows of grants for subsequent years due to timing requirements not being met at year-end. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The second item presented by the City are deferred inflows of resources on the statement of net position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years. The third item presented by the City on the government-wide statement of net position and on the proprietary funds statement of net position are deferred inflows of resources related to a deferred gain on a refunding bond issuance which will be amortized over the remaining life of the debt issuance. The fourth item, Antenna Rental Leases, is reported in both the government-wide and proprietary funds statements of net position.

O. FUND EQUITY

Fund equity in the fund financial statements is classified as fund balance for governmental funds and net position for proprietary funds. Fund equity in the government-wide financial statements is classified as net position for both governmental and business-type activities.

Fund Balance – In the fund financial statements, governmental funds report fund balance in classifications that disclose restraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – consists of amounts that are not in spendable form or are required to be maintained intact.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of internally imposed constraints. These constraints are imposed by formal action (resolution) of the City Council, which is the highest level of decision making authority.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council or, pursuant to council resolution, the City Administrator or the Finance Director.

Unassigned – is the residual classification for the General fund and also reflects negative residual amounts in other funds.

When committed, assigned, or unassigned resources are available for an allowable use, it is the City's policy to use resources in the following order; 1) committed, 2) assigned, and 3) unassigned.

The City has formally adopted a fund balance policy for the General Fund. The policy establishes a year-end target fund balance amount of 45% of the next year's operating budget for cash flow needs.

Net Position – Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position can be displayed in the three following classifications:

Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and further reduced by the outstanding balance of any long-term debt used to build or acquire the respective capital assets.

Restricted – reported when there are limitations of use through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

Unrestricted – all remaining net position is reported in this classification.

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

P. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from such estimates.

Q. BUDGETARY INFORMATION

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for the General fund, the Series 2018A and Series 2020A Debt Service funds, Tax Increment District No. 1, Tax Increment District No. 3, and Tax Increment District No. 4 special revenue funds. All annual appropriations lapse at year-end. The City does not use encumbrance accounting.

In June of each year, General fund departments submit requests for appropriations to the City Administrator so that a budget may be prepared. The requested budget appropriations are presented and reviewed with the City Council. The proposed General fund budget and preliminary property tax levy must be certified to Wright County prior to September 30. The City Council holds public hearings and a final budget is adopted in early December, with the final property tax levy required to be certified to Wright County prior to the end of December.

The appropriated budget is prepared by fund and department. The City's department heads are authorized to make transfers of budgeted appropriations within a department. Any transfers of appropriations between a department needs authorization of the City Administrator. The legal level of budgetary control is at the fund level, so any appropriations transfers between funds needs the approval of the City Council. There were no transfers of budgeted appropriations or budget amendments during the year.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. DEFICIT FUND EQUITY

Deficit fund equity exists at December 31, 2023 in the following fund:

Non-Major Governmental Funds:	
Capital Project Funds	
MSA Construction	$ 1,765,724

The deficit is being funded through internal borrowing. The MSA Construction fund deficit will be repaid with State-Aid funding from 2024 through 2025, which has been advanced to the City for the 85th Street and Maciver Avenue street extension project.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

In accordance with Minnesota Statutes, the City maintains deposits at only those depository banks authorized by the City Council. All such depositories are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits with financial institutions be protected by federal deposit insurance, corporate surety bonds or collateral. The fair value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that all securities pledged as collateral be placed in safekeeping in a restricted account at the Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At year-end, the City's carrying amount of deposits was $782,006, and a bank balance of $1,512,796.

Custodial credit risk for the City's deposits would arise in the event of a bank failure, where the City's deposits may not be returned to it. As of year-end, the City's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

As of December 31, 2023 the City had the following investments:

		Investment Maturities (In Years)		
Investment Type	Fair Value	< 1	1 - 3	3 - 5
Negotiable Certificates of Deposit	$ 24,841,078	$ 6,743,086	$ 10,737,777	$ 7,360,215
U.S. Government Agency Securities	20,816,042	5,748,074	6,956,872	8,111,096
Municipal Bonds	7,945,658	1,362,463	3,689,187	2,894,008
External Investment Pool	16,477,630	16,477,630	-	-
Brokered Money Market Accounts	34,729	34,729	-	-
Total	$ 70,115,137	$ 30,365,982	$ 21,383,836	$ 18,365,319

The external investment pool and brokered money market investments are valued at amortized cost. All of the remaining City investments have recurring fair value measurements using a matrix pricing model (level 2 inputs).

As of December 31, 2023, the City's investments in U.S. Government Agency Securities and Municipal Bonds carried the following ratings as well as their respective concentration percentage when compared to the total investment portfolio. An indication of "NR" in the ratings below mean that the respective rating organization has not provided a rating on the respective investment.

Investment Type	Moody's Rating	S & P Rating	Fair Value	Portfolio Concentration %
U.S. Government Agency Securities				
Federal Farm Credit Bank (FFCB)	Aaa	AA+	$ 4,878,994	6.96%
Federal Home Loan Bank (FHLB)	Aaa	AA+	10,610,258	15.13%
Federal Home Loan Mortgage Corporation (FHLMC)	Aaa	AA+	1,621,182	2.31%
Federal National Mortgage Association (FNMA)	Aaa	AA+	3,705,608	5.29%
Total			$ 20,816,042	29.69%
Municipal Bonds				
City of Minneapolis, Minnesota	Aa1	AAA	869,048	1.24%
Shakopee School District, MN	Aa1	NR	691,785	0.99%
City of New York NY	Aa2	AA	914,780	1.30%
State of Oregon	Aa1	AA+	493,415	0.70%
Lake of the Woods School District, MN	NR	AAA	626,777	0.89%
State of Mississippi	Aa2	AA	1,398,885	2.00%
State of California	Aa2	AA-	473,520	0.68%
Canutillo School District, TX	Aaa	NR	521,411	0.74%
Multnomah County School District, TX	Aa2	AA	675,653	0.96%
Sunnyvale School District, CA	NR	AAA	335,689	0.48%
City of Salem, OR	Aa2	NR	495,870	0.71%
Town of Wilmington, MA	NR	AA+	448,825	0.64%
Total			$ 7,945,658	11.33%

The following is a summary of total deposits and investments as of December 31, 2023 and presented in the basic financial statements in the Statement of Net Position:

Deposits	$ 782,006
Investments	70,115,137
Petty Cash and Change Funds	600
Total	$ 70,897,743

Interest Rate Risk – This is the risk that the fair values of the securities in the City's investment portfolio would decrease due to changes in market interest rates. The City identifies interest rate risk within the second and fourth objectives of the City's investment policy, which are liquidity and return on investment. The City attempts to limit its exposure to interest rate risk by keeping the investment portfolio sufficiently liquid to meet cash flow requirements, while still attempting to obtain a reasonable return on investment. The City also addresses interest rate risk by attempting to create proportions in the maturities of the City's investment portfolio which places longer term investments higher on the yield curve than those shorter term investments.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limits allowable investments to those that are in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy also addresses credit risk by further limiting investments to the list provided within Note 1-D.

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of the City's investment in any single issuer. The first objective of the City's investment policy is safety. To obtain this objective, diversification is to be considered in the type of investment, maturity and the issuer of the respective investments. Each of the City's certificates of deposit are purchased in amounts not exceeding federal deposit insurance. The tables above outline the concentrations of the City's other investment types, including U.S. Government Agency Securities and Municipal Bonds.

More than 5 percent of the City's investments are in Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), and Federal National Mortgage Assocation (FNMA). These investments are 6.96 percent, 15.13 percent, 5.29 percent respectively, of the City's total investments.

Custodial Credit Risk – This is the risk that in the event of the failure of a counterparty to an investment, the City will not be able to recover the value of an investment or collateral securities that are in possession of an outside party. In accordance with the City's investment policy, all investment securities shall be held by a single safekeeping agent in the name of the City.

B. LEASE RECEIVABLE

The City has implemented GASB 87 effective December 31, 2022 and has recognized a Lease Receivable and respective Deferred Inflow of Resources in the amount of $230,862. Leases included in the lease receivable are the leased space above Water Towers No. 1 and No. 3 to several communication companies. Lease terms are as follows:

Lessee	2023 Lease Revenue	2023 Lease Receivable	Annual Lease Adjustment Factor	Renewal Options
T-Mobile	$ 37,346	$ 62,546	4%	n/a
Nextera Wireless	18,980	69,864	4%	Three Terms of 5-Years
Verizon Wireless	39,855	98,452	5%	n/a

C. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	$ 4,278,161	$ -	$ -	$ 4,278,161
Construction in Progress	50,128	2,612,383	(1,570,045)	1,092,466
Total Capital Assets, not Being Depreciated	4,328,289	2,612,383	(1,570,045)	5,370,627
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	6,562,050	118,751	-	6,680,801
Land Improvements	7,213,383	707,930	(94,610)	7,826,703
Machinery and Equipment	4,762,154	492,929	(24,594)	5,230,489
Infrastructure	41,883,284	2,468,086	-	44,351,370
Total Capital Assets, Being Depreciated	60,420,871	3,787,696	(119,204)	64,089,363
Less Accumulated Depreciation for:				
Buildings and Building Improvements	2,565,562	159,803	-	2,725,365
Land Improvements	3,698,030	277,388	(94,610)	3,880,808
Machinery and Equipment	2,862,885	347,872	(24,057)	3,186,700
Infrastructure	10,667,358	1,261,634	-	11,928,992
Total Accumulated Depreciation	19,793,835	2,046,697	(118,667)	21,721,865
Total Capital Assets Being Depreciated - Net	40,627,036	1,740,999	(537)	42,367,498
Governmental Activities Capital Assets - Net	$ 44,955,325	$ 4,353,382	$ (1,570,582)	$ 47,738,125

Depreciation expense was charged to the functions of the City as follows:

Governmental Activities:	
General Government	$ 30,409
Public Safety	12,729
Public Works	1,580,903
Culture and Recreation	422,656
Total Depreciation Expense - Governmental Activities	$ 2,046,697

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, not Being Depreciated:				
Land	$ 741,333	$ 18,388	$ -	$ 759,721
Construction in progress	5,994,416	19,522,244	(151,380)	25,365,280
Total Capital Assets, not Being Depreciated	6,735,749	19,540,632	(151,380)	26,125,001
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	16,670,750	-	-	16,670,750
Land Improvements	-	151,380	-	151,380
Machinery and Equipment	2,098,882	350,314	-	2,449,196
Infrastructure	80,184,437	1,525,849	-	81,710,286
Total Capital Assets, Being Depreciated	98,954,069	2,027,543	-	100,981,612
Less Accumulated Depreciation for:				
Buildings and Building Improvements	460,596	423,027	-	883,623
Land Improvements	-	5,046	-	5,046
Machinery and Equipment	865,418	184,742	-	1,050,160
Infrastructure	22,932,585	2,041,102	-	24,973,687
Total Accumulated Depreciation	24,258,599	2,653,917	-	26,912,516
Total Capital Assets Being Depreciated - Net	74,695,470	(626,374)	-	74,069,096
Business-type Activities Capital Assets - Net	$ 81,431,219	$ 18,914,258	$ (151,380)	$100,194,097

Depreciation expense was charged to the functions of the City as follows:

Business-type Activities:	
Water Utility	$ 882,583
Sanitary Sewer Utility	1,576,558
Storm Water Utility	194,776
Total Depreciation Expense - Business-type Activities	$ 2,653,917

D. CONSTRUCTION COMMITMENTS

At December 31, 2023 the City had construction project contracts in progress. The commitments related to remaining contract balances are summarized as follows:

Fund & Project	Contract Amount	Remaining Commitment
Water Utility		
Well #11	$ 388,346	$ 209,991
Sanitary Sewer Utility		
West Wastewater Treatment Facility Expansion	34,228,113	17,010,223
Total	$ 34,616,459	$ 17,220,214

E. INTERFUND BALANCES AND TRANSFERS

At December 31, 2023, the composition of balances for due to/from other funds of the City were as follows:

Fund	Due from Other Funds	Due to Other Funds
Major Governmental Funds:		
Capital Improvements	$ 617,526	$ -
Nonmajor Governmental Funds:		
MSA Construction	-	617,526
Total	$ 617,526	$ 617,526

Interfund due to/from balances are representative of lending/borrowing arrangements to cover deficit cash balances at the end of the fiscal year. The balance in the Municipal State-Aid for Construction fund will be repaid with State-Aid funding for the 85th Street and Maciver Avenue extension projects.

Transfers between funds made during the year ended December 31, 2023 were as follows:

Fund	Transfer In	Transfer Out
Major Governmental Funds:		
General	$ 320,600	$ 710,829
Capital Improvements	710,829	66,042
Nonmajor Governmental Funds:		
Parks Capital Equipment	66,042	-
Revolving Capital Equipment	2,150	-
Total Governmental Funds	1,099,621	776,871
Major Proprietary Funds:		
Water Utility	-	80,150
Sanitary Sewer Utility	-	242,600
Total Proprietary Funds	-	322,750
Total All Funds	$ 1,099,621	$ 1,099,621

Interfund transfers allow the City to allocate financial resources to the funds that receive benefit from services provided by another fund or to provide additional capital and infrastructure funding. In addition, interfund transfers are occasionally authorized to allow redistribution of resources between funds for the most efficient use of funds. In 2023, the following transfers were made between funds:

- The General fund transferred $710,829 to the Capital Improvements fund. This transfer was in accordance with the City's fund balance policy, where any balance exceeding the minimum fund balance is set aside for future capital items.

- The Capital Improvements fund transferred $66,042 to the Parks Capital Equipment fund to cover projects costs in excess of the estimated budget costs for the Kittredge Park Shelter Repair project.

- The Water Utility and Sanitary Sewer Utility funds transferred $80,150 and $240,450 respectively to the General fund as an annual contribution to help manage the property tax levy.

- The Sanitary Sewer Utility fund transferred $2,150 to the Revolving Capital Equipment fund as payment for the purchase of a mower for the West Wastewater Treatment Facility.

F. LONG-TERM DEBT

Governmental Activities

The City issued general obligation bonds to provide funding for the acquisition and construction of major capital facilities and construction of infrastructure in the governmental activities. General obligation bonds have also been issued to refinance general obligation improvement bonds, which were originally intended to be fully repaid with collections of special assessments. All long-term indebtedness outstanding is backed by the full faith and credit of the City. Bonds in the governmental activities will be retired with future property tax levies and collections of special assessments. In the event that a deficiency exists because of unpaid or delinquent taxes or special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are available. At the end of the current year, there are $1,976,975 of assets accumulated in the debt service funds for future debt service. Included within those accumulated assets, there are $1,039 of delinquent special assessments receivable, of which collection is uncertain.

	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Payable 12/31/23
General Obligation Bonds:					
Improvement Bonds, Series 2018A	3.00 - 3.13%	7/11/2018	2/1/2034	$ 2,305,000	$ 1,580,000
Refunding Bonds 2020A	1.03 - 1.11%	11/17/2020	2/1/2028	2,950,000	1,475,000
Total - Bonded Indebtedness				$ 5,255,000	3,055,000
Other Liabilities:					
Unamortized Premium on Issuance of Bonds					234,506
Compensated Absences Payable					136,799
Total Governmental Activities					$ 3,426,305

Annual debt service requirements to maturity for governmental activities long-term indebtedness are as follows:

Year Ending December 31	Governmental Activities General Obligation Bonds Principal	Interest
2024	$ 460,000	$ 98,406
2025	480,000	81,556
2026	495,000	64,081
2027	525,000	45,756
2028	540,000	26,606
2029 - 2033	485,000	35,841
2034	70,000	1,094
Total	$ 3,055,000	$ 353,340

Business-type Activities

The City issued general obligation bonds to provide funding for the acquisition and construction of major capital facilities and construction of infrastructure in the business-type activities. All long-term indebtedness outstanding is backed by the full faith and credit of the City. Bonds in the business-type activities will be retired with the net revenues of the Water and Sanitary Sewer funds. (Net revenues are defined as the excess of gross revenues and earnings over the normal, reasonable and current costs of operating and maintenance). In the event that a deficiency exists because of inadequate net revenues at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are available. At the end of the current year, the Water and Sanitary Sewer funds provided net revenues of $6,004,409, which accounts for a debt-service coverage ratio of 19.13%.

	Interest Rates	Date	Final Maturity Date	Original Issue	Payable 12/31/23
General Obligation Bonds:					
Revenue Bonds, Series 2019A	4.00 - 4.00%	12/19/2019	12/1/2026	$ 3,525,000	$ 3,525,000
Revenue Bonds, Series 2021A	1.00 - 3.00%	9/23/2021	2/1/2037	4,345,000	4,130,000
Revenue Bonds, Series 2021B	5.00 - 5.00%	9/23/2021	12/1/2026	7,390,000	2,540,000
Note from Direct Borrowing:					
G.O. PFA Revenue Note, 2020	1.16%	4/27/2020	8/20/2040	17,199,866	14,850,000
G.O. PFA Revenue Note, 2023	2.84%	11/9/2023	8/20/2043	34,045,359	20,736,609
Sub-Total				$ 66,505,225	45,781,609
Other Liabilities:					
Unamortized Premium on Issuance of Bonds					954,563
Compensated Absences Payable					44,506
Total Business-type Activities					$ 46,780,678

Annual debt service requirements to maturity for business-type activities long-term indebtedness are as follows:

Year Ending December 31	Business-type Activities General Obligation Bonds Principal	Business-type Activities General Obligation Bonds Interest	Business-type Activities Note from Direct Borrowing Principal	Business-type Activities Note from Direct Borrowing Interest
2024	$ 2,335,000	$ 349,155	$ 1,468,359	$ 501,497
2025	2,210,000	243,355	2,153,000	1,111,945
2026	2,295,000	152,280	2,201,000	1,064,258
2027	275,000	57,530	2,250,000	1,015,375
2028	285,000	49,130	2,300,000	965,250
2029 - 2033	1,510,000	442,414	12,296,000	4,029,069
2034 - 2038	1,285,000	50,769	13,755,000	2,571,376
2039 - 2043	-	-	12,472,000	951,465
Total	$ 10,195,000	$ 1,344,633	$ 48,895,359	$ 12,210,235

In November 2023, the City issued $34,045,359 of General Obligation PFA Revenue Note, Series 2023 for the purpose of financing the eligible projects costs of the Clean Water State Revolving Fund project to improve treatment and for expansion of the West Wastewater Treatment Facility. The aggregate principal amount of the loan disbursed and outstanding will bear interest at the rate of 2.843 percent per annum accruing from and after the date of the Note, which is November 9, 2023, through the date on which no principal of the loan remains unpaid and all accrued interest and servicing fees have been paid.

The annual debt service requirements to maturity presented are based on the final projected costs and debt authorized by the Minnesota Public Facilities Authority. The balance of the debt represents costs incurred through December 31, 2023.

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 3,740,000	$ -	$ (685,000)	$ 3,055,000	$ 460,000
Unamortized Bond Premium	277,111	-	(42,605)	234,506	-
Compensated Absences	125,130	194,084	(182,415)	136,799	27,360
Total - Governmental	4,142,241	194,084	(910,020)	3,426,305	487,360
Business-type Activities:					
General Obligation Bonds	39,155,000	-	(28,960,000)	10,195,000	2,335,000
Notes from Direct Borrowings	15,696,489	20,750,398	(860,278)	35,586,609	1,468,359
Unamortized Bond Premium	1,215,203	-	(260,640)	954,563	-
Compensated Absences	36,765	69,678	(61,937)	44,506	8,901
Total - Business-type	56,103,457	20,820,076	(30,142,855)	46,780,678	3,812,260
Total Long-Term Liabilities	$60,245,698	$ 21,014,160	$ (31,052,875)	$ 50,206,983	$ 4,299,620

The General fund is typically used to liquidate the compensated absences payable for governmental activities.

G. CONDUIT DEBT OBLIGATIONS

Conduit debt obligations are certain limited-obligation revenue bonds or similar instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued various revenue bonds to provide funding to private sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

As of December 31, 2023, the City's conduit debt consisted of the following:

Guardian Angels Senior Services	
Revenue Bonds, Series 2017	$ 27,985,000
Guardian Angels Senior Services	
Revenue Refunding Bonds, Series 2017A	8,635,000
Revenue Refunding Bonds, Series 2017B	4,360,000
Kaleidoscope Charter School	
Revenue Bonds, Series 2014A	13,715,000

H. TAX ABATEMENTS

The City has entered into certain agreements for economic development purposes to either attract new businesses or retain existing business operations within the City. The authority for the City to enter into such agreements comes from *Minnesota Statute §469.* The City further has an established Business Subsidy Policy that provides evaluation criteria for any business subsidy requests. As of December 31, 2023, the City has entered into two types of agreements.

Property Tax Abatements
For the year ended December 31, 2023, the City abated property taxes totaling $74,668. Details of each agreement and the abatement for the current year are as follows:

- The City has entered into a tax abatement agreement with Wright County in order to finance the cost of Parkview Avenue and 88th Street improvements which facilitated the Parkview Retail development. The agreement outlines that the City will use tax abatement financing in an amount not to exceed $950,000 to reimburse the costs of the public improvements. Wright County will use tax abatement financing in an amount not to exceed $400,000 to reimburse the City for a portion of the costs of the public improvements. This abatement began with taxes payable 2022. For the current year, Wright County provided an abatement in the amount of $74,037. At the end of the current year, the total abatement from Wright County totals $109,875.

Tax Increment Financing

For the year ended December 31, 2023, the Tax Increment Financing Districts within the City generated increment in the amount of $490,045 and payments to the developers in the amount of $330,287. Details of each agreement are as follows:

- Tax Increment Financing District No. 1 was established in 2015 for the purpose of promoting industrial development on a parcel owned by the City which had been obtained through the tax forfeiture process. The parcel would not have been developed but-for tax increment financing given the existing special assessments and the extraordinary amount of soil improvements. Under the agreement, up to $694,487 of costs incurred by the developer will be reimbursed through a tax increment revenue note, payable beginning in 2018 and concluding in 2027. Payments on the tax increment revenue note are only made to the extent of increment generated by the district. For 2023, this tax increment financing district generated increment in the amount of $85,412 and payments to the developer in the amount of $42,285.

- Tax Increment Financing District No. 3 was established in 2017 for the purpose of facilitating the development of a 142 unit senior housing facility, consisting of independent living, assisted living and memory care. The tax increment district is a housing district, and is intended for occupancy, in part, by persons or families of low and moderate income. In order to qualify as a housing district, the senior housing facility is required to provide at least 20% of the residential units to persons whose incomes do not exceed 50% of the County median income. By providing the affordable housing, the City believes that such a project was in the best interests of the City and its residents and agreed to reimburse the developer the lesser of $2,389,400 or the costs of the site improvements actually incurred. The reimbursements will be made through a tax increment revenue note, payable beginning in 2020 and concluding in 2047. Payments of the tax increment revenue note are only made to the extent of increment generated by the district. For 2023, this tax increment financing district generated increment in the amount of $205,957 and payments to the developer in the amount of $170,581.

- Tax Increment Financing District No. 4 was established in 2018 for the purpose of facilitating the redevelopment of an existing site including the decommissioning of a private wastewater treatment facility. The redevelopment of this site will facilitate the construction of 164 units of market-rate multifamily housing, a mini-storage facility, and will create shovel ready sites for approximately 15,000 square feet of future commercial retail development. The City determined this development will ultimately preserve and enhance the tax base, redevelop sub-standard areas and provide employment opportunities within the City that would not reasonably be expected to occur solely through private investment within the forseeable future. Under the agreement, up to $3,359,685 of costs incurred by the developer will be reimbursed through a tax increment revenue note, payable beginning in 2021 and concluding in 2046. Payments on the tax increment revenue note are only made to the extent of increment generated by the district. For 2023, this tax increment financing district generated increment in the amount of $198,676 and payments to the developer in the amount of $117,421.

H. FUND EQUITY

Net position reported in the government-wide statement of net position at December 31, 2023 include the following:

Governmental Activities

Net Investment in Capital Assets:	
Cost of Capital Assets	$ 69,459,990
Less: Accumulated Depreciation	(21,721,865)
Less: Related Long-Term Debt Outstanding	(3,289,506)
Less: Acquisition of Capital Assets on Account	(226,486)
Total Net Investment in Capital Assets	44,222,133
Restricted for Debt Service	
Fund Balance - Governmental Fund Financial Statements	1,147,451
Add: Unavailable Revenue - Special Assessments	828,836
Less: Accrued Interest Payable	(44,440)
Total Restricted for Debt Service	1,931,847
Restricted for Lawful Gambling Programs	138,020
Restricted for Affordable Housing Programs	52,757
Restricted for Tax Increment Financing	
Fund Balance - Governmental Fund Financial Statements	373,880
Add: Unavailable Revenue - Special Assessments	1,490
Total Restricted for Tax Increment Financing	375,370
Restricted for Park Development	
Fund Balance - Governmental Fund Financial Statements	6,498,386
Add: Unavailable Revenue - Special Assessments	9,640
Total Restricted for Park Development	6,508,026
Restricted for Public Safety	931,613
Unrestricted	21,270,456
Total Governmental Activities Net Position	$ 75,430,222

Business-type Activities

Net Investment in Capital Assets:	
Cost of Capital Assets	$ 127,106,613
Less: Accumulated Depreciation	(26,912,516)
Less: Related Long-Term Debt Outstanding	(46,736,172)
Less: Acquisition of Capital Assets on Account	(2,283,557)
Less: Deferred Gain on Refunding	(236,645)
Total Net Investment in Capital Assets	50,937,723
Unrestricted	39,121,354
Total Business-type Activities Net Position	$ 90,059,077

Aggregated funds balances reported in the governmental funds balance sheet at December 31, 2023 include the following:

Governmental Funds

	Nonspendable	Restricted	Committed	Assigned
General Fund				
Prepaid Items	$ 135,876	$ -	$ -	$ -
Assets Held for Resale	202,200	-	-	-
Public Safety	-	465,819	-	-
Insurance Deductibles	-	-	-	277,297
Educational Programs	-	-	-	65,564
Debt Service				
Debt Service	-	1,147,451	-	-
Pavement Management				
City Buildings & Infrastructure	-	-	-	5,692,164
Capital Improvements				
City Buildings & Infrastructure	-	-	-	7,558,150
Nonmajor Governmental Funds				
Lawful Gambling Programs	-	138,020	-	-
Tax Increment Financing	-	373,880	-	-
Affordable Housing	-	52,757	-	-
Street Light Replacement	-	-	63,398	-
Business Development Loans	-	-	283,932	-
Park Development	-	6,498,386	-	-
Public Safety	-	465,794	-	-
City Buildings & Infrastructure	-	-	-	4,466,602
City Vehicles & Equipment	-	-	-	446,083
City Parks & Trails	-	-	-	297,604
Total Fund Balances	$ 338,076	$ 9,142,107	$ 347,330	$ 18,803,464

NOTE 4 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 and natural disasters.

Property and casualty insurance is provided through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and reinsures through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portions of the insurance policies. The amount of those deductibles is considered immaterial to the financial statements.

Workers' compensation coverage is provided through a pooled self-insurance program through the LMCIT. The respective insurance policy is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid. This coverage is not subject to a deductible.

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

The City is subject to certain legal claims in the normal course of business. Management does not expect the resolution of these claims will have a material impact on the City's financial condition or results of operations.

NOTE 5 PENSION PLAN

Public Employee's Retirement Association

A. PLAN DESCRIPTION

The City participates in the following cost-sharing multiple-employer defined benefit pension plan 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.

B. BENEFITS PROVIDED

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

General Employees Plan Benefits
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 or service. Two methods are used to compute benefits for PERA's Coordinated Plan members. The retiring member, if hired prior to July 1, 1989, receives the higher of a step-rate benefit accrual formula (Method 1) or level accrual formula (Method 2), which is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated Plan member is 1.2 percent for each of the first ten years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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 or prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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 6.5 percent of their annual covered salary in fiscal year 2023, and the City was required to contribute 7.5 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for years ended December 31, 2023, 2022 and 2021 were $189,626, $161,169, and $142,796. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

General Employees Fund Pension Costs
At December 31, 2023, the City reported a liability of $1,588,096 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 $43,804.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension 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 0.0284 percent at the end of the measurement period and 0.0274 percent for the beginning of the period.

City's proportionate share of the net pension liability	$ 1,588,096
State of Minnesota's proportionate of the net pension liability associated with the City	43,804
Total	$ 1,631,900

For the year ended December 31, 2023, the City recognized pension expense of $328,979 for its proportionate share of the General Employees Plan's pension expense. Included in the amount, the City recognized $197 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 51,712	$ 9,707
Changes in Actuarial Assumptions	228,917	435,284
Net Difference Between Projected and Actual Investment Earnings	-	21,676
Changes in Proportion	113,868	-
Contributions Paid Subsequent to the Measurement Date	94,813	-
Totals	$ 489,310	$ 466,667

Deferred outflows totaling $94,813 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2024	$ 82,578
2025	(170,014)
2026	49,717
2027	(34,451)
2028	-
Thereafter	-
Total	$ (72,170)

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
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100.00%	

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 percent. This assumption is based on a review of inflation and investment 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 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent and benefit increases after retirement are assumed to be 1.25 percent.

Salary growth assumptions range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates are based on the Pub-2010 General Employee Mortality Table, adjusted slightly to fit PERA's experience.

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

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

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7 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.

G. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2023 was 7 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 positions of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 1 percentage point lower or 1 percentage point higher than the current rate.

City's Proportionate Share of the Net Pension Liability	6.00% One Point Decrease	7.00% Current Rate	8.00% One Point Increase
General Employees Fund	$ 2,809,470	$ 1,588,096	$ 583,470

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 at www.mnpera.org.