

New Issue

Rating Application Made: S&P Global Ratings

**ADDENDUM DATED JUNE 13, 2022
TO PRELIMINARY OFFICIAL STATEMENT DATED JUNE 9, 2022**

**CITY OF MONTEVIDEO, MINNESOTA
(Chippewa County)**

\$1,815,000* GENERAL OBLIGATION BONDS, SERIES 2022A

PROPOSAL OPENING: June 28, 2022, 11:00 A.M., C.T.

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

The sale date for the above-referenced Bonds has been rescheduled to sell on June 28, 2022, at 11:00 A.M. C.T. The dated date has also been adjusted and will now be July 14, 2022. Following is the revised Preliminary Official Statement dated June 9, 2022.

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 9, 2022

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. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "TAX EXEMPTION" herein.

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

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CITY OF MONTEVIDEO, MINNESOTA (Chippewa County)

\$1,815,000* GENERAL OBLIGATION BONDS, SERIES 2022A

PROPOSAL OPENING: June 28, 2022, 11:00 A.M., C.T.

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

PURPOSE/AUTHORITY/SECURITY: The \$1,815,000* General Obligation Bonds, Series 2022A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429, 444 and 475, by the City of Montevideo, Minnesota (the "City") for the purpose of financing the City's 2022 street and utility projects. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota.

DATE OF BONDS: July 14, 2022

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2024	\$110,000	2029	\$115,000	2034	\$125,000
2025	110,000	2030	120,000	2035	125,000
2026	110,000	2031	125,000	2036	130,000
2027	115,000	2032	125,000	2037	130,000
2028	115,000	2033	125,000	2038	135,000

MATURITY

ADJUSTMENTS:

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

TERM BONDS:

See "Term Bond Option" herein.

INTEREST:

February 1, 2023 and semiannually thereafter.

OPTIONAL

REDEMPTION:

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

MINIMUM PROPOSAL: \$1,793,220.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$36,300 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Taft Stettinius & Hollister LLP

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

TABLE OF CONTENTS

INTRODUCTORY STATEMENT.....	1	FINANCIAL STATEMENTS.....	A-1
THE BONDS	1	FORM OF LEGAL OPINION	B-1
GENERAL	1	BOOK-ENTRY-ONLY SYSTEM	C-1
OPTIONAL REDEMPTION	2	FORM OF CONTINUING DISCLOSURE UNDERTAKING.....	D-1
AUTHORITY; PURPOSE	2	TERMS OF PROPOSAL	E-1
ESTIMATED SOURCES AND USES	2		
SECURITY	3		
RATING	4		
CONTINUING DISCLOSURE.....	4		
LEGAL OPINION	5		
TAX EXEMPTION.....	5		
QUALIFIED TAX-EXEMPT OBLIGATIONS	6		
MUNICIPAL ADVISOR	6		
MUNICIPAL ADVISOR AFFILIATED COMPANIES.....	7		
INDEPENDENT AUDITORS	7		
RISK FACTORS.....	7		
VALUATIONS	10		
OVERVIEW	10		
CURRENT PROPERTY VALUATIONS.....	11		
2021/22 NET TAX CAPACITY BY CLASSIFICATION ..	11		
TREND OF VALUATIONS.....	12		
LARGER TAXPAYERS.....	12		
DEBT	13		
DIRECT DEBT	13		
SCHEDULES OF BONDED INDEBTEDNESS	14		
DEBT LIMIT	20		
OVERLAPPING DEBT	21		
DEBT RATIOS.....	22		
DEBT PAYMENT HISTORY	22		
FUTURE FINANCING.....	22		
TAX RATES, LEVIES AND COLLECTIONS	23		
TAX LEVIES AND COLLECTIONS	23		
TAX CAPACITY RATES	23		
LEVY LIMITS	25		
THE ISSUER	26		
CITY GOVERNMENT.....	26		
EMPLOYEES; PENSIONS; UNIONS	26		
POST EMPLOYMENT BENEFITS.....	26		
LITIGATION	26		
MUNICIPAL BANKRUPTCY.....	27		
FUNDS ON HAND.....	27		
ENTERPRISE FUNDS	28		
SUMMARY GENERAL FUND INFORMATION.....	29		
GENERAL INFORMATION	30		
LOCATION	30		
LARGER EMPLOYERS	30		
BUILDING PERMITS	31		
U.S. CENSUS DATA	32		
EMPLOYMENT/UNEMPLOYMENT DATA.....	32		

CITY OF MONTEVIDEO CITY COUNCIL

		<u>Term Expires</u>
Erich Winter	Mayor	January 2023
Nathan Schmidt	Council Member	January 2025
Bryce Curtiss	Council Member	January 2023
Beverly Olson	Council Member	January 2025
Dan Sanborn	Council Member	January 2023
Steve Sulflow	Council Member	January 2023

ADMINISTRATION

Robert Wolfington, City Manager
Tami Schuelke-Sampson, Finance Director
Glennis Lauritsen, City Clerk

PROFESSIONAL SERVICES

Taft Stettinius & Hollister LLP, Bond Counsel, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Montevideo, Minnesota (the "City") and the issuance of its \$1,815,000* General Obligation Bonds, Series 2022A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on June 28, 2022.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of July 14, 2022. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2023, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2024 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2033 shall be subject to optional redemption prior to maturity on February 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444 and 475, by the City, for the purposes of financing: (i) the City's 2022 street projects (the "Improvement Portion"); and (ii) the City's 2022 utility projects (the "Utility Revenue Portion").

ESTIMATED SOURCES AND USES*

Sources	Improvement Portion	Utility Revenue Portion	Total Bond Issue
Par Amount of Bonds	\$1,055,000	\$760,000	\$1,815,000
Grant Funds	<u>1,095,000</u>	<u>-</u>	<u>1,095,000</u>
Total Sources	\$2,150,000	\$760,000	\$2,910,000
Uses			
Total Underwriter's Discount (1.200%)	\$12,660	\$9,120	\$21,780
Costs of Issuance	29,645	21,355	51,000
Deposit to Capitalized Interest (CIF) Fund	18,404	-	18,404
Deposit to Project Construction Fund	2,087,827	728,068	2,815,895
Rounding Amount	<u>1,464</u>	<u>1,457</u>	<u>2,921</u>
Total Uses	\$2,150,000	\$760,000	\$2,910,000

*Preliminary, subject to change.

Breakdown of Principal Payments*:

Payment Date	Improvement Portion	Utility Revenue Portion	Total Bond Issue
2/01/2024	\$70,000	\$40,000	\$110,000
2/01/2025	70,000	40,000	110,000
2/01/2026	70,000	40,000	110,000
2/01/2027	70,000	45,000	115,000
2/01/2028	70,000	45,000	115,000
2/01/2029	70,000	45,000	115,000
2/01/2030	70,000	50,000	120,000
2/01/2031	70,000	55,000	125,000
2/01/2032	70,000	55,000	125,000
2/01/2033	70,000	55,000	125,000
2/01/2034	70,000	55,000	125,000
2/01/2035	70,000	55,000	125,000
2/01/2036	70,000	60,000	130,000
2/01/2037	70,000	60,000	130,000
2/01/2038	<u>75,000</u>	<u>60,000</u>	<u>135,000</u>
Total	\$1,055,000	\$760,000	\$1,815,000

*Preliminary, subject to change.

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount.

The City anticipates the principal and interest on the Improvement Portion of the Bonds will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Bonds and from ad valorem property taxes. Receipt of special assessments and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Improvement Portion of the Bonds as required by Minnesota law.

The City anticipates the principal and interest on the Utility Revenue Portion of the Bonds will be paid entirely from net revenues of the water, sewer and storm sewer utility systems ("utility revenues") which are owned and operated by the City.

Should the special assessments and/or utility revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy a tax for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA-" by S&P Global Ratings ("S&P").

The City has requested a rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating, if any, reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA ") system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements and operating data would be filed "as soon as available." Although the City did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Except to the extent the preceding is deemed to be material, the City believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

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. The opinions are subject to the condition that the City 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 advisers.

Original Issue Discount

Some of the Bonds ("the 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 are 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 holders' 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.

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.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2020, have been audited by Dana F. Cole & Company, LLP, Montevideo, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor extended the peacetime emergency by 30 days. On May 14, 2021, the Governor signed Executive Order 21-23 to end the statewide mask requirement and align with new Centers for Disease Control and Prevention (CDC) guidance on face coverings. The Minnesota Legislature ended the peacetime emergency declaration on July 1, 2021.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provides for federal payments from the Coronavirus Relief Fund to the State for the discrete purpose of covering expenses directly incurred as a result of COVID-19 between March 1 and December 30, 2020. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021, which provides local governments an additional \$130.2 billion through the Coronavirus Local Fiscal Recovery Fund. These funds can be used to mitigate increased expenditures, lost revenue and economic hardship related to the COVID-19 pandemic.

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

VALUATIONS

OVERVIEW

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

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

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

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

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

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2020/21 Economic Market Value¹

\$286,328,227²

	2021/22 Assessor's Estimated Market Value	2021/22 Net Tax Capacity
Real Estate	\$288,232,700	\$3,033,543
Personal Property	3,083,700	60,271
Total Valuation	<u>\$291,316,400</u>	<u>\$3,093,814</u>

2021/22 NET TAX CAPACITY BY CLASSIFICATION

	2021/22 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$1,367,870	44.21%
Agricultural	30,565	0.99%
Commercial/industrial	1,082,825	35.00%
Public utility	58,561	1.89%
Railroad operating property	18,492	0.60%
Non-homestead residential	472,310	15.27%
Commercial & residential seasonal/rec.	2,920	0.09%
Personal property	60,271	1.95%
Total	<u>\$3,093,814</u>	<u>100.00%</u>

¹ Most recent value available from the Minnesota Department of Revenue.

² According to the Minnesota Department of Revenue, the 2020/21 Assessor's Estimated Market Value (the "AEMV") for the City is about 98.81% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in a 2020/21 Economic Market Value ("EMV") for the City of \$286,328,227.

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Taxable Net Tax Capacity ²	Percent Increase/Decrease in Estimated Market Value
2017/18	\$241,337,200	\$203,242,112	\$2,589,791	\$2,574,731	2.56%
2018/19	247,095,600	208,483,763	2,655,042	2,639,984	2.39%
2019/20	258,509,600	219,813,728	2,772,206	2,757,149	4.62%
2020/21	279,016,000	240,287,806	2,954,164	2,939,107	7.93%
2021/22	291,316,400	252,407,925	3,093,814	3,093,814	4.41%

LARGER TAXPAYERS

Taxpayer	Type of Property	2021/22 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Walmart	Commercial	\$141,604	4.58%
Xcel Energy	Utility	74,659	2.41%
Farmers Union Oil Co.	Commercial	73,865	2.39%
Fairmont Homes, LLC	Industrial	65,318	2.11%
Montana Dakota Utilities	Utility	53,546	1.73%
Chippewa County-Montevideo Hospital	Commercial	43,618	1.41%
Individual	Commercial	40,639	1.31%
Double D Development of Montevideo	Commercial	38,599	1.25%
Co-op Credit Union of Montevideo	Commercial	38,548	1.25%
Gibson Hospitality, LLC	Commercial	36,040	1.16%
Total		<u>\$606,436</u>	<u>19.60%</u>

City's Total 2021/22 Net Tax Capacity \$3,093,814

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

¹ Net Tax Capacity includes tax increment values, if any.

² Taxable Net Tax Capacity does not include tax increment values, if any.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes (includes the Improvement Portion of the Bonds)*	\$3,925,000
Total G.O. debt secured by special assessments and utility revenues	650,000
Total G.O. debt secured by taxes	6,175,000
Total G.O. debt secured by utility revenues (includes the Utility Revenue Portion of the Bonds)*	6,278,000
Total G.O. debt secured by housing revenues (EDA)	285,000
Total General Obligation Debt*	<u>\$17,313,000</u>

Lease Purchase Obligations (see schedule following)

Total EDA lease purchase obligations paid by annual appropriations ²	<u>\$4,920,000</u>
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*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds.

² Non-general obligation debt has not been included in the debt ratios.

City of Montevideo, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 07/14/2022)

Dated Amount Maturity	Improvement Bonds Series 2008A		Improvement Bonds Series 2012A		Improvement Bonds Series 2013A		Improvement Bonds Series 2014B		Improvement Bonds Series 2015A	
	07/09/2008 \$1,345,000 02/01	07/17/2012 \$950,000 02/01	06/25/2013 \$1,555,000 02/01	06/25/2014 \$1,010,000 02/01	06/25/2015 \$1,155,000 02/01					
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	0	1,823	0	1,116	0	1,920	0	5,450	0	6,909
2023	45,000	2,734	95,000	1,116	80,000	2,880	95,000	9,784	105,000	12,636
2024	45,000	911			80,000	960	95,000	7,409	105,000	10,274
2025							100,000	4,825	105,000	7,859
2026							20,000	3,150	110,000	5,250
2027							20,000	2,450	25,000	3,488
2028							20,000	1,750	25,000	2,713
2029							20,000	1,050	25,000	1,938
2030							20,000	350	25,000	1,163
2031							20,000		25,000	388
2032										
2033										
2034										
2035										
2036										
2037										
2038										
	90,000	5,468	95,000	2,233	160,000	5,760	390,000	36,218	550,000	52,615

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City of Montevideo, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 07/14/2022)

Dated Amount	Improvement Bonds Series 2016A		Improvement Bonds 1) Series 2017A		Improvement Bonds 2) Series 2018A		Improvement Bonds 3) Series 2020A		Improvement Bonds 4) Series 2022A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest						
2022	0	3,220	0	3,556	0	5,250	0	6,375	0	0	0	35,619	35,619	3,925,000	.00%	2022
2023	80,000	5,880	55,000	6,631	45,000	9,825	50,000	12,000	0	34,643	650,000	98,129	748,129	3,275,000	16.56%	2023
2024	80,000	4,760	60,000	5,625	50,000	8,400	50,000	10,500	70,000	31,568	635,000	80,406	715,406	2,640,000	32.74%	2024
2025	80,000	3,500	60,000	4,500	50,000	6,900	50,000	9,000	70,000	29,695	515,000	66,279	581,279	2,125,000	45.86%	2025
2026	80,000	2,100	60,000	3,300	50,000	5,400	55,000	7,425	70,000	27,753	445,000	54,378	499,378	1,680,000	57.20%	2026
2027	80,000	700	60,000	2,025	50,000	3,900	55,000	5,775	70,000	25,775	360,000	44,113	404,113	1,320,000	66.37%	2027
2028			60,000	675	50,000	4,125	55,000	2,750	70,000	23,763	280,000	35,425	315,425	1,040,000	73.50%	2028
2029					55,000	825	55,000	1,650	70,000	19,580	170,000	22,743	192,743	815,000	79.24%	2029
2030							55,000	550	70,000	17,428	150,000	18,365	168,365	645,000	83.57%	2030
2031									70,000	15,240	70,000	15,240	85,240	495,000	87.39%	2031
2032									70,000	13,018	70,000	13,018	83,018	425,000	89.17%	2032
2033									70,000	10,760	70,000	10,760	80,760	355,000	90.96%	2033
2034									70,000	8,468	70,000	8,468	78,468	285,000	92.74%	2034
2035									70,000	6,140	70,000	6,140	76,140	215,000	94.52%	2035
2036									70,000	3,778	70,000	3,778	73,778	145,000	96.31%	2036
2037									75,000	1,294	75,000	1,294	76,294	75,000	98.09%	2037
2038														0	100.00%	2038
	400,000	20,160	355,000	26,313	350,000	42,900	480,000	60,150	1,055,000	290,596	3,925,000	542,411	4,467,411			

* Preliminary, subject to change.

- 1) This represents the \$575,000 Improvement portion of the \$725,000 General Obligation Bonds, Series 2017A.
- 2) This represents the \$485,000 Improvement portion of the \$660,000 General Obligation Bonds, Series 2018A.
- 3) This represents the \$530,000 Improvement Portion of the \$5,225,000 General Obligation Bonds, Series 2020A.
- 4) This represents the \$1,055,000 Improvement portion of the \$1,815,000 General Obligation Bonds, Series 2022A.

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

		Utility Bonds 1) Series 2017A		Utility Revenue Bonds 2) Series 2020A						
Dated		07/13/2017		07/07/2020						
Amount		\$150,000		\$595,000						
Maturity		02/01		02/01						
Calendar Year Ending	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2022	0	900	0	6,700	0	7,600	7,600	650,000	.00%	2022
2023	15,000	1,669	35,000	12,875	50,000	14,544	64,544	600,000	7.69%	2023
2024	15,000	1,406	35,000	11,825	50,000	13,231	63,231	550,000	15.38%	2024
2025	15,000	1,125	35,000	10,775	50,000	11,900	61,900	500,000	23.08%	2025
2026	15,000	825	35,000	9,725	50,000	10,550	60,550	450,000	30.77%	2026
2027	15,000	506	40,000	8,600	55,000	9,106	64,106	395,000	39.23%	2027
2028	15,000	169	40,000	7,400	55,000	7,569	62,569	340,000	47.69%	2028
2029			40,000	6,400	40,000	6,400	46,400	300,000	53.85%	2029
2030			40,000	5,600	40,000	5,600	45,600	260,000	60.00%	2030
2031			40,000	4,800	40,000	4,800	44,800	220,000	66.15%	2031
2032			40,000	4,000	40,000	4,000	44,000	180,000	72.31%	2032
2033			45,000	3,150	45,000	3,150	48,150	135,000	79.23%	2033
2034			45,000	2,250	45,000	2,250	47,250	90,000	86.15%	2034
2035			45,000	1,350	45,000	1,350	46,350	45,000	93.08%	2035
2036			45,000	450	45,000	450	45,450	0	100.00%	2036
	90,000	6,600	560,000	95,900	650,000	102,500	752,500			

1) This represents the \$150,000 Utility Revenue portion of the \$725,000 General Obligation Bonds, Series 2017A.

2) This represents the \$595,000 Utility Revenue portion of the \$5,225,000 General Obligation Bonds, Series 2020A.

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

[illegible]

- 1) This issue does not count towards the 0.16% annual CIP limit.
- 2) This represents the \$175,000 Utility portion of the \$660,000 General Obligation Bonds, Series 2018A. This issue is not subject to the debt limit.
- 3) This represents the \$4,100,000 Capital Improvement Plan portion of the \$5,225,000 General Obligation Bonds, Series 2020A.

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

Dated Amount Maturity	Sewer Revenue Note of 2009		Sewer Revenue Note of 2012		Water Revenue Note of 2015		Utility Revenue Bonds Series 2016B		Utility Revenue Bonds 1) Series 2022A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest						
2022	464,000	59,462	8,000	683	57,000	4,290	0	4,471	0	0	529,000	68,906	597,906	5,749,000	8.43%	2022
2023	478,000	105,514	9,000	1,244	58,000	8,010	55,000	8,516	0	25,219	600,000	148,503	748,503	5,149,000	17.98%	2023
2024	492,000	91,700	9,000	1,107	59,000	7,430	60,000	7,625	40,000	23,123	660,000	130,985	790,985	4,489,000	28.50%	2024
2025	506,000	77,481	9,000	971	59,000	6,840	60,000	6,635	40,000	22,053	674,000	113,979	787,979	3,815,000	39.23%	2025
2026	521,000	62,858	9,000	834	60,000	6,250	60,000	5,585	40,000	20,943	690,000	96,469	786,469	3,125,000	50.22%	2026
2027	536,000	47,801	9,000	698	60,000	5,650	40,000	4,600	45,000	19,741	690,000	78,490	768,490	2,435,000	61.21%	2027
2028	551,000	32,310	9,000	561	61,000	5,050	45,000	3,623	45,000	18,448	711,000	59,992	770,992	1,724,000	72.54%	2028
2029	567,000	16,386	9,000	425	62,000	4,440	45,000	2,588	45,000	17,120	728,000	40,959	768,959	996,000	84.14%	2029
2030			9,000	288	62,000	3,820	45,000	1,553	50,000	15,683	166,000	21,343	187,343	830,000	86.78%	2030
2031			10,000	152	63,000	3,200	45,000	518	55,000	14,068	173,000	17,937	190,937	657,000	89.53%	2031
2032					63,000	2,570			55,000	12,349	118,000	14,919	132,919	539,000	91.41%	2032
2033					64,000	1,940			55,000	10,603	119,000	12,543	131,543	420,000	93.31%	2033
2034					65,000	1,300			55,000	8,829	120,000	10,129	130,129	300,000	95.22%	2034
2035					65,000	650			55,000	7,028	120,000	7,678	127,678	180,000	97.13%	2035
2036									60,000	5,115	60,000	5,115	65,115	120,000	98.09%	2036
2037									60,000	3,090	60,000	3,090	63,090	60,000	99.04%	2037
2038									60,000	1,035	60,000	1,035	61,035	0	100.00%	2038
	4,115,000	493,511	90,000	6,963	858,000	61,440	455,000	45,713	760,000	224,442	6,278,000	832,069	7,110,069			

* Preliminary, subject to change.

1) This represents the \$760,000 Utility Revenue portion of the \$1,815,000 General Obligation Bonds, Series 2022A.

Montevideo Economic Development Authority, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Housing Revenues
(As of 07/14/2022)

Housing Development Revenue
Refunding Bonds
Series 2007A

Dated Amount	12/27/2007 \$620,000					
Maturity	02/01					
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding
						% Paid
						Calendar Year Ending
2022	0	6,379	0	6,379	6,379	.00%
2023	35,000	11,988	35,000	11,988	46,988	12.28%
2024	35,000	10,448	35,000	10,448	45,448	24.56%
2025	35,000	8,908	35,000	8,908	43,908	36.84%
2026	35,000	7,368	35,000	7,368	42,368	49.12%
2027	40,000	5,688	40,000	5,688	45,688	63.16%
2028	40,000	3,868	40,000	3,868	43,868	77.19%
2029	40,000	2,048	40,000	2,048	42,048	91.23%
2030	25,000	569	25,000	569	25,569	100.00%
	285,000	57,260	285,000	57,260	342,260	

Montevideo Economic Development Authority, Minnesota

Schedule of Bonded Indebtedness

Non-General Obligation Debt Secured by Annual Appropriation

(As of 07/14/2022)

Lease Revenue Refunding Bonds

Series 2020A

Dated Amount	09/23/2020 \$5,295,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2022	0	44,280	0	44,280	44,280	4,920,000	.00%	2022
2023	220,000	86,580	220,000	86,580	306,580	4,700,000	4.47%	2023
2024	225,000	82,575	225,000	82,575	307,575	4,475,000	9.04%	2024
2025	230,000	78,480	230,000	78,480	308,480	4,245,000	13.72%	2025
2026	235,000	74,295	235,000	74,295	309,295	4,010,000	18.50%	2026
2027	235,000	70,065	235,000	70,065	305,065	3,775,000	23.27%	2027
2028	240,000	65,790	240,000	65,790	305,790	3,535,000	28.15%	2028
2029	3,535,000	31,815	3,535,000	31,815	3,566,815	0	100.00%	2029
	4,920,000	533,880	4,920,000	533,880	5,453,880			

DEBT LIMIT

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

2021/22 Assessor's Estimated Market Value	\$291,316,400
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$8,739,492
Less:Long-Term Debt Outstanding Being Paid Solely from Taxes ¹	<u>(6,045,000)</u>
Unused Debt Limit	<u><u>\$2,694,492</u></u>

¹ Does not include the Utility Revenue Portion of the \$660,000 General Obligation Bonds, Series 2018A, as they are not subject to the debt limit calculation.

OVERLAPPING DEBT¹

Taxing District	2021/22 Taxable Net Tax Capacity	% In City	Total G.O. Debt ²	City's Proportionate Share
School District of: ³				
I.S.D. No. 129 (Montevideo Public Schools)	\$9,101,851	32.2913%	\$3,355,000 ⁴	\$1,083,373
City's Share of Total Overlapping Debt				<u>\$1,083,373</u>

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

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

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

⁴ Currently, the State of Minnesota is paying approximately 30.8% of the principal and interest on the Montevideo Public Schools School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is \$1,033,340. Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$286,328,227	Debt/ Per Capita 5,398 ¹
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	\$3,925,000		
Special Assessments & Utility Revenues	650,000		
Taxes	6,175,000		
Utility Revenues*	6,278,000		
Housing Revenues (EDA)	285,000		
Total General Obligation Debt (includes the Bonds)*	\$17,313,000		
Less: G.O. Debt Paid Entirely from Revenues ²	(6,563,000)		
Tax Supported General Obligation Debt*	\$10,750,000	3.75%	\$1,991.48
City's Share of Total Overlapping Debt ³	\$1,083,373	0.38%	\$200.70
Total*	\$11,833,373	4.13%	\$2,192.18

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

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

¹ 2020 U.S. Census population.

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

³ After deducting the City's proportionate share of the agricultural land valuation applicable to the overlapping school districts of \$333,679, the City's net overlapping debt is \$749,694, which results in a net overlapping debt/market value ratio of 0.26% and net overlapping debt/current population estimate ratio of \$138.88.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2017/18	\$2,252,226	\$2,211,512	\$2,248,249	99.82%
2018/19	2,342,712	2,303,039	2,335,124	99.68%
2019/20	2,410,558	2,356,196	2,395,392	99.37%
2020/21	2,530,888	2,485,679	2,485,679	98.21%
2021/22	2,666,541	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

The spread of COVID-19 and responses taken by the United States government, state governments, local governments and private industries have caused significant disruptions to the national and State economy. See "RISK FACTORS - Impact of the Spread of COVID-19" herein. Certain states have announced extended deadlines for payment of property taxes, although as of this date Minnesota has not taken such measures. The City cannot predict whether and how much payment of property taxes will be impacted. Any delays or reduction in the receipt of property taxes may materially adversely impact the City's finances and payment of debt obligations, including the Bonds.

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

² Collections are through December 31, 2021.

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

TAX CAPACITY RATES¹

	2017/18	2018/19	2019/20	2020/21	2021/22
Chippewa County	40.185%	43.696%	45.138%	45.451%	48.817%
City of Montevideo	87.528%	88.785%	87.487%	86.151%	86.207%
I.S.D. No. 129 (Montevideo Public Schools)	23.298%	21.122%	22.157%	21.631%	20.027%
Region 6W	0.300%	0.316%	0.317%	0.315%	0.335%
Monte EDA	1.241%	1.200%	1.207%	1.225%	1.257%

Referendum Market Value Rates:

I.S.D. No. 129 (Montevideo Public Schools)	0.20107%	0.22492%	0.20795%	0.20688%	0.19097%
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Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Chippewa County.

LEVY LIMITS

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

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

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1908. The City operates under a home rule charter form of government consisting of a six-member City Council of which the Mayor is not a voting member. The City Manager, City Clerk and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 37 full-time, 22 part-time, and 28 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Law Enforcement Labor Services	December 31, 2022
AFSCME	December 31, 2022

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent Comprehensive Annual Financial Report (Audit) shows a total OPEB liability of \$1,328,674 as of December 31, 2020. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent Audit.

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

FUNDS ON HAND (As of April 30, 2022)

Fund	Total Cash and Investments
General	\$500,441
Special Revenue	1,091,945
Debt Service	705,707
Capital Projects	2,140,436
Enterprise Funds	4,299,572
Total Funds on Hand	<u><u>\$8,738,101</u></u>

ENTERPRISE FUNDS

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

	2018	2019	2020
Municipal Liquor Store			
Total Operating Revenues	\$572,830	\$579,053	\$724,508
Less: Operating Expenses	<u>(430,817)</u>	<u>(391,397)</u>	<u>(465,393)</u>
Operating Income	\$142,013	\$187,656	\$259,115
Plus: Depreciation	<u>6,116</u>	<u>4,281</u>	<u>4,814</u>
Revenues Available for Debt Service	<u><u>\$148,129</u></u>	<u><u>\$191,937</u></u>	<u><u>\$263,929</u></u>
Utility			
Total Operating Revenues	\$2,455,082	\$2,592,701	\$2,684,241
Less: Operating Expenses	<u>(2,176,564)</u>	<u>(2,133,836)</u>	<u>(2,032,672)</u>
Operating Income	\$278,518	\$458,865	\$651,569
Plus: Depreciation	<u>907,260</u>	<u>911,781</u>	<u>930,041</u>
Revenues Available for Debt Service	<u><u>\$1,185,778</u></u>	<u><u>\$1,370,646</u></u>	<u><u>\$1,581,610</u></u>
Refuse			
Total Operating Revenues	\$713,943	\$728,803	\$733,081
Less: Operating Expenses	<u>(713,943)</u>	<u>(727,938)</u>	<u>(733,081)</u>
Operating Income	\$0	\$865	\$0
Plus: Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Revenues Available for Debt Service	<u><u>\$0</u></u>	<u><u>\$865</u></u>	<u><u>\$0</u></u>
Economic Development			
Total Operating Revenues	\$197,453	\$612,188	\$582,928
Less: Operating Expenses	<u>(172,658)</u>	<u>(254,789)</u>	<u>(302,848)</u>
Operating Income	\$24,795	\$357,399	\$280,080
Plus: Depreciation	<u>63,236</u>	<u>96,994</u>	<u>198,269</u>
Revenues Available for Debt Service	<u><u>\$88,031</u></u>	<u><u>\$454,393</u></u>	<u><u>\$478,349</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2020 audited financial statements.

FISCAL YEAR ENDING DECEMBER 31					
COMBINED STATEMENT	2018 Audited	2019 Audited	2020 Audited	2021 Unaudited ¹⁾	2022 Adopted Budget ²⁾
Revenues					
Taxes	\$1,517,882	\$1,590,676	\$1,760,926	\$1,970,157	\$2,017,700
Licenses and permits	15,893	18,729	6,563	19,300	18,900
Intergovernmental revenue	2,276,882	2,397,643	2,732,888	2,490,644	2,486,800
Fine and forfeits	42,238	40,799	39,694	51,635	37,800
Interest on investments	14,435	15,764	10,084	6,756	10,000
Donations	0	1,000	0	0	0
Charges for services	369,961	326,413	325,306	360,009	338,700
Net change in fair value of investments	(129,327)	199,690	97,774	(171,174)	0
Miscellaneous	5,060	4,888	11,045	44,615	15,000
Total Revenues	\$4,113,024	\$4,595,602	\$4,984,280	\$4,771,942	\$4,924,900
Expenditures					
Current:					
General government	\$881,235	\$855,414	\$912,718	\$1,012,987	\$1,045,960
Public safety	1,451,079	1,490,797	1,819,432	1,763,258	1,756,610
Public works	818,534	965,219	928,656	1,239,262	1,305,180
Housing and economic development	101,880	85,385	82,187	84,819	88,050
Parks, culture and recreation	606,709	633,532	598,263	228,259	230,770
Capital outlay	33,458	29,208	27,267	37,343	40,000
Total Expenditures	\$3,892,895	\$4,059,555	\$4,368,523	\$4,365,928	\$4,466,570
Excess of revenues over (under) expenditures	\$220,129	\$536,047	\$615,757	\$406,014	\$458,330
Other Financing Sources (Uses)					
Transfers in	\$0	\$0	\$0	\$0	\$0
Transfers (out)	(180,320)	(490,750)	(569,655)	(358,767)	(458,300)
Total Other Financing Sources (Uses)	(180,320)	(490,750)	(569,655)	(358,767)	(458,300)
Net changes in Fund Balances	\$39,809	\$45,297	\$46,102	\$47,247	\$30
General Fund Balance January 1	\$1,469,402	\$1,509,211	\$1,554,508	\$1,600,610	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$1,509,211	\$1,554,508	\$1,600,610	\$1,647,857	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$150,860	\$149,491	\$73,813	\$87,041	
Restricted	0	3,319	6,723	15,286	
Assigned	1,358,351	1,401,698	1,520,074	1,545,530	
Total	\$1,509,211	\$1,554,508	\$1,600,610	\$1,647,857	

1) The unaudited/projected data is as of December 31, 2021.

2) The 2022 budget was adopted on December 6, 2021.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 5,383, and a current population estimate of 5,398, and comprising an area of 4.7 square miles, is located approximately 145 miles west of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Walmart	Retail Department Store	350
I.S.D. No. 129 (Montevideo Public Schools)	Elementary and secondary education	325
Chippewa County-Montevideo Hospital	Health care	314
Jennie-O-Foods, Inc.	Poultry processing plant	270
Friendship Homes of Minnesota	Mobile home manufacturer	244
Luther Haven Nursing Home	Nursing and convalescent home	155
Ice Castle Fish Houses	Ice house manufacturer	150
Avicenna Tech, Inc.	Light manufacturing	150
Chippewa County	County government and services	145
Chandler Industries, Inc.	Light manufacturing	100

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

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

BUILDING PERMITS

	2018	2019	2020	2021	2022 ¹
<u>New Single Family Homes</u>					
No. of building permits	2	3	11	13	1
Valuation	\$310,000	\$1,010,198	\$318,879	\$630,000	\$450,000
<u>New Multiple Family Buildings</u>					
No. of building permits	0	0	0	1	0
Valuation	\$0	\$0	\$0	\$4,150,289	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	3	2	3	2	0
Valuation	\$441,056	\$513,962	\$3,573,938	\$730,000	\$0
<u>All Building Permits</u>					
<i>(including additions and remodelings)</i>					
No. of building permits	455	416	429	427	77
Valuation	\$6,025,349	\$8,561,277	\$6,841,399	\$8,995,386	\$2,328,329

Source: The City.

¹ As of April 30, 2022.

U.S. CENSUS DATA

Population Trend: The City

2010 U.S. Census population	5,383
2020 U.S. Census population	5,398
Percent of Change 2010 - 2020	0.28%

Income and Age Statistics

	The City	Chippewa County	State of Minnesota	United States
2020 per capita income	\$32,522	\$30,957	\$38,881	\$35,384
2020 median household income	\$51,953	\$57,301	\$73,382	\$64,994
2020 median family income	\$64,750	\$70,783	\$92,692	\$80,069
2020 median gross rent	\$648	\$659	\$1,010	\$1,096
2020 median value owner occupied units	\$100,600	\$118,100	\$235,700	\$229,800
2020 median age	43.1 yrs.	42.1 yrs.	38.1 yrs.	38.2 yrs.

	State of Minnesota	United States
City % of 2020 per capita income	83.65%	91.91%
City % of 2020 median family income	83.65%	80.87%

Housing Statistics

	<u>The City</u>		
	2010	2020	Percent of Change
All Housing Units	2,548	2,477	-2.79%

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

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>	<u>Average Unemployment</u>	
	Chippewa County	Chippewa County	State of Minnesota
2018	6,667	3.2%	3.0%
2019	6,791	4.0%	3.2%
2020	6,559	4.7%	6.2%
2021	6,333	3.1%	3.4%
2022, April	6,167	1.5%	1.6%

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

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

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

CITY OF MONTEVIDEO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2020



CITY OF MONTEVIDEO, MINNESOTA
TABLE OF CONTENTS

INTRODUCTORY SECTION Elected and Appointed Officials	Page Number
INDEPENDENT AUDITORS' REPORT	1 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 12
FINANCIAL SECTION	
Basic Financial Statements	
Government Wide Financial Statements	
Statement of Net Position	13 - 14
Statement of Activities	15 - 16
Fund Financial Statements	
Balance Sheet - Governmental Funds	17 - 18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20 - 21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	22 - 23
Statement of Net Position Proprietary Funds	24 - 26
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	27 - 29
Statement of Cash Flows Proprietary Funds	30 - 32
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund	33
NOTES TO THE FINANCIAL STATEMENTS	34 - 93
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Total OPEB Liability	94
Schedule of the Total OPEB Liability and Related Ratios	95
Schedule of City Contributions - Public Employees General Employees Retirement Fund	96
Schedule of City's Proportionate Share of Net Pension Liability - Public Employees General Employees Retirement Fund	97
Schedule of City Contributions - Public Employees Police and Fire Fund	98
Schedule of City's Proportionate Share of Net Pension Liability - Public Employees Police and Fire Fund	99
Schedule of Changes in Net Pension Asset and Related Ratio - Fire Relief Association	100

CITY OF MONTEVIDEO, MINNESOTA
TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION (Continued)	Page Number
Schedule of City Contributions - Fire Relief Association	101
SUPPLEMENTAL INFORMATION	
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	102 - 104
Combining Balance Sheet Nonmajor Governmental Funds	105 - 106
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Government Funds	107 - 108
Combining Balance Sheet Nonmajor Special Revenue Funds	109 - 112
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds	113 - 116
Combining Balance Sheet Nonmajor Debt Service Funds	117 - 119
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Debt Service Funds	120 - 122
Combining Balance Sheet Nonmajor Capital Projects Funds	123
Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) Nonmajor Capital Projects Funds	124
Taxable Net Tax Capacities, Tax Levies, and Tax Capacity Rates	125
Schedule of Sources and Uses of Public Funds for Municipal Development District #3-5, A Tax Increment Financing District	126
Schedule of Indebtedness	127
Schedules of Debt Service Requirements	128 - 138
Schedule of Expenditures of Federal Awards	139 - 140
ADDITIONAL REPORTS REQUIRED BY UNIFORM GUIDANCE AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	141 - 142
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	143 - 144
OTHER REQUIRED REPORT AND SCHEDULE	
Schedule of Findings and Questioned Costs	145 - 146
Independent Auditors' Report on Minnesota Legal Compliance	147

CITY OF MONTEVIDEO, MINNESOTA
ELECTED AND APPOINTED OFFICIALS

	For the Year 2020	Term Expires December 31
Mayor Jim Curtiss		2020
COUNCIL		
Nathan Schmidt - President		2020
Todd Hay		2020
Bryce Curtiss		2022
Dan Sanborn		2022
Steven Sulflow		2022
City Manager - Robert Wolfington, III		Appointed
Clerk/Treasurer - Glennis A. Lauritsen		Appointed
Attorney - Janice Nelson		Appointed
Engineer - Rodeberg & Berryman, Inc.		Appointed

INTRODUCTORY SECTION



INDEPENDENT AUDITORS' REPORT

To the City Council
City of Montevideo, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montevideo, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montevideo, Minnesota, as of December 31, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the City of Montevideo, Minnesota's financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of and for the year ended December 31, 2019, and in our report dated June 24, 2020, we expressed unmodified opinions on the audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Montevideo, Minnesota's basic financial statements. The introductory section, combining governmental funds financial statement, combining nonmajor fund financial statements, and statistical schedules are presented for purposes of additional analysis and are not a required part of the

basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining governmental funds financial statement, combining nonmajor fund financial statements, statistical schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining governmental funds financial statement, combining nonmajor fund financial statements, statistical schedules and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City's basic financial statements for the year ended December 31, 2019, which are not presented with the accompanying financial statements. In our report dated June 24, 2020, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The supplementary information on pages 102-124 related to the December 31, 2019 financial statements is presented for purposes of additional analysis and is 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 2019 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those 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 2019 supplementary information on pages 102-124 is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2021, on our consideration of the City of Montevideo, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of

Internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Montevideo, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Montevideo, Minnesota's internal control over financial reporting and compliance.

Montevideo, Minnesota
June 22, 2021

Dana J. Cole & Company LLP

CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the City of Montevideo, Minnesota, 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, 2020. Please read it in conjunction with the city's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2020 are as follows:

- The assets of the city exceeded its liabilities at the close of the most recent fiscal year by \$58,739,342 (net position). Of this amount, \$6,824,594 (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 \$3,645,373 mainly due to grant funds for flood and levee projects and street improvements grants.
- As of the close of the current fiscal year, the city's governmental funds reported combined ending fund balances of \$15,211,489, an increase of \$1,924,994 in comparison with the prior year. Approximately 29 percent of this total amount, \$4,350,630, is available for spending at the city's discretion (committed, assigned and unassigned fund balances).
- At the end of the current fiscal year, the assigned fund balance for the general fund was \$1,520,074 or 31 percent of budgeted 2020 expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) budgetary comparison schedules, and 4) notes to the financial statements. This report also contains other supplemental 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 and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between these two reported as *net position*. Over time, increases or decreases to net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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, parks, recreation & culture, economic development, transportation and debt service. The business-type activities of the City include liquor, utilities, refuse, building inspection, and economic development housing.

The government-wide financial statements include not only the City itself (known as the *primary government*) but also an Economic Development Authority, the Convention & Visitors' Bureau and the Montevideo Community Development Corporation, for which the City is financially accountable. Financial information for these component units is blended in the financial information presented for the primary government. The government-wide financial statements can be found on pages 13-16 of this report.

Fund Financial Statements

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The City maintains 38 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Equipment & Facilities Fund, 2020 Special Assessment Construction Fund and 2020 Capital Improvement Construction Fund. Other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The basic governmental fund financial statements can be found on pages 17-23 of this report.

Proprietary fund. 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, only in more detail. The City uses enterprise funds to account for its liquor, utilities, refuse, building inspection, and economic development-housing activities. The basic proprietary fund financial statements can be found on pages 24-32 of this report.

Budgetary Comparison Statements

The budgetary comparison statement presents detailed budgetary comparisons for the General Fund, to demonstrate compliance with the budget. This statement can be found on page 33 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 34-93 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, for other post-employment benefits (OPEB) and defined benefit pension plans. The schedules of funding progress, City contributions, City's proportionate share of net pension liability, and schedule of changes in Net Pension Asset can be found on pages 94-101 of this report. The combining statements and other statistical schedules are presented immediately following the required supplementary information, and can be found on pages 102-140 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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 exceeded liabilities by \$58,739,342 as of December 31, 2020.

Net Position

By far, the largest portion of the City's net position (70 percent) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In 2018, the EDA issued bonds for the construction of a building, of which approximately \$620,000 is reflected in Cash Restricted for Construction at December 31, 2019. This amount has been included in the investment in capital assets presentation.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total
	2020	2019	2020	2019	
Current & other assets	17,454,066	14,240,403	6,220,922	6,065,410	23,674,988
Capital assets	41,405,544	36,074,596	23,470,327	23,979,861	64,875,871
Total assets	58,859,610	50,314,999	29,691,249	30,045,271	86,550,859
Deferred outflows of resources	633,784	860,948	52,085	36,262	685,869
Other liabilities	2,402,264	1,285,216	1,271,033	1,965,561	3,733,297
Long-term liabilities outstanding	12,758,738	8,157,418	13,171,008	13,310,676	25,929,746
Total outstanding	15,221,002	9,422,634	14,442,041	15,276,237	29,663,043
Deferred inflows of resources	802,843	1,344,433	31,500	120,207	834,343
Net investment in capital assets	30,891,630	29,509,638	10,162,379	11,117,227	41,053,909
Restricted	10,860,839	9,696,028			9,696,028
Unrestricted	1,717,180	1,203,214	5,107,414	3,867,862	6,824,894
Total net position	43,469,549	40,408,860	15,260,793	14,695,089	58,739,342
					55,093,969

As of December 31, 2020, the City is able to report positive balances in net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Change in Net Position. Governmental activities increased the City's net position by \$3,060,669. Business-type activities increased the city's net position by \$584,704. Key elements of these changes are as follows:

	Changes in Net Position			Total
	Governmental Activities		Business-Type Activities	
	2020	2019	2020	2019
Revenues				
Program revenues	460,453	523,471	6,865,603	6,780,935
Charges for services			6,257,464	
Operating grants/				
contributions	657,882	572,260		572,260
Capital grants/				
contributions	3,456,910	2,853,173	103,929	2,880,555
General revenues			27,382	
Property taxes	2,597,932	2,514,570		
Aid/grants/contributions				
not restricted for			2,597,932	2,514,570
specific programs	2,247,527	2,128,795	1,674	2,130,062
Unrestricted investment			1,267	
earnings	197,973	394,939	125,557	520,498
Loan forgiveness			1,000,000	1,000,000
Transfers	184,300	20,000	(20,000)	
Gain (loss) on sale			(184,300)	
of capital assets				
TOTAL REVENUES	35,034	(11,779)	6,841,558	(11,779)
	9,841,011	8,995,429	7,391,670	10,387,089
Expenses				
General government	972,482	927,520		927,520
Public safety	2,308,977	2,256,504		2,256,504
Public works	1,847,193	1,985,847		1,985,847
Parks, recreation, culture	810,908	831,771		831,771
Economic development	226,594	315,969		315,969
Transportation	352,174	335,399		335,399
Interest & fiscal charges	262,014	169,517		169,517
Liquor			2,532,347	2,048,676
Water & sewer utilities			2,342,178	2,342,104
Refuse			733,081	728,603
Building inspection			121,195	123,755
Economic development				
Housing			636,053	405,445
TOTAL EXPENSES	6,780,342	6,823,527	6,256,854	12,472,310
Increase in net position	3,060,669	2,171,902	584,704	3,914,789
Net position, beginning	40,408,880	38,236,978	14,085,089	51,179,180
Net position, ending	43,469,549	40,408,880	15,269,793	55,093,969

CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of December 31, 2020, the City's governmental funds reported combined ending fund balances of \$15,211,469, an increase of \$1,924,994 from 2019. Twenty-nine percent (29%) of this total amount (\$4,350,630) constitutes *unrestricted fund balances (committed, assigned, or unassigned)*, which are available for spending at the City's discretion. The remainder of fund balance is *restricted or nonspendable* to indicate that it is not available for new spending because it has already been restricted for other purposes, by sources outside of the City.

General Fund: The general fund is the chief operating fund of the City. As of December 31, 2020, the assigned fund balance of the general fund was \$1,520,074. As a measure of the general fund's liquidity, it may be useful to compare unrestricted (committed, assigned and unassigned) fund balances to total fund expenditures. These fund balances represent 31% and 35% of total general fund budgeted expenditures for 2020 and 2019, respectively.

The fund balance of the City's general fund increased by \$46,102 during the current fiscal year.

Capital Equipment & Facilities Fund: The Capital Equipment & Facilities Fund accounts for the revenues and expenses associated with purchasing major capital equipment and facility improvements, and in 2019, accounted for donations received by the City for the construction of the VA Home, to be done by the State of Minnesota. Expenditures from this fund are made in conjunction with a 10-year Capital Improvement Plan.

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

Liquor Fund: The liquor fund had unrestricted net position of \$251,454. Total net position increased by \$8,670 in 2020 and increased by \$92,120 in 2019. The liquor fund transferred \$100,000 to the general fund in both 2020 and 2019, and \$155,000 to the Capital Equipment and Facilities Fund in 2020.

Water & Sewer Fund: The water and sewer fund had unrestricted net position of \$4,125,148. Total net position increased by \$623,275 in 2020 and increased by \$363,114 in 2019.

CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Economic Development Housing Fund: The EDA housing fund had unrestricted net position of \$793,092. Total net position decreased by \$50,096 in 2020 and increased by \$1,289,860 in 2019. 2020 was the first full year for the school, therefore depreciation and interest were both higher in 2020. In 2019, the City's POPR loan was forgiven after 20 years of no defaults, which provided \$1M in other income to the EDA housing fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the General Fund budget was amended to reflect \$336,000 and \$240,000, respectively, of COVID aid and related expenses, from the COVID pandemic that started in 2020. At year end, actual revenue and other financing sources exceeded budgeted revenues and other financing sources by \$121,582 and actual expenditures and other financing uses exceeded budgeted expenditures and other financing uses by \$172,280, resulting in a decrease in the excess of revenues over expenditures from budget to actual of \$50,698.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of December 31, 2020 amounts to \$64,875,871 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Total depreciation expense for the year was \$2,646,358. (More detailed information about capital assets can be found in Note 6 to the financial statements).

LONG-TERM OBLIGATIONS

Long-term debt: At the end of the current fiscal year, the city had total debt outstanding of \$24,147,745, net of premium. This includes \$3,834,125 of special assessment debt at par value for which the city is liable in the event of default by the property owners subject to the assessment.

	Governmental Activities		Business-Type Activities	
	2020	2019	2020	2019
G.O. Improvement Bonds	6,470,000	2,500,000		
G.O. Special Assessment Bonds	4,044,014	4,064,958	2,433,948	2,096,985
G.O. Revenue Bonds			5,579,000	6,082,000
Public Facilities Authority Loans			5,295,000	5,305,000
Revenue Bonds			132,200	112,100
Employee Benefits	193,583	194,826		
Total	10,707,597	6,759,784	13,440,148	13,596,085

CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS

LONG-TERM OBLIGATIONS (Continued)

The City's total debt increased by \$3,791,876 during the current fiscal year, as compared to a decrease of \$2,694,540 in 2019. During 2019, no new debt was issued, scheduled debt payments were made, and the EDA's \$1M POPR loan was forgiven. During 2020, the City issued \$4.1M of G.O. Bonds for the construction of a public works building, issued \$1,125,000 in GO bonds, and made \$1,900,000 in bond payments.

CURRENT FINANCIAL ISSUES AND CONCERNS

- LGA makes up 47.9% of the 2021 budgeted general fund revenues and 43.6% of the 2020 actual general fund revenues.
- The 2021 general fund budgeted expenditures have been decreased \$294,762, or 5.8% from the 2020 general fund actual expenditures.
- The City's property tax levy for 2021 increased by \$119,900, or 5%.

To deal with swings in the economy and to plan for future capital expansion, the city routinely sets aside resources. The City has also made great efforts to keep expenditures to a minimum. The City will be looking very closely at the services it provides and what changes and collaborations with other governmental agencies can be made to best serve the community and also stay within the City's financial resources for future budget years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Robert Wolfington, City Manager, City of Montevideo, P.O. Box 517, Montevideo, Minnesota, 56265, or call (320) 269-6575.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

	Totals		
	Governmental Activities	Business-type Activities	2019
ASSETS			
Cash on hand	328	2,100	2,428
Equity in pooled and non pooled cash and investments			
Cash restricted - current operations	8,783,946	3,094,571	11,878,517
Cash restricted - construction		231,486	231,486
Cash in escrow account	6,927,277		6,927,277
Accounts receivable & unbilled utility charges	151,411	536,791	688,202
Accrued interest receivable	12,300		12,300
Delinquent taxes receivable	130,067	990	131,057
Special assessments receivable	20,025	14,041	34,066
Due from other governmental units	318,655		318,655
Internal balances	43,117	(43,117)	
Inventory		285,100	285,100
Prepaid items	75,063	9,782	84,845
Total current assets	16,462,189	4,131,744	20,593,933
NON CURRENT ASSETS			
Cash restricted/assigned		1,888,955	1,888,955
Special assessments - deferred	621,930	109,882	731,812
Notes receivable	390,647	52,800	443,447
Less allowance for doubtful accounts	(20,700)		(20,700)
Land held for resale		37,541	37,541
Total non current assets	991,877	2,089,178	3,081,055
			2,730,046
CAPITAL ASSETS			
Nondepreciable assets	23,325,850	972,207	24,298,057
Property and equipment	44,613,149	38,691,853	83,305,002
Less: accumulated depreciation	(26,533,455)	(16,193,733)	(42,727,188)
Total capital assets, net of depreciation	41,405,544	23,470,327	64,875,871
TOTAL ASSETS	58,859,610	29,691,249	88,550,859
DEFERRED OUTFLOWS OF RESOURCES			
Deferred OPEB resources	62,175	10,814	72,989
Deferred pension resources	571,609	41,271	612,880
Total deferred outflows	633,784	52,085	685,869
			887,210

FINANCIAL SECTION

See accompanying notes to financial statements. 13

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF NET POSITION

DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

	Governmental Activities	Business-type Activities	Totals
			2020 2019
LIABILITIES			
Accrued salaries, payroll taxes & other expenses	157,648	121,194	278,842
Accounts and contracts payable	1,420,511	145,574	1,566,085
Prepaid rent			35,319
Due to other governments	80	37,390	37,470
Current portion of long term debt	884,125	966,875	1,851,000
Total current liabilities	2,462,264	1,271,033	3,733,297
NON CURRENT LIABILITIES			
Security deposit payable		17,746	17,746
Notes payable		5,579,000	5,579,000
Bonds payable, net of unamortized discount/refunding deferral			18,298
Leas current portion	10,514,014	7,728,948	18,242,962
Net OPEB liability	(884,125)	(966,875)	(1,851,000)
Net pension liability - PERA	1,227,621	101,053	1,328,674
Other long-term debt	1,707,645	578,936	2,286,581
Total long-term liabilities	193,583	132,200	325,783
	12,758,738	13,171,008	25,929,746
TOTAL LIABILITIES	15,221,002	14,442,041	29,663,043
DEFERRED INFLOWS OF RESOURCES			
Unearned grants	71,800		71,800
Deferred pension resources	731,043	31,500	762,543
Total deferred inflows	802,843	31,500	834,343
NET POSITION			
Net investment in capital assets	30,891,530	10,162,379	41,053,909
Restricted for:			
Public safety	8,940		8,940
Capital projects	7,969,522		7,969,522
Debt service	1,907,155		1,907,155
Economic development/revolving loans	729,843		729,843
Housing development loans	170,316		170,316
Other projects	75,063		75,063
Unrestricted	1,717,180	5,107,414	6,824,594
TOTAL NET POSITION	43,469,549	15,269,793	58,739,342

See accompanying notes to financial statements. 14

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020	Net (Expected) Revenue and Changes in Net Position Primary Government	2019
		Net (Expected) Revenue and Changes in Net Position Primary Government	Totals
	Program Revenues	Net (Expected) Revenue and Changes in Net Position Primary Government	Totals
	Operating Grants and Contributions	Net (Expected) Revenue and Changes in Net Position Primary Government	Totals
	Capital Grants and Contributions	Net (Expected) Revenue and Changes in Net Position Primary Government	Totals
	Expenses	Net (Expected) Revenue and Changes in Net Position Primary Government	Totals
Functions/Programs			
Primary government			
Governmental activities			
General government	972,462	(528,285)	(528,285)
Public safety	2,304,977	(1,877,813)	(1,877,813)
Public utility	1,847,153	13,710	1,860,863
Parks, culture and recreation	810,908	7,384	(777,566)
Economic development	250,364	18,342	(122,426)
Transportation	352,114	55,060	275,869
Interest and fiscal charges	292,014	22,895	(269,119)
Total governmental activities	6,790,242	400,453	6,389,789
Business-type activities			
Labor	2,532,347	2,794,462	259,115
Utilities	2,234,178	2,704,979	574,730
Refuse	733,081	733,081	
Building inspection	121,195	53,153	(68,042)
EDA - rental	638,063	867,978	(53,125)
Total business-type activities	6,258,664	6,855,603	103,929
Total primary government	13,047,156	7,306,056	5,741,077

See accompanying notes to financial statements. 15

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

Functions/Judgments General revenues:	2020					Net (Expense)/ Revenue and Changes in Net Position
	Expenses	Program Revenues		Primary Government		
		Changes for Services	Operating Contributions	Capital Contributions	Business-type Activities	
Taxes:						
Property taxes, levied for general purposes			1,714,642			1,714,642
Property taxes, levied for debt service			771,513			771,513
Property taxes, levied for special purpose			46,117			46,117
Local government aid			2,259,306			2,259,306
Grants and contributions not reported to specific programs			8,219		1,674	9,893
Investment income			100,199		54,652	154,851
Net increase (decrease) in the fair value of investments			97,774			97,774
Loan forgiveness						
Gain (Loss) on sale of assets:			35,034			35,034
Transfers			184,300		(184,300)	
Total general revenues			5,262,766		1,227,374	6,490,140
CHANGE IN NET POSITION			(3,060,669)		584,704	3,645,373
NET POSITION - beginning of year			40,408,880		14,085,089	54,493,969
NET POSITION - end of year			43,469,549		15,269,793	58,739,342

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

ASSETS	General	Capital Equipment & Facilities	2020 Special Assessment	2020 Capital Improvement	Other Governmental Funds	Total Governmental Funds
Cash on hand	328					328
Equity in pooled cash and investments	1,399,344	2,161,404	192,289	2,061,570	2,969,339	8,783,946
Cash in escrow account		6,927,277				6,927,277
Accrued interest receivable	12,300					12,300
Taxes receivable - delinquent	84,003	893			45,263	130,057
Accounts receivable	80,981	3,814			81,036	145,811
Unbilled accounts receivable	5,600				5,600	5,600
Due from other funds	134,045				134,045	268,090
Inventory						
Notes receivable						
Special assignments receivable - delinquent		4,564			390,847	395,411
Special assignments receivable - delinquent		105,504			15,461	120,965
Due from other governments	7,762	103,962			516,426	628,150
Prepaid expenses	73,813				206,341	280,154
TOTAL ASSETS	1,778,357	9,307,216	192,289	2,060,570	4,226,301	17,565,095
						14,718,893

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET AND
THE GOVERNMENT - WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

	2020	2019
Total fund balances - governmental funds	15,211,489	13,286,475
Amounts reported for governmental activities in the statement of net position are different because:		
Allowance for doubtful notes receivable is not required and therefore not reported as a contra asset in governmental funds.	(20,700)	(18,500)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	67,938,999	61,153,342
Less: accumulated depreciation	(26,533,455)	(25,078,746)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bond principal payable (net of bond discount) and capital and lease payable	(10,514,014)	(6,564,958)
Severance and vacation payable	(183,583)	(194,826)
Net pension liability and deferred inflows/outflows related to PERA and OPEB	(3,032,525)	(2,795,244)
Other liabilities not required and therefore not reported as a liability in governmental funds.		
Accrued interest on bonds payable	(112,120)	(67,475)
Special assessments receivable will be collected, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	641,955	619,606
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	83,523	69,206
Total net position - governmental activities	43,469,549	40,408,880

See accompanying notes to financial statements. 19

CITY OF MONTEVIDEO, MINNESOTA BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2020 (WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)					
	General	Capital Equipment & Facilities	2020 Special Assessment	2020 Capital Improvement	Other Governmental Funds
LIABILITIES					
Accounts/contracts payable	78,641	11,290	11,507	1,128,307	1,420,511
Due to other governments				80	80
Due to other funds				90,929	915
Accrued liabilities	45,428				439,390
Total liabilities	124,069	11,290	11,507	1,128,307	1,556,948
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue - bonds					283,775
Unearned revenue - delinquent taxes	53,478	724	71,800		71,800
Unearned revenue - special assessments					83,523
Total deferred inflows of resources	53,478	110,792	71,800		659,205
FUND BALANCE					
Nonspendable	73,613	6,972,777	108,962	933,263	75,063
Restricted	6,723				10,785,778
Committed					206,049
Assigned	1,500,674	2,257,950			206,049
Unassigned	1,600,810	3,185,236	108,962	933,263	3,393,378
Total fund balances	1,778,157	9,307,318	192,288	2,061,570	14,718,893

See accompanying notes to financial statements.

18

CITY OF MONTICELLO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	General	Capital Equipment & Facilities	2020 Special Assessment	2020 Capital Improvement	Other Governmental Funds	Total Governmental Funds	2019
REVENUES							
Taxes:	1,760,920				822,470	2,583,390	2,611,224
Special assessments		32,545			124,206	156,751	146,941
Licenses and permits	6,563					6,563	18,719
Tax increment financing					22,895	22,895	22,692
Intergovernmental revenue	2,732,888	1,799,873	878,200		820,173	6,031,134	4,021,856
Fines and forfeits	39,684				39,684	39,684	40,799
Interest on investments	10,084	44,818	697	16,867	27,744	100,200	195,249
Interest on loans					10,158	10,158	12,161
Donations		30,934			49,523	30,934	1,390,539
Charges for services	325,306				374,829	428,535	
Net change in the fair value of investments	97,774				97,774	199,890	
Macellaneous revenues	11,045	48,264			62,438	121,747	58,870
Total revenues	4,984,280	1,956,134	878,897	16,867	1,740,607	9,577,075	9,049,056
EXPENDITURES							
General government	912,718	4,470				917,188	850,220
Public safety	1,619,432					1,619,432	1,490,797
Public works	928,656	1,416				930,072	967,307
Housing and economic development	82,187				139,188	221,376	930,452
Parks, culture and recreation	598,263	9,974			101,619	709,856	780,939
Transportation					93,810	93,810	91,241
Capital outlay	27,267	1,901,147	1,277,988	3,141,110	963,958	6,911,570	1,748,995

See accompanying notes to financial statements.

CITY OF MONTICELLO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	General	Capital Equipment & Facilities	2020 Special Assessment	2020 Capital Improvement	Other Governmental Funds	Total Governmental Funds	2019
EXPENDITURES (Continued)							
Redemption of debt			10,728	54,007	914,125	914,125	939,488
Interest and fiscal agent charges			1,288,616	3,195,117	158,718	223,453	177,906
Total expenditures	4,368,523	1,917,007			1,971,419	12,740,662	7,395,346
REVENUES OVER (UNDER) EXPENDITURES	615,757	38,427	(408,719)	(3,178,260)	(220,612)	(3,163,607)	1,653,749
OTHER FINANCING SOURCES (USES)							
Transfers (to) from other funds	(569,565)	648,651			105,304	184,300	20,000
Bond proceeds			501,925	4,086,521	61,554	4,630,000	(24,620)
Premium (discount) on bond proceeds			45,345	132,922		239,267	
Proceeds from sale of property		35,034				35,034	
Total other financing sources (uses)	(569,665)	683,685	967,270	4,240,443	166,858	5,098,601	12,841
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	46,102	723,112	157,551	1,062,183	(61,954)	1,924,954	1,963,970
FUND BALANCE (DEFICIT), beginning of year	1,554,508	8,462,124	(48,589)	(128,900)	3,447,332	13,286,475	11,624,505
FUND BALANCE, end of year	1,600,610	9,185,236	108,982	933,283	3,385,378	15,211,469	13,288,475

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020	2019
Total net change in fund balances - governmental funds	1,924,994	1,661,970
Amounts reported for governmental activities in the statement of activities are different because:		
Bad debt expense was reported in governmental funds at the gross amount. However, in the statement of activities, the costs were adjusted through the allowance for doubtful accounts.	(2,200)	25,500
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays	6,844,182	1,866,634
Depreciation expense	(1,513,234)	(1,490,358)
Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	914,125	939,486
Proceeds from bonds is shown as revenue in the governmental funds, but the proceeds increase the long-term liabilities in the statement of net assets.	(4,869,267)	
Some expenses (changes in accrued interest, accrued wages, and amortization of bond discount) reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the government funds.	(38,559)	7,738
Compensated absences, severance, other post employment benefits and net pension liability adjustments reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(236,038)	(567,980)

See accompanying notes to financial statements. 22

CITY OF MONTEVIDEO, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020	2019
Special assessment receivable will be collected, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	22,349	(72,429)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	14,317	1,339
Change in net position - governmental funds	<u>3,060,669</u>	<u>2,171,902</u>

See accompanying notes to financial statements. 23

CITY OF MONTICELLO, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

	Business-Type Activities - Enterprise Funds					Totals
	Liquor Fund	Utilities Fund	Refuse Fund	Building Inspection Fund	Economic Development Housing Fund	
ASSETS						
CURRENT ASSETS						
Cash on hand	2,100					2,100
Equity in pooled/nonpooled cash/investments	234,105	2,894,698		7,805	157,993	3,094,571
Cash restricted for current operations					231,486	231,486
Cash restricted for construction						821,351
Accounts receivable	6,907	305,066	54,417		5,000	371,420
Unbilled utility charges		104,400	60,971			165,371
Taxes receivable - delinquent		990				990
Special assessments receivable - delinquent		641				641
Special assessments receivable - current		13,400				13,400
Due from other funds		7,100				7,100
Inventory	246,400	38,700				285,100
Prepaid items		5,482			4,300	9,782
Total current assets	499,512	3,170,447	115,418	7,805	398,779	4,181,961
NONCURRENT ASSETS						
Cash restricted/designated	49,250	1,383,000			454,705	1,886,955
Special assessments - deferred		109,892				109,892
Interfund receivable - long term		92,446				92,446
Land held for resale					37,541	37,541
Notes receivable					52,800	52,800
Total noncurrent assets	49,250	1,585,338			544,046	2,181,634

See accompanying notes to financial statements.

CITY OF MONTICELLO, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

	Business-Type Activities - Enterprise Funds					Totals
	Liquor Fund	Utilities Fund	Refuse Fund	Building Inspection Fund	Economic Development Housing Fund	
CAPITAL ASSETS						
Property & equipment	164,876	31,573,076		3,306	7,927,893	39,664,080
Less: accumulated depreciation	(148,768)	(14,724,435)		(3,306)	(1,317,225)	(16,193,733)
Total capital assets	16,108	16,848,641			6,610,668	23,470,317
TOTAL ASSETS	554,870	21,604,416	115,418	7,805	7,951,403	29,833,912
DEFERRED OUTFLOWS OF RESOURCES						
Deferred OPEB resources	3,617	5,931		1,266		10,814
Deferred pension resources	12,546	24,414		4,309		41,271
Total deferred outflows	16,165	30,345		5,575		52,085
LIABILITIES AND NET POSITION						
CURRENT LIABILITIES						
Salaries and benefits payable	4,151	7,146	224	1,403		12,924
Accounts and contracts payable	13,320	70,594	58,343		3,117	145,574
Accrued interest payable		75,946			32,324	108,270
Prepaid asset						35,319
Due to other funds		43,117			7,100	50,217
Due to other governmental units	27,849	2,098	7,269	174		37,390
Current portion of long-term liabilities		786,875			180,000	966,875
Total current liabilities	45,320	843,059	108,753	1,577	222,541	1,321,250
NET POSITION						
Total noncurrent liabilities						2,014,637

See accompanying notes to financial statements.

(1) WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019) DECEMBER 31, 2020

See accompanying notes to financial statements.

WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)
YEAR ENDED DECEMBER 31, 2020

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	Business-Type Activities - Enterprise Funds					Totals	
	Liquor Fund	Utilities Fund	Refuse Fund	Building Inspection Fund	Economic Development Fund	2020	2019
OPERATING EXPENSES (Continued)							
Advertising	5,429	1,130				6,559	7,163
Business services	18,726	61,560		914	13,659	93,189	83,916
Licenses and fees	20	9,517			13,097	22,594	22,368
Rent	37,363					37,363	36,460
Dues and subscriptions	1,700	325				2,025	2,025
Miscellaneous				3,000	167	3,227	3,506
Depreciation	4,814	930,041			198,269	1,133,124	1,013,141
Total operating expenses	486,393	2,032,672		124,196	302,848	3,655,189	3,851,713
Operating income (loss)	259,115	651,569		(88,042)	280,060	1,122,722	847,393
NON-OPERATING REVENUES							
Interest income	4,052	47,550		21	3,029	54,652	125,537
Intergovernmental revenue	503	20,395		176		21,074	13,187
Loan forgiveness							1,000,000
Special assessments		20,738				20,738	21,078
Gain (loss) on disposal of assets		83,929				83,929	7,382
Total non-operating revenues	4,555	173,212		197	(49,405)	131,559	1,172,014
NON-OPERATING EXPENSES							
Interest expense		199,392			293,225	493,107	354,088
Fiscal agent fees		1,624			975	2,199	2,432
Total non-operating expenses		201,526			293,800	495,506	356,520
INCOME (LOSS) BEFORE TRANSFERS	263,670	623,275		(57,845)	150,655	759,004	4,162,867

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	Business-Type Activities - Enterprise Funds					Totals	
	Liquor Fund	Utilities Fund	Refuse Fund	Building Inspection Fund	Economic Development Fund	2020	2019
TRANSFERS							
Transfer from (to) other fund	(285,000)			70,700		(154,300)	(20,000)
Total transfers	(285,000)			70,700		(154,300)	(20,000)
NET INCOME (LOSS)	8,670	623,275		2,855	(50,049)	594,704	1,742,887
NET POSITION (DEFICIT), beginning of year	258,692	12,679,507	4,115	(59,250)	1,611,825	14,895,069	12,942,202
NET POSITION (DEFICIT), end of year	267,362	13,302,782	4,115	(66,365)	1,761,775	15,269,793	14,685,089

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
PROPRIETARY FUNDS
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	Labor Fund	Utilities Fund	Refuse Fund	Building Inspection Services	Economic Development Authority	Totals
	2020	2019	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	2,781,506	2,570,276	736,350	51,705	547,651	8,209,652
Costs paid to suppliers	(2,213,530)	(498,704)	(714,125)	(6,697)	(462,635)	(3,234,181)
Cash paid for employment costs	(323,025)	(504,749)	(19,066)	(117,668)	(1,009,602)	(1,009,602)
Net cash from operating activities	244,951	1,466,823	3,159	(74,660)	385,016	1,905,669
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES						
Transfers from (to) other funds	(255,000)			70,700	(6,844)	(20,000)
Security deposits		6,844	(3,159)		(552)	3,600
Net cash from noncapital and related financing activities	(255,000)	6,844	(3,159)	70,700	(7,396)	138
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital expenditures		(649,788)			(582,318)	(1,232,106)
Cash received from investments and taxes		45,883			(11,048)	(11,048)
Interest paid		(202,449)			(381,384)	(583,833)
Proceeds from long-term borrowing		995,000			5,295,000	5,890,000
Bond issue and fiscal agent fees		(1,824)			(575)	(2,399)
Principal paid on debt		(725,233)			(5,335,000)	(6,060,233)
Miscellaneous revenue		20,000				20,000
Net cash from capital and related financing activities		(582,211)			(975,305)	(1,557,642)

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
PROPRIETARY FUNDS
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	Labor Fund	Utilities Fund	Refuse Fund	Building Inspection Services	Economic Development Authority	Totals
	2020	2019	2020	2019	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	4,052	47,550		21	3,029	54,652
Net cash from investing activities	4,052	47,550		21	3,029	54,652
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,997)	802,000		(3,949)	(694,856)	1,394
CASH & CASH EQUIVALENTS, beginning of year	237,452	3,473,682		11,774	1,440,840	5,215,728
CASH & CASH EQUIVALENTS, end of year	235,455	4,077,682		7,805	845,984	5,215,728
CASH & CASH EQUIVALENTS						
Petty cash	2,100					2,100
Equity in pooled & non-pooled cash/investments	234,105	2,694,668		7,805	157,993	3,094,571
Non-current cash restricted/designated	49,250	1,383,000			456,705	1,888,955
Cash Restricted - construction						821,351
Cash Restricted - current operations	285,455	4,077,688		7,805	231,436	235,653
Total						5,215,728

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)

	2020		2019	
	Original Budget	Final Budget	Actual	Actual
REVENUES				
Taxes	1,731,450	1,731,450	1,760,926	1,590,676
Licenses and permits	15,200	15,200	6,563	18,729
Intergovernmental revenues	2,389,700	2,725,700	2,732,888	2,397,643
Charges for services	338,400	338,400	325,306	326,413
Fines and forfeits	31,800	31,800	39,684	40,799
Miscellaneous revenues	7,500	7,500	11,045	4,888
Donations				1,000
Net change in market value of investments			97,774	199,690
Interest on investments	12,000	12,000	10,084	15,764
Total revenues	4,526,050	4,562,050	4,984,280	4,595,802
EXPENDITURES				
Current				
General government	900,200	900,200	912,718	855,414
Public safety	1,481,500	1,721,500	1,819,432	1,490,797
Public works	931,220	931,220	928,656	965,219
Housing and economic development	83,620	83,620	82,187	85,385
Parks, culture and recreation	606,595	606,595	598,263	633,532
Capital outlay	35,000	38,000	27,267	29,208
Total expenditures	4,041,135	4,281,135	4,368,523	4,059,555
REVENUES OVER EXPENDITURES	484,915	560,915	615,757	536,047
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	152,935	152,935	152,287	161,665
Transfers to other funds	(637,050)	(637,050)	(721,942)	(652,415)
Total other financing sources (uses)	(484,115)	(484,115)	(569,655)	(490,750)
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	800	96,800	46,102	45,297
FUND BALANCE, beginning of year	1,554,508	1,554,508	1,554,508	1,509,211
FUND BALANCE, end of year	1,555,308	1,651,308	1,600,610	1,554,508

See accompanying notes to financial statements.

33

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	Liquor Fund	Utilities Fund	Refuse Fund	Building Inspection Services	Economic Development Authority	Totals
	2020	2020	2020	2020	2020	2019
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:						
Operating income (loss)	259,115	651,569		(68,042)	280,080	947,303
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation/amortization	4,814	930,041			156,269	1,013,141
(Increase) decrease in:						
Accounts receivable & unbilled utilities	(6,309)	(114,428)	3,223		42	(63,469)
Inventories	(9,700)	(2,900)				11,300
Prepaid expenses		(471)				(154)
Accounts payable	(1,096)	28,157	265	(720)	(54,056)	40,232
Accrued wages and benefits payable	(4,226)	(22,646)	(375)	(4,480)	(31,689)	(19,310)
Prepaid rent					(35,319)	35,319
Due to other governments	6,352	463	45	(1,448)		5,417
Net cash from operating activities	243,951	1,469,823	3,159	(14,690)	385,018	1,965,869
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES						
Bond discount & deferral amortized		2,141			337	1,370
Fixed asset costs included in contracts payable		5,116				593,632

See accompanying notes to financial statements.

32

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Montevideo have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below:

A. REPORTING ENTITY

The City of Montevideo, Minnesota operates under a Home Rule Charter adopted in an election on July 7, 1969. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

City Council

The council shall have full authority over the financial affairs of the City, shall provide for the collection of all revenues and other assets, the auditing and settlement of accounts, and the safekeeping and disbursement of public moneys; and in the exercise of sound discretion, shall make appropriations for the payment of all liabilities and expenditures.

Officials

Mayor - The Mayor shall be the Chief Executive Officer of the City and the official head of the City for ceremonial purposes.

City Manager - The City Manager shall control and direct the administration of the City's affairs. His powers and duties shall be:

- To see that the Charter and the laws, ordinances, and resolutions of the City are enforced.
- To appoint and remove the City Clerk, all heads of departments, and all subordinate officers and employees in the departments; all appointments to be upon merit and fitness alone.
- To exercise control over all departments and divisions of the City administration; but having no vote. The Council may, at its discretion, exclude the Manager from meetings at which such removal is considered.
- To recommend to the Council for adoption such measures as the Manager may deem necessary for the welfare of the people and the efficient administration of the City's affairs.
- To keep the Council fully advised as to the financial condition and needs of the City, and to prepare and to submit to the council the annual budget.
- To perform such other duties as may be prescribed by the Charter or required of the Manager by ordinance or resolution adopted by the Council.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the City's financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable for the component unit if it appoints a voting majority of the component unit's governing body and is able to impose its will on the component unit or there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

Blended Component Unit

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City of Montevideo, Minnesota or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation.

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Montevideo (the primary government) and its component units (legally separate organizations). The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

In conformity with generally accepted accounting principles, the financial statements of the component units have been included in the City's reporting entity either as blended component units or as discretely presented component units. The blended component units' financial data are reported as part of the primary government and are reported with similar funds of the primary government. The discretely presented component units' financial data are reported in a column separate from the financial data of the primary government to emphasize that they are legally separate from the City.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

Blended Component Unit. The following component units have been presented as blended component units because there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the City.

1. Montevideo Community Development Corporation is a nonprofit corporation. It is organized to manage revolving loan funds for the City of Montevideo. The City Council has the ability to disapprove loans and interest rates charged on loans. The organization also receives a financial benefit from the City for the administration of the organization. For reporting purposes, the financial statements of the Montevideo Community Development Corporation are included in the primary government's financial statement as a Special Revenue Fund. Financial statements for Montevideo Community Development Corporation can be obtained from the City of Montevideo.

2. The Convention & Visitors Bureau was established to advertise and promote the community as a tourist and convention center for the City of Montevideo. The Bureau is fiscally dependent on the City as their primary source of revenue is derived from a tax imposed by the City. The City is also responsible for approving the budget and upon dissolution all remaining funds shall be refunded to the City of Montevideo. For reporting purposes, the financial statements of the Convention & Visitors Bureau are included in the primary government's financial statements as a Special Revenue Fund. Financial statements for the Convention & Visitors Bureau can be obtained from the City of Montevideo.

3. The Montevideo Economic Development Authority (EDA) was established by the City Council to promote certain economic, commercial, housing and industrial development and redevelopment. The Montevideo EDA is fiscally dependent on the City as their primary source of revenue for administration funds is from the City of Montevideo. The EDA has all the powers given to an economic development authority pursuant to the Economic Development Authority Act; provided that prior approval of the Montevideo City Council is required for any project of the EDA which involves bonding to be issued by the EDA. For reporting purposes, the financial statements of the operations of the EDA are included in the primary government's financial statements as an Enterprise Fund, and the financial statements of the administration of the EDA are included in the primary government's financial statements as a Special Revenue Fund. Financial statements for Montevideo Economic Development Authority (EDA) can be obtained from the City of Montevideo.

Related Party

The Housing & Redevelopment Authority of Montevideo is considered a related organization as the City appoints the members of the governing body; however, the City cannot impose its will on the HRA. There are no material transactions that occurred in the current year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The City reports the following major governmental funds:

Major Governmental Funds

- General Fund accounts for the City's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
- Capital Equipment and Facilities Capital Projects Fund accounts for major fixed asset purchases of the governmental funds.
- 2020 Special Assessment Fund accounts for the 2020 Street Improvements.
- 2020 Capital Improvement Fund accounts for the construction of the public works facility.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

The City reports the following major enterprise funds:

Major Enterprise Funds

- Liquor Fund accounts for the daily operations of the City's Municipal Liquor Store.
- Utility Fund accounts for all fees collected from the customers connected to the City's water and sewer system and for all expenses of operating this system.
- EDA Fund accounts for all activities related to operating the EDA owned housing and operation of a new school building in the City of Montevideo.
- Building Inspection Fund accounts for all fees collected for building permits within the City and for the daily operations.
- Refuse accounts for all fees collected from customers who use the refuse system and for all expenses of operating this fund.

The City reports the following non-major governmental funds:

Non-Major Governmental Funds

- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted, committed or assigned to expenditures for specified purposes.
 - C.D.B.G. Home Improvement Fund
 - Community Development Revolving Loan Fund
 - Airport Fund
 - Municipal Swimming Pool Fund
 - Housing Assistance Fund
 - Cemetery Perpetual Care Fund
 - Economic Development Fund (MDCG)
 - Economic Development Authority Administration Fund
 - Economic Development Authority Community Revitalization
 - Convention and Visitors Bureau Fund
 - Business Community Development Grant Fund
 - Small Cities Grant Fund
 - Carnegie Library Fund
 - Dawson Legacy Fund
 - Public Safety Administration Fees Fund

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Non-Major Governmental Funds

- Debt Service Funds are used to account for the accumulation of resources for, and the payment of, non-enterprise fund debt principal, interest and related costs.
 - 2000 Downtown Revitalization
 - 2000 Street Improvements
 - 2009 Street Improvements
 - 2010 Street Improvements
 - 2012 Street Improvements
 - 2013 Street Improvements
 - 2014 Street Improvements
 - 2014 Fire Hall/HVAC
 - 2015 Street Improvements
 - 2016 Street Improvements
 - 2017 Street Improvements
 - 2018 Street Improvements
 - 2020 Street Improvements
 - 2020 Capital Improvements

- Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

- Sidewalk Improvements
- TIF City 3-5 Post Office
- 2018 Special Assessment Construction
- 2019 Special Assessment Construction
- 2021 Special Assessment Construction

C. MEASUREMENT AND BASIS OF ACCOUNTING

Government-wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT AND BASIS OF ACCOUNTING (Continued)

Government-wide Financial Statements (Continued)

requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business - type activities are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has elected Alternative 1 of GASB-20 (Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting.) Under Alternative 1, governmental entities using proprietary fund accounting must follow (1) all GASB pronouncements and (2) FASB Statements and interpretations, APB Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

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

Fund Financial Statements - Governmental Funds

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues

Governmental fund revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance the expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT AND BASIS OF ACCOUNTING (Continued)

Nonexchange Transactions

Derived tax revenue transactions result from assessments imposed by governments on exchange transactions. Hotel-motel tax is reported as revenue when the underlying exchange occurs and the receivable amount is available.

Imposed nonexchange transactions result from assessments by governments on nongovernmental entities and individuals. Property taxes, franchise fees and capital improvement special assessments are imposed nonexchange transactions. Revenues from property taxes and capital improvement special assessments are recognized in the period for which they were levied, to the extent they are collected in the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes, franchise fees and capital improvement special assessments receivable which are not available are reported as deferred revenue and will be recognized as revenue in the fiscal year that they become available. The City considers these revenues as available if they are collected within sixty days after year end.

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government establishes purpose restrictions and may also establish time requirements. Federal and state grants mandating the City perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when the eligibility and time requirements are met, usually when the corresponding expenditure is incurred, using the guidelines of the legal and contractual requirements of the individual programs.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations and donations. The provider may establish purpose restrictions and eligibility requirements. Revenues are recognized in the year to which they apply according to statute or contract. Gifts and contributions from individuals and miscellaneous revenues are also considered voluntary nonexchange transactions, and they are generally recognized when received in cash because they are not measurable until received. Tax credits paid by the state (included in intergovernmental revenue) are recognized as revenue in the fiscal year that they become available. The City considers revenues from tax credits paid by the state as available if they are collected within sixty days after year end.

Exchange Transactions

Exchange transactions include revenues such as interest earned, service-type special assessments, fees, sales and services, licenses and permits. Sales and services, interest earned and service-type special assessments are reported as revenue when they become both measurable and available to finance expenditures of the fiscal

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT AND BASIS OF ACCOUNTING (Continued)

Exchange Transactions (Continued)

period. The City considers these revenues as available if they are collected within sixty days after year end. Licenses, permits and fees are reported as revenue when received in cash, because they are usually not measurable until received.

Expenditures

Expenditures are recorded under the modified accrual method when the fund liability is incurred, except for certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Fund Financial Statements – Proprietary Funds

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Material unbillable accounts receivables are recorded at year end.

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

D. EQUITY IN POOLED CASH AND INVESTMENTS, CASH ON HAND, EQUITY IN NON-POOLED CASH AND INVESTMENTS

Cash available, in excess of immediate needs, is invested in savings accounts and savings certificates. Cash equivalents are limited to short-term, highly liquid investments that are both readily convertible to known amounts of cash and of an original maturity of three months or less. For purposes of the cash flow statements, these accounts are classified as cash and cash equivalents.

E. INVESTMENTS

The City follows Governmental Accounting Standards Board, Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement establishes accounting and financial reporting standards for investments in: interest earning investment contracts, external

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. INVESTMENTS (Continued)

Investment pools, open-end mutual funds, debt securities, equity securities, option contracts, stock warrants, and stock rights that have readily determinable fair values.

Under this statement, governmental entities other than external investment pools may report money market investments and participating interest-earning investment contracts at amortized cost. All other investments must be reported at their fair market value.

F. PROPERTY TAXES RECEIVABLE

Property taxes are set by the City Council and certified to the County Auditor, who acts as collecting agent, in the year prior to collection. The County spreads the levies over all taxable property. Such taxes become a lien on January 1 and are receivables of the City at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to the taxing cities three times a year, in January, June and December.

Property tax revenue includes amounts collected by the County during the year and remitted to the City. Only that portion collected directly from property owners is reflected in tax revenue. Delinquent property taxes are deferred and recognized when received or in the hands of the collecting agent.

G. ASSESSMENTS RECEIVABLE

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with State Statutes. The City usually adopts the assessment rolls when the project has been bid and costs of project completion are known. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue that financed the costs. Collection of annual installments (including interest) is handled by the County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

Special assessments receivable includes the following components:

- Delinquent - amounts billed to property owners but not paid.
- Deferred - assessment installments which will be billed to property owners in future years.

H. ACCOUNTS RECEIVABLE

The City considers all of its business-type funds accounts receivable to be collectible and, accordingly, has not established an allowance for doubtful accounts.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. ACCOUNTS RECEIVABLE (Continued)

The City estimates utility revenue from the period of the last meter reading to year-end and records the amount as unbilled revenue each year.

I. NOTES AND LOAN RECEIVABLES

Notes and loans (hereafter referred to as "loans") have been issued to financially assist local businesses and individuals.

Loans receivable in governmental funds are reported as an asset in the amount of loan proceeds disbursed less collections on principal. An allowance for uncollectible loans, which offsets the total gross loans receivables, is recognized in the government-wide financial statements, for the amount of loans receivable for which collection is doubtful or questionable.

The allowance for uncollectible loans is based upon an analysis of credit risk and payment delinquency.

J. INTERFUND RECEIVABLES/PAYABLES

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, during the year, certain activity occurs involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. INVENTORY

Inventory held by the municipal liquor store is stated at cost, which is lower than market, on a first-in, first-out basis. The cost of inventory is recognized as an expense at the time the items are sold or used (consumption method). Water and sewer inventories are stated at average cost which approximates actual cost.

L. CAPITAL ASSETS

Government-Wide Financial Statements

Capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial cost of more than the following:

Land & Building Improvements	25,000
Machinery & Equipment	5,000
Infrastructure	50,000

Donated capital assets are recorded at estimated fair value on the date received. Certain assets for which actual costs are not available have been valued on the basis of a professional valuation that determined their approximate historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Prior to January 1, 2003, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB Statement 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged, but not required for governmental units in the final stage of implementation. The City elected to retroactively report major infrastructure networks (streets and storm sewers).

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. Maintenance, repairs and minor renewals are expensed when incurred. When capital assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statements of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives with the straight line method of depreciation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. CAPITAL ASSETS (Continued)

Government-Wide Financial Statements (Continued)

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

Asset	Method	Years
Improvements	Straight-line	10-50
Buildings and Structures	Straight-line	7-40
Equipment	Straight-line	3-20

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

M. COMPENSATED ABSENCES

Employees are granted vacation and sick leave at various rates. Leave time costs are recognized as expenditures when leave time is used. A liability for compensated absences which have been earned but not taken by City employees is to be accrued if the following criteria are met:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, a liability has been accrued for compensated absences which have been earned but not taken by City employees.

N. DEFERRED OUTFLOWS AND INFLOWS 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 position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The City has several calculations related to PERA and OPEB that qualify for reporting in this category.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City's calculations related to PERA qualify for reporting in this category, as well as unearned revenue from delinquent taxes, delinquency/deferred special assessments, and unearned grant revenue.

O. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. Bond premiums or discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal, interest, and issuance costs are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

P. RETIREMENT PLANS

Substantially all employees of the City are required by State law to belong to pension plans administered by the Public Employees Retirement Association (PERA), which is administered on a statewide basis. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of PERA and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer 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.

Q. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Under the provisions of MN State Statute 471.61 subd. 2b, the City must allow retirees to continue with the City's health care coverage indefinitely if certain continuation requirements are met. The retiree is required to pay the entire premium. All premiums are funded on a pay-as-you-go basis. The total OPEB liability

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Continued)

was actuarially determined at December 31, 2019, for reporting in the financial statements for the year ended December 31, 2020.

R. FUND EQUITY CLASSIFICATIONS

Government-Wide Financial Statements - Equity is classified as net position and displayed in three components:

- Investment in capital assets net of related debt - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resource related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- Unrestricted net position - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets, net of related debt, or the restricted net position.

It is the City's policy to first use restricted components of net position prior to the use of unrestricted components of net position when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

Fund Financial Statements - The City utilizes GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are in nonspendable form (such as inventory and prepaid items) or are required to be maintained intact.
Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation
Committed fund balance - amounts constrained by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. FUND EQUITY CLASSIFICATIONS (Continued)

Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the Council delegates the authority. The City Council has given the City Manager the authority to assign fund balance amounts.
Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Council has provided otherwise in its commitment or assignment actions.

In the general and special revenue funds, the City strives to maintain an unrestricted fund balance of approximately 35% to 50% of fund operating revenue or no less than five months of operating expenditures.

S. REVENUES, EXPENDITURES, AND EXPENSES

Program Revenues

In the statement of activities, revenues that are derived directly from each activity or from parties outside the City taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government	Licenses, permits, and use fees for recreational property, governmental grants and aid.
Public Safety	Governmental grants and aids, charges for services from Townships and citizens, and donations.
Streets and highways	Assessment revenue from citizens, county aid.
Parks, Culture, & Recreation	Rental income, recreation fees, concession sales.
Economic Development	Interest income and federal grant revenue.
Transportation	Governmental grants and aids, rental income, and charges for services.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. REVENUES, EXPENDITURES, AND EXPENSES (Continued)

Program Revenues (Continued)

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Defining Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, or as other financing sources and uses.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

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

Governmental Funds – By Character:

- Current (further classified by function)
- Capital outlay
- Debt service

Proprietary Fund – By Operating and Nonoperating

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

T. USE OF ESTIMATES

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

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. PRIOR-YEAR COMPARATIVE FINANCIAL INFORMATION

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with the applicable basis of accounting. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

V. RECLASSIFICATION

Certain amounts from the prior year have been reclassified for comparative purposes with no effect on net income.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Revisions to the originally adopted budget require approval of the City Council. The General Fund budget was revised in 2020, along with budgets for certain other funds.

Unexpended budget amounts lapse at the end of the budget year. For most funds, spending control (the level at which expenditure may not legally exceed budget) is established by the amount of expenditures budgeted for the fund, but management control is exercised at budgetary line-item levels.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is legally enacted through approval by Council.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit fund or net position balances at year end. The following funds had a deficit unassigned fund balance or unrestricted net position at December 31, 2020, which will be eliminated with future revenue amounts:

Building Inspection Fund	(66,395)
TIF District 3-5 Post Office	(17,763)
2021 Special Assessment Construction Fund	(4,666)

C. EXCESS OF EXPENDITURES OVER FINAL APPROPRIATIONS IN INDIVIDUAL FUNDS

Total expenditures exceeded total appropriations in the following fund:

	Final Budget Amount	Actual	Variance with Final Budget
General Fund	4,918,185	5,090,465	(172,280)
Airport Fund	582,450	660,803	(78,353)
Carnegie Library	3,100	5,773	(2,673)

The variances were covered by excess revenues received over budgeted amounts, or by existing fund balances.

NOTE 3. DEPOSITS AND INVESTMENTS

The City follows the provisions of GASB Statement 40, *Deposit and Investment Risk Disclosures*. This standard establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

The City maintains a cash and investment pool that is used by all funds, except the Montevideo Economic Development Authority Enterprise Fund. Each portion of this pool is displayed on the balance sheet as "Equity in Pooled Cash and Investments" or "Restricted/Designated Cash."

The deposits and investments of the Montevideo Economic Development Authority Enterprise Fund are held in separate accounts, and are displayed on the balance sheet as "Equity in Non-Pooled Cash and Investments" or "Restricted/Designated Cash."

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

DEPOSITS

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

Minnesota Statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. As of December 31, 2020, the City was adequately collateralized.

CASH RESTRICTED/DESIGNATED

The Capital Equipment & Facilities Fund has \$6,927,277 of cash held in an escrow account at December 31, 2020, to be used for the VA Home construction. The City has restricted/designated cash for the following purposes as of December 31, 2020:

Fund	Current			Long-term		
	Operations	Capital Outlay	Contingency	Capital Outlay	Contingency	Total
Liquor Fund		49,250				49,250
Utility Fund		1,383,000				1,383,000
EDA - Rental						
Security deposits			17,746			17,746
Contingency - housing			388,959			388,959
SW/WC school building	231,486		50,000			281,486
	<u>231,486</u>	<u>1,432,250</u>	<u>456,705</u>			<u>2,120,441</u>

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS

For an investment, *custodial credit risk* is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. None of the underlying securities for the City's investments at December 31, 2020 are subject to custodial credit risk, as they are held in an account in the City's name, and by an agent who is not the counterparty to the investment transactions.

General Policy

Generally, the City's investing activities are managed under the custody of the City Finance Director. Investing is performed in accordance with the investment policy adopted by the City Council complying with state statutes and the City Charter. The City may legally invest in U.S. government securities and agencies, U.S. government sponsored agencies, bank repurchase agreements, and in negotiable certificates of deposit with individual financial institutions, with a maximum investment of less than \$250,000 at each institution. It may also invest to a limited extent in corporate bonds, bankers' acceptances, and investment agreements.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Quality Risk

Credit Quality Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has not adopted a formal credit quality risk policy.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

Investment Valuation

The City's actual investments are in two categories. Their description and fair value measurement technique is described below:

- Money market investments in financial institutions and state-run investment pools are valued at NAV, which is cost approximates market on a 1:1 basis.
- Negotiable certificates of deposits, with U.S. financial institutions, none of which exceed \$250,000. The investments follow Level 2 in the fair value hierarchy, using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

At December 31, 2020, the City had the following investments:

Type	Carrying Amount	Maturities in Years		Credit+ Rating/ Moody's/ S&P	Fair Value Hierarchy Level
		Less Than 1	1-5		
City of Montevideo:					
401 Fund		1			
Old National Bank MM+	6,511,747	6,511,747	1	N/R	NAV
Co-op Credit Union	139	139		N/R	NAV
RBC Money Market	1,549	1,549		N/R	NAV
Co-op Credit Union Money Account	246,944	246,944		N/R	NAV
Minwest Money Market	247,024	247,024		N/R	NAV
C.D. GE Cap Bk. Inc. Salt Lake City, UT	150,270	150,270		N/R	2
C.D. Kansas St Bank-Manhattan, KS	122,237	122,237		N/R	2
C.D. American St Bank-Osceda, IA	118,017	118,017		N/R	2
C.D. Discover Bank - DE	247,413	247,413		N/R	2
C.D. Wells Fargo Bk NA-Sioux Falls, SD	112,149	112,149		N/R	2
C.D. Goldman Sachs Bk-New York, NY	150,894		150,894	N/R	2
C.D. Beneficial Mutual-Philadelphia PA	254,063		254,063	N/R	2
C.D. Legends Bank-Clerksville TN	198,702		198,702	N/R	2
C.D. MS Bank-Salt Lake City UT	214,680		214,680	N/R	2
C.D. Enerbank USA-Salt Lake City UT	260,420		260,420	N/R	2
C.D. Ally Bk-Midvale UT	252,316		252,316	N/R	2
C.D. Salt Lake Bk Salt Lake City, UT	233,493		233,493	N/R	2
C.D. State Bk of Indis, NY NY	261,778		261,778	N/R	2
C.D. Morgan Stanley PVT Bank	191,252		191,252	N/R	2
C.D. Pathfinder Bk Oswego, NY	245,779		245,779	N/R	2
C.D. Preferred Bk Los Angeles CA	251,622		251,622	N/R	2
C.D. Texas Exchange Bk Crowley, TX	245,115		245,115	N/R	2
C.D. Sunwest Bk Irvine, CA	245,115		245,115	N/R	2
C.D. Merrick Bk South Jordan, UT	245,198		245,198	N/R	2
C.D. Bank Baroda New York, NY	236,187		236,187	N/R	2
C.D. Grant County Bank Ulysses, KS	246,132		246,132	N/R	2
C.D. First Oklahoma Bk Tulsa, OK	220,172		220,172	N/R	2
C.D. First Fed Svp & Loan Asan	245,172		245,172	N/R	2
C.D. BMO Harris Bk Nial Asan	245,267		245,267	N/R	2
C.D. One One Big Co Wilmington, NC	246,156		246,156	N/R	2
C.D. Old Dominion North garden, VA	245,284		245,284	N/R	2
C.D. JP Morgan Chase Co	245,069		245,069	N/R	2
Total General City	12,936,356	7,757,490	3,486,652		
					1,692,014
N/R = not rated					

* N/R - not rated

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

Type	December 31, 2020			Credit Rating- Moody's/ S&P	Fair Value Hierarchy Level
	Carrying Amount	Less than 1	1-5	6-10	
Economic Development Authority: 4M Money Market	310	310			Not Rated
Total EDA	310	310			NAV

NOTE 4. NOTES RECEIVABLE

Notes receivable as of December 31, 2020 are as follows:

Special Revenue Funds:	
CDBG Home Improvement Fund (1)	27,506
Housing Assistance Fund (1)	16,725
Community Development Revolving Loan Fund (2)	257,290
Economic Development Fund (3)	10,452
Business Community Development Grant (4)	58,224
EDA - Community Revitalization Fund (5)	20,450
	<u>390,647</u>
Enterprise Fund:	
EDA - Housing (1)	<u>52,800</u>

The City does not require collateral on some of the notes and the adequacy of the collateral cannot be readily determined. This creates potential risk to the City that the recorded amounts may not be fully collectible. The City has restricted portions of their fund balances equal to the amount of these notes.

- (1) These notes receivable consist of various loans to individuals for down payments on homes and home improvements.
- (2) During 1991 and 1992 the City of Montevideo received a \$198,000 grant from the Minnesota Department of Trade & Economic Development under the Economic Recovery Grant Program. Under the agreement, \$198,000 was loaned to Chandler Industries, Inc., with the City to retain repayment of the principal up to \$100,000 and all interest accrued to that point to establish and maintain a revolving loan fund for future economic development. All subsequent payments of principal and interest received by the City were submitted to the State of Minnesota Department of Trade & Economic Development. This loan was paid off during 2003 and the money is now being revolved for additional loans.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. NOTES RECEIVABLE (Continued)

Original Loan Date	Katherine Toft	Note Balance December 31, 2020	Interest Rate	Monthly Payment	Maturity Date
4/20/11	Winter Family Enterprises	32,191	4.00%	325	11/2027
6/14/19	Winter Family Enterprises	26,420	4.00%	552	6/2024
9/17/20	Winter Family Enterprises	10,000	4.00%	92	12/2030
12/29/20	Madsen Family Chiropract	74,999	4.00%	759	1/2030
8/1/20	The Workroom, LLC	19,891	4.00%	202	8/2030
3/31/15	Jay's Digging Service, Inc.	52,055	4.00%	1,000*	4/2025 **
7/15/15	Fred and Cynthia Somora	15,753	4.00%	304	7/2025
9/16/15	Monte Tira & Service, Inc.	25,981	4.00%	498	9/2025
	Total	<u>257,290</u>			

* In April, 2020, repayment terms were revised to be \$1,000 per month until all defaults, have been cured; then payments return to \$744 monthly.

** No payments have been made since December 2020, so loan is considered to be due immediately.

(3) A schedule of notes receivable information of the Economic Development Fund is as follows:

Original Loan Date	Note Balance December 31, 2020	Interest Rate	Monthly Payment	Maturity Date
4/6/05	RAIN Source Capital, Inc.	4,600	0.00%	N/A
4/29/05	MMJL Properties, LLC	317	4.00%	5/2020
9/18/13	Livingage	5,535	4.00%	10.1
	Total	<u>10,452</u>		9/2023

(4) During 1998, the City of Montevideo received \$379,825 in grant monies from the Minnesota Department of Trade & Economic Development under the Disaster Loan Program. These grant monies were subsequently loaned to Montevideo businesses that were affected by the 1997 flood. All the loans made with the grant funds have an interest rate of 4%, and mature 5 years from the date of note. Per the grant agreement, all loans are collateralized with one or more of the following: real estate, fixtures, equipment, inventory, receivables and/or other business assets. In addition, individuals owning 20% or more of the business being assisted were required to provide personal guarantees for the loan amount. Upon repayment, this money will be used to create a revolving loan fund. The outstanding loan balance at December 31, 2020 was \$58,224.

(5) During 1999, the Montevideo Economic Development Authority was awarded a grant for \$71,500 from the Minnesota Housing Finance Agency under the Community Revitalization Fund Program. These funds will be loaned out to increase the supply of affordable, owner occupied, single family housing throughout Montevideo, and are

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. NOTES RECEIVABLE (Continued)

due and payable upon payment/satisfaction of first mortgage. They have no interest rate. As of December 31, 2020, one loan is outstanding, which totals \$20,450.

NOTE 5. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2020 are:

Fund	Federal	State	Other	Total
General Fund		7,762		7,762
Special Revenue Funds				
Airport	145,185	27,576	34,180	206,941
Capital Projects Funds				
Capital Equipment & Facilities	145,185	139,290	34,180	318,655

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

GOVERNMENTAL ACTIVITIES

	Balance 01/01/20	Additions	Disposals	Balance 12/31/20
Capital Assets Not Being Depreciated:				
Land	12,853,052	641,568		13,494,620
Construction in Progress	3,764,759	6,075,604	(9,133)	9,831,230
Total Capital Assets Not Depreciated	16,617,811	6,717,172	(9,133)	23,325,850
Capital Assets Being Depreciated				
Buildings	4,595,526			4,595,526
Improvements	35,600,674			35,600,674
Equipment	4,339,331	136,143	(58,525)	4,416,949
Total Capital Assets Being Depreciated	44,535,531	136,143	(58,525)	44,613,149
Less: Accumulated Depreciation for:				
Buildings	(1,689,571)	(109,613)		(1,799,184)
Improvements	(20,333,087)	(1,168,040)		(21,501,127)
Equipment	(3,056,088)	(235,581)	58,525	(3,233,144)
Total Accumulated Depreciation	(25,078,746)	(1,513,234)	58,525	(26,533,455)
Total Capital Assets Being Depreciated, Net	19,456,785	(1,377,091)		18,079,694
Governmental Activities Capital Assets, Net	36,074,596	5,340,081	(9,133)	41,405,544

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions of the governmental activities as follows:

General Government	60,341
Public Safety	158,177
Public Works	943,618
Culture and Recreation	89,717
Transportation	258,364
Economic Development	3,017
Total Governmental Activities Depreciation Expense	1,513,234

BUSINESS-TYPE ACTIVITIES

	Balance 01/01/20	Additions	Disposals	Balance 12/31/20
Capital Assets Not Being Depreciated:				
Land	383,062			383,062
Construction in Progress	352,747	610,674	(374,276)	589,145
Total Capital Assets Not Depreciated	735,809	610,674	(374,276)	972,207
Capital Assets Being Depreciated				
Buildings and structures	7,343,783			7,343,783
Leasehold Improvements	21,736		(2,144)	19,592
Other Improvements	30,143,705	387,192		30,530,897
Equipment	797,581			797,581
Total Capital Assets Being Depreciated	38,306,805	387,192	(2,144)	38,691,853
Less: Accumulated Depreciation for:				
Buildings and structures	(1,073,163)	(188,021)		(1,261,184)
Leasehold Improvements	(21,735)		2,144	(19,591)
Other Improvements	(13,274,599)	(911,664)		(14,186,263)
Equipment	(693,256)	(33,439)		(726,695)
Total Accumulated Depreciation	(15,062,753)	(1,133,124)	2,144	(16,193,733)
Total Capital Assets Being Depreciated, Net	23,244,052	(745,932)		22,498,120
Business-Type Activities Capital Assets, Net	23,979,861	(135,258)	(374,276)	23,470,327

Depreciation expense was charged to functions of the business-type activities as follows:

Liquor Fund	4,814
Utility Fund	930,041
EDA Housing	198,269
Total Business-Type Activities Depreciation Expense	1,133,124

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

LAND HELD FOR RESALE

Since 2003, the EDA has purchased land to be sold in the future for commercial or residential development. Portions of this land have been sold since 2003.

NOTE 7. INTERFUND TRANSFERS, RECEIVABLES/PAYABLES, AND ADVANCES

Interfund transfers are generally used to move revenues from the fund that collects them to the fund that the budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to a debt service fund, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following is a schedule of interfund transfers for 2020:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General Fund	Liquor Fund	100,000
	Nonmajor Governmental Funds	52,287
Capital Equipment & Facilities Fund	General Fund	500,000
	Liquor Fund	155,000
	Nonmajor Governmental Funds	9,047
Nonmajor Governmental Funds	General Fund	151,242
	Capital Equipment & Facilities Fund	15,396
	Nonmajor Governmental Funds	36,841
Building Inspection	General Fund	70,700

Interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur; transactions are recorded in the accounting system; and payments between funds are made. Advances are long-term amounts not due within one year. Short-term advances that are due within one year are reported as due to/from other funds. The following is a schedule of interfund receivables and payables as of December 31, 2020:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	71,120
General Fund	TIF District 3-5 Post Office	17,763
General Fund	2021 Special Assessment Construction	2,046
General Fund	Refuse Fund	43,117
Utility Fund	EDA Housing Fund	7,100
	<u>Total</u>	<u>141,146</u>

80

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7. INTERFUND TRANSFERS, RECEIVABLES/PAYABLES, AND ADVANCES (Continued)

The following is a schedule of long-term interfund advances as of December 31, 2020:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Utility Fund	EDA Housing Fund	92,446
	<u>Total</u>	<u>92,446</u>

NOTE 8. DUE TO OTHER GOVERNMENTS

Amounts due to other governments at December 31, 2020 are as follows:

<u>Special Revenue Fund</u>	<u>Public Safety Admin Fees</u>	<u>80</u>
	<u>Total governmental activities</u>	<u>80</u>
<u>Enterprise Funds</u>		
	Municipal Liquor Store	27,849
	Water & Sewer Utility Fund	2,098
	Refuse Fund	7,269
	Building Inspection Fund	174
	<u>Total business-type activities</u>	<u>37,390</u>
	<u>Total</u>	<u>37,470</u>

NOTE 9. LONG-TERM OBLIGATIONS

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of the debt, adjusted for any premiums or discounts, are reported as other financing sources, and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

The City has no unused lines of credit at June 30, 2020, and none of their long-term debt agreements have terms related to default or termination events with finance-related consequences, or subjective acceleration clauses.

61

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9.

LONG-TERM OBLIGATIONS (Continued)

1. Changes in Long-Term Obligations

Long-term obligations activity in the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due In 2021
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation					
Improvement Bonds	2,500,000	4,100,000	130,000	6,470,000	130,000
General Obligation Special					
Assessment Bonds	4,088,250	530,000	784,125	3,834,125	754,125
Total General Obligation Bonds	6,588,250	4,630,000	914,125	10,304,125	884,125
Other LT Indebtedness	194,826	118,338	119,581	193,583	
Total Governmental Activities Long-Term Liabilities	6,783,076	4,748,338	1,033,706	10,497,708	884,125
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Revenue					
Bonds	2,106,750	595,000	295,875	2,405,875	300,875
Direct Placement General Obligation Other Debt	6,082,000		503,000	5,579,000	516,000
Total General Obligation Bonds and Other Debt	8,188,750	595,000	798,875	7,984,875	816,875
Other LT Indebtedness					
Direct Placement Revenue					
Bonds	5,306,000	5,295,000	5,305,000	5,295,000	150,000
Other debt	112,100	62,816	42,716	132,200	
Total other LT Indebtedness	5,417,100	5,357,816	5,347,716	5,427,200	150,000
Total Business-Type Activities Long-Term Liabilities	13,605,850	5,952,816	6,146,591	13,412,075	966,875
TOTAL LONG-TERM OBLIGATIONS	20,388,926	10,701,154	7,180,297	23,909,783	1,851,000

62

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9.

LONG-TERM OBLIGATIONS (Continued)

2. Annual Requirements – Principal and Interest on Long-Term Obligations

Annual debt service requirements to maturity for general obligation bonds and general obligation other debt are as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2021	884,125	249,899	300,875	84,198	1,185,000
2022	875,000	223,370	215,000	56,560	1,090,000
2023	880,000	202,722	225,000	50,228	1,105,000
2024	805,000	182,218	230,000	43,523	1,039,000
2025	740,000	162,490	190,000	37,518	930,000
2026-2030	2,675,000	566,311	915,000	102,249	3,590,000
2031-2035	2,020,000	277,801	285,000	16,454	2,305,000
2036-2040	1,175,000	85,375	46,000	450	1,220,000
2041	250,000	2,562			250,000
	10,304,125	1,952,748	2,405,875	371,180	12,710,000
					2,323,928

Annual debt service requirements to maturity for direct placement revenue bonds and notes payable are as follows:

Year Ended December 31	Business-Type Activities	
	Principal	Interest
2021	696,000	222,787
2022	749,000	219,499
2023	765,000	201,438
2024	785,000	182,902
2025	804,000	163,862
2026-2030	6,775,000	429,472
2031-2035	330,000	9,812
	10,874,000	1,429,772

General Obligation Housing Revenue Bonds (net a discount of \$3,059) are shown as bonds payable in the Economic Development Authority Housing Fund at \$341,941. General Obligation Revenue Bonds (net a premium of \$31,132) are shown as bonds payable in the Utility Fund at \$2,092,007. General Obligation Improvement and Special Assessment Bonds (net a premium of \$209,889) are shown as bonds payable in the Governmental activities' column of the Statement of Net Position at \$10,514,014.

63

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM OBLIGATIONS (Continued)

2. Annual Requirements – Principal and Interest on Long-Term Obligations (Continued)

Bonds outstanding at December 31, 2020, comprise the following issues:

GENERAL OBLIGATION IMPROVEMENT BONDS

\$3,000,000 Series 2014A Capital Improvement Plan Bonds, in annual installments of \$130,000 to \$195,000 through February 1, 2035; interest at 1.70% to 3.50%

2,370,000

\$4,100,000 Series 2020A Capital Improvement Plan Bonds, in annual installments of \$160,000 to \$250,000 through February 1, 2041; interest at 2.00% to 3.00%

4,100,000

Total General Obligation Improvement Bonds

6,470,000

GENERAL OBLIGATION – SPECIAL ASSESSMENT BONDS

\$800,000 Series 2010A G.O. Improvement Bonds in annual installments of \$90,000 through February 1, 2021; interest at 3.40%

90,000

\$950,000 Series 2012A G.O. Improvement Bonds in annual installments of \$95,000 through February 1, 2023; interest at 2.00% to 2.35%

285,000

\$800,000 Series 2013A G.O. Improvement Bonds in annual installments of \$80,000 through February 1, 2024; interest at 2.00% to 2.40%

320,000

\$740,000 Series 2014B G.O. Improvement Bonds in annual installments of \$75,000 to \$80,000 through February 1, 2025; interest at 1.95% to 2.65%

380,000

\$825,000 Series 2015A G.O. Improvement Bonds in annual installments of \$80,000 to \$85,000 through February 1, 2026; interest rate at 2.25% to 2.50%

505,000

\$785,000 Series 2016A G.O. Improvement Bonds in annual installments of \$80,000 through February 1, 2027; interest rate at 1.10% to 1.75%

560,000

\$398,613 Series 2016C G.O. Improvement Refunding Bonds in annual installments of \$83,625 through February 1, 2021; interest rate at 2.00%

83,625

64

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM OBLIGATIONS (Continued)

2. Annual Requirements – Principal and Interest on Long-Term Obligations (Continued)

GENERAL OBLIGATION – SPECIAL ASSESSMENT BONDS (Continued)

\$284,550 Series 2016C G.O. Improvement Refunding Bonds in annual installments of \$55,500 through February 1, 2021; interest rate at 2.00%

55,500

\$725,000 Series 2017A G.O. Improvement Bonds in annual installments of \$70,000 to \$75,000 through February 1, 2028; interest at 1.50% to 2.25%

585,000

\$485,000 Series 2018A G.O. Improvement Bonds in annual installments of \$45,000 to \$55,000 through February 1, 2029; interest at 3.00%

440,000

\$530,000 Series 2020A G.O. Improvement Bonds in annual installments of \$50,000 to \$55,000 through February 1, 2031; interest at 2.00% to 3.00%

530,000

Total General Obligation Special Assessment Bonds

3,834,125

GENERAL OBLIGATION REVENUE BONDS

\$620,000 Series 2007A G.O. EDA Revenue Refunding Bonds in annual installments of \$25,000 to \$40,000, through February 1, 2030; interest at 4.25% to 4.55%

345,000

\$555,000 Series 2008A G.O. Utility Project in annual installments of \$40,000 to \$45,000, through February 1, 2024; interest at 4.05%

170,000

\$755,000 Series 2013A G.O. Water Treatment Refunding Bonds in annual installments of \$115,000, through February 1, 2021; interest at 2.00%

115,000

\$270,000 Series 2014B G.O. Utility Project in annual installments of \$15,000 to \$20,000, through February 1, 2030; interest at 1.95% to 3.50%

195,000

\$330,000 Series 2015A G.O. Utility Improvement Bonds in annual installments of \$20,000 to \$25,000, through February 1, 2031; interest rate at 2.25% to 3.50%

250,000

65

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM OBLIGATIONS (Continued)

2. Annual Requirements – Principal and Interest on Long-Term Obligations (Continued)

GENERAL OBLIGATION REVENUE BONDS (Continued)	
\$790,000 Series 2016B G.O. Utility Revenue Bonds in annual installments of \$40,000 to \$60,000, through February 1, 2031; interest rate at 1.30% to 2.30%	565,000
\$51,837 Series 2016C G.O. Refunding Utility Improvement Bonds annual installments of \$10,875 through February 1, 2021; interest rate at 4.25%	10,875
\$175,000 Series 2018A G.O. Utility Revenue Bonds in annual installments of \$15,000 to \$20,000 through February 1, 2029; interest rate at 3.00%	160,000
\$595,000 Series 2020A G.O. Utility Revenue Bonds in annual installments of \$35,000 to \$45,000 through February 1, 2036; interest rate at 2.00% to 3.00%	595,000
Total General Obligation Revenue Bonds	2,405,875
Total General Obligation Bonds Payable	12,710,000
DIRECT PLACEMENT EDA REVENUE BONDS	
On September 23, 2020, the EDA issued bonds of \$5,295,000, Series 2020A EDA Revenue Refunding Bonds, to be used to refund the \$5,305,000 revenue bonds from 2018 that were used for construction. The bonds are not general obligations of the Authority, but are payable solely from lease revenues. The bonds are payable in annual installments of \$150,000 to \$240,000 until February 1, 2029, when a balloon payment of \$3,535,000 is due; interest payments are made semi-annually, at an interest rate of 1.8%. Payments are made out of the EDA Enterprise Fund.	5,295,000
Total Revenue Bonds Payable – Direct Placement	5,295,000

66

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM OBLIGATIONS (Continued)

2. Annual Requirements – Principal and Interest on Long-Term Obligations (Continued)

DIRECT PLACEMENT GENERAL OBLIGATION DEBT – OTHER	
On June 17, 2009 the City entered into a loan agreement with Minnesota Public Facilities Authority for the construction of a new wastewater treatment plant. The city was authorized \$10,379,466 and borrowed \$8,913,742. The loan is payable in annual installments of \$451,000 to \$567,000 through August 20, 2029, and interest payments are made semi-annually, at an interest rate of 2.89%. Payments are made out of the Utility Fund.	4,566,000
On September 12, 2012 the City entered into a loan agreement with Minnesota Public Facilities Authority for the construction of a new wastewater treatment storage building. The city was authorized \$206,845 and borrowed \$161,967. The loan is payable in annual installments of \$8,000 to \$10,000 through August 20, 2031, and interest payments are made semi-annually, at an interest rate of 1.517%. Payments are made out of the Utility Fund.	98,000
On April 27, 2015 the City entered into a loan agreement with Minnesota Public Facilities Authority for the construction of raw watermain replacement project. The City was authorized, and borrowed, \$1,172,558. The loan is payable in annual installments of \$57,000 to \$65,000 through August 20, 2035; interest payments are made semi-annually, at an interest rate of 1.00%. Payments are made out of the Utility Fund.	915,000
Total Direct Placement General Obligation Debt-Other	5,579,000
EMPLOYEE BENEFITS – COMPENSATED ABSENCES	
The City compensates employees upon termination of employment for unused vacation leave. The City also compensates employees for a portion of unused sick leave, a percentage of which is payable only after a specified number of years of service, or upon death or retirement, after a specified number of years of service, in accordance with the union contracts and administrative code. Upon termination of employment, compensatory time earned is paid. Estimated liability for vacation leave, sick leave and compensatory time for business-type activities. Payments made out of all Enterprise Funds. (see below for Governmental Activities)	132,200
Total Other Long-Term Debt (Business Activities)	132,200

67

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM OBLIGATIONS (Continued)

2. Annual Requirements – Principal and Interest on Long-Term Obligations (Continued)

EMPLOYEE BENEFITS – COMPENSATED ABSENCES

The estimated liability for vacation leave, sick leave, and compensatory time for all governmental fund activities. Payments are made out of the General Fund.

193,583

Total Other Long-Term Debt (Governmental Activities)

193,583

NOTE 10. LUTHER HAVEN REVENUE BONDS

On January 30, 1996, the City authorized Senior Housing Revenue Bonds, Series 1996 in the amount of \$1,509,985. The bonds were authorized for the purpose of constructing a 20-unit assisted living facility. The bonds and the interest thereon and any redemption premiums were payable solely from the rents and revenues derived from the lease of the nursing home facilities. The full faith and credit of the City was not pledged to the payment of these bonds. The bonds were paid off on September 29, 2020.

NOTE 11. GARBAGE DISPOSAL CONTRACT

The City contracts for garbage disposal with a third party. Under the terms of the agreement the City will collect the charges provided for in the contract and remit the charges to the contractor with a monthly deduction for billing and collecting services. The current contract for garbage disposal services is effective from January 1, 2018 through December 31, 2022.

NOTE 12. RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Settled claims have not exceeded commercial coverage in any of the three preceding years.

68

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. FUND BALANCES

The details of the City's fund balances are as follows:

	General Fund	Capital Equipment & Facilities	2020 Special Assessment	2020 Capital Improvement	Non-Major Governmental Funds	Total
Nonspendable						
Prepaid items	73,613				1,250	75,063
Restricted						
Public safety	8,723	6,927,277	106,982	933,263	2,217	8,940
Capital projects						
Debt service					1,907,155	1,907,155
Economic development & revolving loans					878,733	878,733
Housing development loans					170,316	170,316
Small Cities					51,110	51,110
Committed						
Perpetual care and upkeep of cemetery					75,168	75,168
Perpetual care and upkeep of Uruguayan art collection					57,931	57,931
Tourism					74,930	74,930
Assigned						
Between tax settlements	1,520,074					1,520,074
Capital outlay		2,257,969			10,364	2,268,323
Economic development					333,766	333,766
Operation and maintenance:						
Swimming pool					7,335	7,335
Swimming pool					11,948	11,948
Airport						
Perpetual care and upkeep of Carnegie Library					23,864	23,864
Unassigned					(22,429)	(22,429)
Total fund balances	1,600,610	9,185,236	106,982	933,263	3,383,378	15,211,469

NOTE 14. SEGMENT INFORMATION

The City maintains five Enterprise Funds each operated as a separate fund. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds for which City holds long-term debt obligations, for the year ended December 31, 2020.

69

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. SEGMENT INFORMATION (Continued)

CONDENSED STATEMENT OF NET POSITION		
	Utilities	EDA Fund
ASSETS		
Current assets	3,170,447	398,779
Non current assets	1,585,328	547,046
Capital assets	16,848,641	6,605,578
Total assets	21,604,416	7,551,403
DEFERRED OUTFLOWS OF RESOURCES		
Deferred resources	30,345	
LIABILITIES		
Current liabilities	943,059	222,541
Long-term liabilities	7,370,846	5,567,133
Total liabilities	8,313,905	5,789,674
DEFERRED INFLOWS OF RESOURCES		
Deferred pension resources	18,074	
NET POSITION		
Net investment in capital assets	9,177,634	988,637
Unrestricted	4,125,148	793,092
TOTAL NET POSITION	13,302,782	1,761,729
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
	Utilities	EDA Fund
Fees, sales, services and rental charges, net	2,684,241	582,928
Depreciation expense	(930,041)	(198,269)
Other operating expense	(1,102,631)	(104,579)
Operating Income	651,569	280,080
Non-operating revenues (expenses)		
Other non-operating revenues	173,212	(46,376)
Interest expense	(199,882)	(283,225)
Other non-operating expense	(1,624)	(575)
Total other non-operating revenues (expenses)	(28,294)	(330,176)
Changes in net position	623,275	(50,096)
BEGINNING NET POSITION	12,679,507	1,811,825
ENDING NET POSITION	13,302,782	1,761,729

70

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. SEGMENT INFORMATION (Continued)

CONDENSED STATEMENT OF CASH FLOWS		
	Utilities	EDA Fund
Net Cash From:		
Operating activities	1,469,823	385,016
Noncapital financing activities	6,844	(7,396)
Capital and related financing activities	(922,211)	(975,305)
Investing activities	47,550	3,029
Net change in cash and cash equivalents	602,006	(594,656)
BEGINNING CASH AND CASH EQUIVALENTS	3,475,662	1,440,840
ENDING CASH AND CASH EQUIVALENTS	4,077,668	846,184

NOTE 15. TAX INCREMENT FINANCING DISTRICT

The City of Montevideo is the administering authority for the following tax increment financing redevelopment district:

Authorizing Law - Tax Increment Financing Act (M.S. Ch. 489.174 Sub. 10)
Name and Year - TIF District No. 3-5 of the City of Montevideo, 1998
Duration - 1998-2025
Current Gross Tax Capacity
Original Gross Tax Capacity
Captured Gross Tax Capacity Retained by Authority
16,014
956
15,058

NOTE 16. DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

71

NOTE 16. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Description (Continued)

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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

B. Benefits Provided

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

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 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

NOTE 16. DEFINED BENEFIT PENSION PLANS (Continued)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

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

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

C. Contributions

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

1. General Employee Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the City of Montevideo was required to contribute 7.50 percent for Coordinated Plan members. The City of Montevideo's contributions to the General Employees Fund for the year ended December 31, 2020, were \$136,782. The City of Montevideo's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3 percent of their annual covered salary to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City of Montevideo's contributions

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. DEFINED BENEFIT PENSION PLANS (Continued)

D. Contributions (Continued)

2. Police and Fire Fund Contributions (Continued)

to the Police and Fire Fund for the year ended December 31, 2020, were \$141,429. The City of Montevideo's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2020, the City of Montevideo reported a liability of \$1,450,901 for its proportionate share of the General Employees Fund's net pension liability. The City of Montevideo'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 of Montevideo totaled \$44,837. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Montevideo's proportionate share of the net pension liability was based on the City of Montevideo's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City of Montevideo's proportionate share was 0.0233 percent at the end of the measurement period and 0.0242 percent for the beginning of the period.

City's proportionate share of the net pension liability	1,450,901
State of Minnesota's proportionate share of the net pension liability associated with the City	44,837
Total net pension liability	<u>1,495,738</u>

For the year ended December 31, 2020, the City of Montevideo recognized pension expense of \$128,844 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Montevideo recognized \$3,902 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2020, the City of Montevideo reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	12,745	5,490
Changes in actuarial assumptions		52,922
Net collective difference between projected and actual investment earnings	24,628	
Changes in proportion	37,320	27,056
City's contributions to PERA subsequent to the measurement date	70,598	
Total	<u>145,291</u>	<u>85,468</u>

The \$70,598 reported as deferred outflows of resources related to pensions resulting from City of Montevideo contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	Pension Expense Amount
December 31, 2021	<u>(91,843)</u>
2022	6,069
2023	39,945
2024	35,054
Total	<u>(10,775)</u>

2. Police and Fire Fund Pension Costs

At December 31, 2020, the City of Montevideo reported a liability of \$835,680 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation

NOTE 16. DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

as of that date. The City of Montevideo's proportionate share of the net pension liability was based on the City of Montevideo's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The City of Montevideo's proportionate share was 0.0606 percent at the end of the measurement period and 0.0634 percent for the beginning of the period.

The State of Minnesota contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City of Montevideo recognized pension expense \$144,473 for its proportionate share of the Police and Fire Plan's pension expense. The City of Montevideo recognized \$5,057 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid.

NOTE 16. DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The City of Montevideo recognized \$5,706 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City's proportionate share of the net pension liability	835,680
State of Minnesota's proportionate share of the net pension liability associated with the City	19,689
Total net pension liability	<u>855,369</u>

At December 31, 2020, the City of Montevideo reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	37,200	43,817
Changes in actuarial assumptions	309,208	548,608
Net collective difference between projected and actual investment earnings	20,408	
Changes in proportion	24,841	84,650
Contributions to PERA subsequent to the measurement date	75,932	
Total	<u>467,589</u>	<u>677,075</u>

The \$75,589 reported as deferred outflows of resources related to pensions resulting from City of Montevideo contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021.

NOTE 16. DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

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

Year Ended	Pension Expense
December 31	Amount
2021	(80,192)
2022	(273,824)
2023	28,418
2024	34,624
2025	5,556
Total	(285,418)

3. Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2020, was \$273,317.

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	General Employees Fund	Police and Fire Fund
Inflation	2.25 percent per year	2.50 percent per year
Active Member Payroll Growth	3.00 percent per year	3.25 percent per year
Investment Rate of Return	7.50 percent	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and dependents were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP-2014 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0 percent per year as set by state statute.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study

NOTE 16. DEFINED BENEFIT PENSION PLANS (Continued)

E. Actuarial Assumptions (Continued)

for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The four-year experience study for Police and Fire Plan was completed in 2016. Inflation and investment return assumptions for the Police and Fire Plan is based on the General Employees Retirement Plan experience study completed in 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for this plan was adopted by the Board and will be effective with the July 1, 2021 actuarial valuation is approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

1. General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

NOTE 16. DEFINED BENEFIT PENSION PLANS (Continued)

E. Actuarial Assumptions (Continued)

1. General Employees Fund (Continued)

- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2. Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	100%	

NOTE 16. DEFINED BENEFIT PENSION PLANS (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 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 and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

Sensitivity of Net Pension Liability at Current Single Discount Rate

	General Employees Fund	Police and Fire Fund
1% Lower	6.50% 2,325,290	6.50% 1,665,630
Current Discount Rate	7.50% 1,450,901	7.50% 835,680
1% Higher	8.50% 729,599	8.50% 149,041

H. Pension Plan Fiduciary Net Position

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

NOTE 17. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION

A. PLAN DESCRIPTION

The City contributes to the Montevideo Fire Department Relief Association (the Association) which is the administrator of a single employer, public employee defined benefit retirement system to provide a retirement plan (the Plan) to volunteer firefighters of the City who are members of the Association. The Association is organized and operates under the provisions of Minnesota State Statutes 424A, and provides benefits in accordance with those statutes.

At December 31, 2019, the membership of the Association consisted of:

Active plan participants - vested	8
Active plan participants - partially vested	11
Active plan participants - non-vested	12
Deferred plan participants - vested	1
Total	<u>32</u>

The Association issues a financial report that includes financial statements and required supplementary information for the Montevideo Fire Department Relief Association. That report is available at the City of Montevideo City offices.

A. BENEFITS PROVIDED

Basic Service Pension for Retired Members – Upon retirement each individual will receive a lump sum distribution of \$2,900 per year of service. This benefit level was placed into effect on January 1, 2019. Vested, terminated members, who are entitled to benefits but are not yet receiving them, are bound by the provisions in effect at the time of termination from membership.

Basic Service Pension for Deferred Pensioner – A member who is otherwise qualified for a service pension but who has not reached the age of 50 years may retire from the Fire Department without forfeiting the member's right to such pension.

NOTE 17. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION
(Continued)

B. BENEFITS PROVIDED (Continued)

Upon approval of an application therefore, the deferred pensioner shall receive a pension based on the benefit level at that time multiplied by such person's years of active service with the Fire Department and further multiplied by the decimal equivalent of the applicable percentage determined from the following table.

Years of Service	Applicable Percentage
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20 and beyond	100%

C. FUNDING POLICY

The City levies property taxes at the direction of and for the benefit of the Plan and passes through state aids allocated to the Plan, all in accordance with enabling State statutes. The minimum tax levy obligation is the financial contribution requirement for the year less anticipated state aids.

D. CONTRIBUTIONS

Authority for contributions to the pension plan is established by Minn. Stat. § 69.77 and may be amended only by the Minnesota State Legislature. See 2013 Minn. Laws, Ch. 111, Article 5, sections 31 to 42 and 80. There are no employee contributions. The City was not required to provide any statutory contributions in 2020. The actuary compares the actual statutory contribution rate to a "required" contribution rate. The required contribution rate consists of: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability, and (c) an allowance for administrative expense.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION
(Continued)

E. PENSION COSTS

At December 31, 2020, the City reported an asset of \$330,075 for the difference between the Fire Relief Plan Fiduciary net position and the total pension liability. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

	Total	Plan	Net Pension
	Pension	Fiduciary	Liability
	Liability	Net Position	(Asset)
Changes in Net Pension Asset			
Balance at 12/31/19	821,860	977,248	(155,388)
Changes for that Year			
Service Cost	42,831		42,831
Interest	56,205		56,205
Contributions - state and local		50,280	(50,280)
Net investment income		223,453	(223,453)
Other changes		(10)	
Net Change	99,036	273,723	(174,697)
Balance at 12/31/20	920,896	1,250,971	(330,075)

At December 31, 2020, the City reported deferred outflows of resources, and deferred inflows of resources, related to pensions from the following sources:

	Deferred	Deferred
	Outflows of	Inflows of
	Resources	Resources
Differences between expected and actual liability	9,361	
Changes in assumptions	15,907	7,847
Net difference between projected and actual investment earnings		108,059
Contributions paid subsequent to the measurement date	TBD	
Totals	25,268	115,906

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION
(Continued)

E. PENSION COSTS (Continued)

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

Year Ended	Pension Expense
December 31,	Amount
2021	(32,618)
2022	(29,712)
2023	(8,259)
2024	(29,994)
2025	1,869
Thereafter	8,076
Total	(90,638)

F. ACTUARIAL ASSUMPTIONS

The Association is funded with contributions from the City of Montevideo. The actuarially determined contributions in the Schedule of Contributions are calculated as of the beginning of the fiscal year in which contributions were reported.

The following methods and assumptions were used to calculate the actuarially determined contributions reported in the most recent fiscal year end.

- The most recent actuarial valuation date is December 31, 2018.
- Actuarial cost is determined using the Entry Age Normal level percent of pay cost method.
- The actuarial value of assets is market value.
- Investment rate of return is 6.50 percent.
- The inflation rate assumption is 2.50 percent.
- Mortality assumptions for pre-retirement, post-retirement, and disabled are:
 - Healthy pre-retirement: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2017, from a base year of 2006.
 - Healthy post-retirement: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2017, from a base year of 2006. Male rates are adjusted by a factor of 0.96.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION
(Continued)

F. ACTUARIAL ASSUMPTIONS (Continued)

Disability: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2017, from a base year of 2006. Male rates are adjusted by a factor of 0.96.

The best estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the actuary's investment consulting practice as of January 1, 2020.

Asset Class	Allocation at Measurement Date	Long-Term	
		Expected Real Rate of Return	Expected Nominal Rate of Return
Domestic equity	59.00%	4.95%	7.45%
International equity	16.00%	5.24%	7.74%
Fixed income	17.00%	1.99%	4.49%
Real estate and alternatives	2.00%	4.19%	6.69%
Cash and equivalents	6.00%	0.58%	3.08%
Total	100.00%		7.03%
Reduced for assumed investment expense			-0.50%
Net assumed investment return (weighted avg, rounded to 1/4%)			<u>6.50%</u>

G. DISCOUNT RATE

The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at the actual statutory contribution rate. Based on those assumptions, the Association's fiduciary net position was projected to be available to make all projected future benefit payments of the 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.

86

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION
(Continued)

H. PENSION LIABILITY (ASSET) SENSITIVITY

The following presents the net pension asset calculated using the discount rate of 6.50 percent, as well as what the net pension (asset)/liability would be if it were calculated using a discount rate that is one percentage-point lower (5.50 percent) or one percentage-point higher (7.50 percent) than the current rate:

	One Point		Current		One Point	
	Decrease		Rate		Increase	
Net Pension (Asset)/Liability	\$ (302,575)		\$ (330,075)		\$ (357,027)	

NOTE 18. OTHER POSTEMPLOYMENT BENEFITS

The City follows Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The City engaged an actuary to determine the City's liability for postemployment healthcare benefits other than pensions as of December 31, 2018.

A. GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description. The City operates a single-employer retiree benefit plan ("the Plan") that provides health insurance to eligible employees and their spouses through the City's self-insured health insurance plan. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

Benefits Provided. At retirement, employees of the City receiving a retirement or disability benefit, or eligible to receive a benefit, from a Minnesota public pension plan may continue to participate in the City's group health insurance plan. Eligible participants and their dependents are allowed access to the health plans, however must contribute the full plan premium for coverage. Police or fire employees disabled in the line of duty are eligible to receive coverage, with the City paying the full single basic premium until age 65. The Plan does not issue a publicly available financial report.

Employees Covered by Benefit Terms. At December 31, 2020, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments 4
Active plan members 39
43

87

NOTE 18. OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. TOTAL OPEB LIABILITY

The City's total OPEB liability of \$1,328,674 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Healthcare cost trend rates	6.80% for 2018, grading to 4.40% in 2075 and later

A discount rate of 2.75% was applied in the measurement of the total OPEB liability. The discount rate is based on the index rate for 20-year, AA-rated municipal bond yield. Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on a MP-2018 scale, and other adjustments. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study. The liabilities in this report were calculated as of the valuation dated and rolled forward to the measurement date using standard actuarial roll-forward techniques per GASB 75.

C. CHANGES IN THE TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

	Total OPEB Liability
Balance at December 31, 2019	981,574
Changes for the year:	
Service cost	19,575
Interest	35,483
Differences between expected and actual experience	268,673
Changes of assumptions	112,817
Benefit payments	(89,448)
Net changes	347,100
Balance at December 31, 2020	1,328,674

88

NOTE 18. OTHER POSTEMPLOYMENT BENEFITS (Continued)

C. CHANGES IN THE TOTAL OPEB LIABILITY (Continued)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current discount rate:

	1.0% Decrease (1.75%)	Discount Rate (2.75%)	1.0% Increase (3.75%)
Total OPEB liability	1,443,745	1,328,674	1,225,840

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.80% decreasing to 3.40%) or 1-percentage-point higher (7.80% decreasing to 5.40%) than the current healthcare cost trend rates:

Healthcare Cost Trend Rates		
	Current trend rate (6.20%)	1.0% Increase (7.20%)
Total OPEB liability	1,226,359	1,442,638

D. OPEB EXPENSE, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

For the year ended December 31, 2020, the City recognized OPEB expense of \$436,548. At December 31, 2020, the City reported deferred outflows of resources related to OPEB from contributions made subsequent to the measurement date of \$72,989.

89

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 19. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The City reports deferred outflows of resources for consumption of resources that apply to future periods. Conversely, the City reports deferred inflows of resources, which represent acquisition of net position or fund balance that applies to future periods. The City's deferred outflows and inflows of resources at December 31, 2020, are as follows:

	Governmental Activities		Business-type Activities	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Unearned grants		71,800		
OPEB	62,175		10,814	
Pension - PERA	571,809	731,043	41,271	31,500
	<u>633,784</u>	<u>802,843</u>	<u>52,085</u>	<u>31,500</u>

NOTE 20. COMMITMENTS AND CONTINGENCIES

The City participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for 2020 and prior years have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

The City has agreed to pay a portion of the Army Corp of Engineer's flood mitigation project. Phases I and II of the project have been completed and construction on Phase III of the project is in progress.

During 2018, the City of Montevideo was named as the site for the construction of a new Veterans Administration (VA) Home and received approximately \$5.4 million in donations to be used towards this project. The funds are in an escrow account to be used solely for the construction of the VA Home.

The City signed a lease agreement for the liquor store building effective August 1, 2018. The lease term expires July 31, 2023, and is automatically renewable on a yearly basis thereafter. Monthly lease payments are \$3,000 however there is a 2.5% automatic increase in the monthly lease payment, each August 1st. Annual lease payments required under this lease are as follows:

2021	38,216
2022	39,172
2023	23,180
Total	<u>100,568</u>

90

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2020.

NOTE 22. JOINT VENTURES – CCM Health

The City of Montevideo participates with Chippewa County in a joint venture to provide acute inpatient and outpatient care to the Chippewa County area. The Hospital Commission consists of seven (7) members, three (3) from the City of Montevideo, three (3) from Chippewa County, with the seventh member being appointed by the other six members. Complete financial statements can be obtained at CCM Health, 824 North 11th Street, in Montevideo, Minnesota, 56265.

Select financial data of the Hospital for the year ended December 31, 2020, are:

Total assets	59,553,348
Total deferred outflows of resources	3,462,353
Total liabilities	53,389,017
Total deferred inflows of resources	280,046
Total net position	9,346,638
Total revenues	51,852,962
Total expenses	50,722,216
Net increase in net position	1,130,746

The liability amount above includes \$28,120,000 of Gross Revenue Hospital Refunding Bonds, payable through 2037. The City has an Operating Expense Agreement with Chippewa County, CCM Health and U.S. Bank National Association which states that, in the event that the Gross Revenues of the Project (including unrestricted cash reserves of the Hospital) are or are anticipated to be insufficient to make full and timely payment of Operating Expenses, after application of Gross Revenues to payment of the principal of and interest on the Bonds, when due, and setting aside of 30 days' Cash on Hand (as defined in the Loan Agreement) then the Hospital shall give the County and the City prompt notice of said deficiency or anticipated deficiency, and to the extent said monies are in fact insufficient, the County and the City shall each (i) transfer available moneys to the Hospital in an amount equal to one half of such insufficiency, (ii) provide in its respective budget each year for one half of the anticipated deficiencies in the revenues of the Project available for such Operating Expenses and (iii) levy taxes for payment of one half of any such deficiency, if necessary, for the sole and exclusive use of paying said Operating Expenses which cannot be paid from the Gross Revenues.

91

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 23. JOINTLY GOVERNED ACTIVITY

City Assessor

The City contracts with Chippewa County for a City Assessor. The agreement is effective from June 1, 2018 through May 31, 2020. The contract contains an agreed fee of \$20.59 per parcel for the 2020 assessments. During 2020, the City approved a contract commencing June 1, 2020 through May 31, 2023, with an agreed fee of \$18.00 per parcel for each year.

The Montevideo Fire Department Relief Association (the Association)

The Association is organized as a nonprofit organization, legally separate from the City, by its members to provide pension and other benefits to members in accordance with Minnesota Statutes. Its board of directors is elected by the membership of the Association and not by the City Council. The Association issues its own set of financial statements. All funding is conducted in accordance with applicable Minnesota Statutes, whereby state aids flow to the Association. Tax levies are determined by the Association and are only reviewed by the City. The Association pays benefits directly to its members.

The Association may certify tax levies to Chippewa County directly if the City does not carry out this function. Because the Association is fiscally independent of the City, the financial information of the Association has not been included within the City's financial statements. (See Note 17 for disclosures relating to the pension plan operated by the Association.) Complete financial statements for the Association may be obtained at the City offices located at 103 Canton Avenue, Montevideo, MN 56265.

NOTE 24. OPERATING LEASE - LESSOR

In October 2018, the Montevideo Economic Development Authority (EDA) entered into a lease agreement (and option to purchase) with Southwest West Central Service Cooperative to lease the school building that EDA constructed. The lease requires monthly payments that increase on an annual basis. The lease payments commenced in February 2019 and continue through January 2029. The lessee has the option to purchase the property anytime for the amount of principal and unpaid interest on the bonds, as of the purchase payment date. In 2020, this lease was amended as a result of bond refundings which reduced debt payments, and consequently also lowered the monthly lease payments beginning October 2020. In 2020, the lessee paid \$361,260 in lease payments. The following is a schedule of minimum future lease income:

2021	302,038
2022	308,980
2023	309,603
2024	310,561
2025	311,428
2026-2029	4,244,808
Total	<u>5,787,418</u>

92

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 25. TAX ABATEMENT

GASB Statement 77, *Tax Abatement Disclosures*, defines tax abatement, for financial reporting purposes, as a reduction in tax revenue resulting from "an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or other benefits the governments or the citizens of those governments.

In June 2020, the City entered into a tax abatement agreement with Montevideo Multifamily, LLC. This agreement calls for tax abatements of up to \$570,000, not to exceed \$38,000 per year in exchange for the construction of a multifamily apartment complex. This agreement is in effect through February 1, 2038.

NOTE 26. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2017, GASB issued Statement 87, *Leases*. This statement is effective for fiscal years beginning after December 15, 2019, however due to COVID-19, GASB postponed the implementation to fiscal years beginning after June 15, 2021. When adopted, GASB 87 will require disclosure of the timing, significance, and purpose of a government's leasing arrangements. When adopted, GASB 87 may have a material effect on the financial statements.

NOTE 27. SUBSEQUENT EVENTS

In March 2021, the City received a Phase III levee grant from the State of Minnesota of \$3.3 million.

In April 2021, the City approved the bid of \$337,393 for the 2021 improvement project, which will be funded using state aid. In addition, the City approved the bid of \$170,416 for a street sweeper.

In May 2021, the City approved the bid of \$656,510 for new utility meters and meter reading equipment and also approved the purchase of a fire truck for \$537,000.

In 2021, the City received Federal approval for the construction of a veterans' home within the City of Montevideo. By the end of June 2021, the City is anticipating the transfer to the State of Minnesota of approximately \$7M of escrowed cash and investments, which are donations made to the City for the purpose of the Montevideo Veterans' Home construction. The State will construct the federally owned VA Home, with Federal, state and these local funds.

93

CITY OF MONTEVIDEO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY (LAST 10 YEARS) *
OTHER POST EMPLOYMENT BENEFITS (OPEB)

	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB Liability			
Service cost	19,575	23,492	20,567
Interest on TOL	35,483	11,216	12,792
Differences between expected & actual experience	268,673	686,755	
Changes of assumptions	112,817	(31,324)	11,369
Benefit payments	(89,448)	(47,853)	(41,242)
Net change in TOL	347,100	642,286	3,486
Total OPEB liability - beginning	981,574	339,288	335,802
Total OPEB liability - ending	1,328,674	981,574	339,288

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

NOTES TO SCHEDULE:

Plan Assets

No assets are accumulated in a trust that meets all of the following criteria of GASBS 75, paragraph 4:

- (1) Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- (2) Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- (3) Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONTEVIDEO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOTAL OPEB LIABILITY AND RELATED RATIOS (LAST 10 YEARS)
OTHER POST EMPLOYMENT BENEFITS (OPEB)

Fiscal Year Ended	Total OPEB Liability	Covered Employee Payroll	Total OPEB Liability as a Percentage of its Covered Employee Payroll
December 31, 2018	\$339,288	\$2,299,000	14.76%
December 31, 2019	\$981,574	\$2,221,367	44.19%
December 31, 2020	\$1,328,674	\$2,262,059	58.74%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

NOTES TO SCHEDULE:

Plan Assets

No assets are accumulated in a trust that meets all of the following criteria of GASBS 75, paragraph 4:

- (1) Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- (2) Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- (3) Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF CITY CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS*)

Fiscal Year Ending	Contributions in Relation to the Statutorily Required Contributions		Contribution Deficiency (Excess)	Covered Payroll**	Contributions as a Percentage of Covered Payroll (b/d)
	(a)	(b)			
December 31, 2015	\$115,662	\$115,662	\$0	\$1,542,160	7.50%
December 31, 2016	\$116,856	\$116,856	\$0	\$1,558,080	7.50%
December 31, 2017	\$118,610	\$118,610	\$0	\$1,581,467	7.50%
December 31, 2018	\$122,858	\$122,858	\$0	\$1,638,107	7.50%
December 31, 2019	\$125,647	\$125,647	\$0	\$1,675,293	7.50%
December 31, 2020	\$136,782	\$136,782	\$0	\$1,823,760	7.50%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

** For purposes of this schedule, covered payroll is defined as "pensionable wages".

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS*)

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll** (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
	(a)	(b)	(a/b)	
June 30, 2015	0.0260%	\$1,347,455	88.03%	78.19%
June 30, 2016	0.0249%	\$2,021,756	130.59%	68.90%
June 30, 2017	0.0247%	\$1,576,832	99.11%	75.90%
June 30, 2018	0.0237%	\$1,314,779	82.58%	79.53%
June 30, 2019	0.0233%	\$1,288,205	78.18%	80.23%
June 30, 2020	0.0242%	\$1,450,901	84.03%	79.06%

* This schedule is presented prospectively beginning with the fiscal year ended June 30, 2015, measurement date.

** For purposes of this schedule, covered payroll is defined as "pensionable wages".

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF CITY CONTRIBUTIONS
PUBLIC EMPLOYEES POLICE AND FIRE FUND
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS*)

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Contributions as a Percentage of Covered Payroll (b/d)
	(a)	(b)	(a-b)	(d)	
December 31, 2015	\$107,197	\$107,197	\$0	\$661,710	16.20%
December 31, 2016	\$111,059	\$111,059	\$0	\$685,549	16.20%
December 31, 2017	\$111,690	\$111,690	\$0	\$689,444	16.20%
December 31, 2018	\$106,610	\$106,610	\$0	\$658,086	16.20%
December 31, 2019	\$112,720	\$112,720	\$0	\$665,015	16.95%
December 31, 2020	\$141,429	\$141,429	\$0	\$799,034	17.70%

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

** For purposes of this schedule, covered payroll is defined as "pensionable wages".

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES POLICE AND FIRE FUND
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS*)

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)	Employer's Covered Payroll** (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0710%	\$806,726	\$648,880	124.33%	86.61%
June 30, 2016	0.0700%	\$2,809,222	\$689,309	407.54%	63.88%
June 30, 2017	0.0670%	\$904,580	\$708,398	127.69%	85.43%
June 30, 2018	0.0640%	\$685,372	\$698,145	98.17%	88.84%
June 30, 2019	0.0610%	\$645,148	\$639,659	100.86%	89.26%
June 30, 2020	0.0630%	\$835,680	\$714,612	116.94%	87.19%

* This schedule is presented prospectively beginning with the fiscal year ended June 30, 2015, measurement date.
 ** For purposes of this schedule, covered payroll is defined as "pensionable wages".

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIO
FIRE RELIEF ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS*)

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service Costs	\$ 42,631	\$ 38,137	\$ 32,514	\$ 28,277	\$ 29,115	\$ 28,336
Interest	56,205	49,177	45,390	41,365	33,895	30,115
Differences between expected and actual experience	-	8,025	-	4,690	-	-
Changes of assumptions	-	31,088	20,593	-	-	-
Changes of benefit terms	-	55,857	63,438	-	-	-
Rolled payments	-	(60,900)	(162,281)	-	-	-
Net Change in Total Pension Liability	99,036	101,394	103,551	75,312	47,573	58,451
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	821,860	719,866	616,315	541,003	493,430	434,979
TOTAL PENSION LIABILITY - END OF YEAR	920,896	821,860	719,866	616,315	541,003	493,430
Plan Fiduciary Net Position						
Contributions - State and Local	50,280	53,528	52,699	50,869	50,762	46,748
Net Investment Income	223,453	(41,786)	169,089	68,508	4,210	53,225
Benefits Payments	(16)	(60,900)	(162,281)	-	-	-
Administrative Expenses	(16)	-	-	-	-	(199)
Net Change in Plan Fiduciary Net Position	273,723	(49,160)	173,504	119,587	54,773	99,772
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	977,248	1,026,408	852,904	733,537	678,764	578,986
PLAN FIDUCIARY NET POSITION - END OF YEAR	1,250,971	977,248	1,026,408	852,904	733,537	678,764
NET PENSION LIABILITY (ASSET) - END OF YEAR	(330,075)	(155,368)	(206,542)	(238,599)	(232,534)	(185,331)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	136.84%	118.93%	142.58%	139.39%	135.56%	137.56%
Covered Employees Payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A

* Presented prospectively beginning with the year ended December 31, 2015 (using a December 31, 2014 measurement date).

CITY OF MONTICELLO, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PENSION ASSOCIATION

REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS*)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,495	\$ -
Contributions in Relation to the										
Actuarially Determined Contribution	8,709	9,452	9,017	7,489	7,144	5,952	10,592	-	8,767	4,136
Contribution Deficiency (Excess)	(8,709)	(9,452)	(9,017)	(7,489)	(7,144)	(5,952)	(10,592)	-	(8,767)	(4,136)
Covered - Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of										
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

NOTES TO SCHEDULE

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal level percent of payroll cost method

Amortization method: Straight-line amortization over of closed 5 year period.

Remaining amortization period: 8.87 years

Asset valuation method: Fair Value

Inflation: 2.50%

Not applicable

Salary increases: 6.50% compounded annually

Investment rate of return: Members assumed to retire at the later of age 60 or 20 years of service

Retirement age: Based on HP-2014 Assumed Generational Mortality Table

Mortality: Based on HP-2014 Assumed Generational Mortality Table

* This schedule is presented prospectively beginning with the fiscal year ended December 31, 2011.

SUPPLEMENTAL INFORMATION

CITY OF MONTICELLO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	General	Capital Equipment & Facilities	2020 Special Assessment	2020 Capital Improvement	Other Governmental Funds	2020 Total Governmental Funds	2019 Total Governmental Funds
REVENUES							
Taxes	1,760,329				823,470	2,583,798	2,513,236
Special assessments		32,545			124,206	156,751	148,941
Licenses and permits	6,583					6,583	18,779
Fees	2,732,888	1,799,873	878,200		22,895	5,433,856	5,226,692
Intergovernmental revenue	39,694				820,173	859,867	4,021,856
Fines and forfeits	10,094					39,694	40,799
Interest on investments		44,518	697	16,857		61,972	195,249
Interest on loans					10,158	10,158	12,161
Donations		30,934				30,934	1,990,538
Charges for services	325,395				49,523	374,918	428,538
Net change in the fair value of investments	97,774					97,774	399,690
Nonexchange revenues	21,045	48,264			82,436	151,745	58,670
Total revenues	4,384,230	1,368,434	878,897	16,857	1,740,007	9,577,425	9,048,095
EXPENDITURES							
Current							
Governing board	56,973					56,973	62,339
Administration and finance	387,600					387,600	387,798
Other general government	202,141	4,170				206,311	179,506
Health	200					200	200
Traffic	10,034					10,034	7,000
Insurance	253,561					253,561	222,375
Police	1,441,627					1,441,627	1,457,811
Fire	148,235					148,235	157,841

102

CITY OF MONTICELLO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	General	Capital Equipment & Facilities	2020 Special Assessment	2020 Capital Improvement	Other Governmental Funds	2020 Total Governmental Funds	2019 Total Governmental Funds
EXPENDITURES (Continued)							
Other protection	254,840					254,840	16,200
Other sanitation	1,453					1,453	1,819
Street maintenance	763,043	1,416				764,459	805,790
Street engineering	3,851					3,851	1,041
Street lighting	117,268					117,268	118,731
Cemetery	43,894					43,894	41,765
Libraries	96,450					96,450	96,450
Parks and recreation	504,813	9,974				514,787	884,489
Airport	82,387					82,387	93,610
Economic development							221,276
Capital outlay							336,452
General government	3,611	5,981				9,592	8,981
Police	5,892	62,756				68,648	72,890
Fire		82,114				82,114	8,073
Other protection		1,692,804	1,277,686			2,970,490	1,231,803
Street construction		72,466		3,141,110		3,213,576	40,169
Street other		17,397				17,397	1,245
Parks and recreation		4,076				4,076	381,043
Airport							914,125
Redemption of debt			10,726			10,726	914,125
Interest and fiscal agent charges				54,007		54,007	223,453
Total expenditures	4,368,523	1,917,007	1,288,416	3,195,117	1,971,119	12,740,862	7,386,346

103

CITY OF MONTICELLO, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	General	Capital Expenditures & Facilities	2020 Special Assessment	2020 Capital Improvement	Other Governmental Funds	Total Governmental Funds	2019
REVENUES OVER (UNDER) EXPENDITURES	615,757	39,427	(409,719)	(3,178,260)	(230,812)	3,163,607	1,653,749
OTHER FINANCING SOURCES (USES)							
Transfers (to) from other funds	(569,655)	648,651			305,304	384,300	20,000
Loss on sale of investment							(24,620)
Bond proceeds			521,526	4,046,521	61,554	4,630,000	
Premium (discount) on bond proceeds			45,345	193,922		239,267	
Proceeds from sale of property		35,034				35,034	17,541
Total other financing sources (uses)	(569,655)	683,685	597,270	4,240,445	166,858	5,083,691	8,221
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	46,102	723,112	157,551	1,062,183	(63,954)	1,924,934	1,661,970
FUND BALANCE (DEPOSIT), beginning of year	1,554,598	8,462,126	(48,589)	(128,920)	3,447,332	13,268,475	11,634,505
FUND BALANCE, end of year	1,600,610	9,185,238	108,982	533,263	3,383,378	15,211,469	13,296,475

CITY OF MONTICELLO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Equity in pooled cash and investments	1,056,880	1,892,095	10,364	2,959,339
Taxes receivable - delinquent	2,460	42,801		45,261
Accounts receivable	81,036			81,036
Notes receivable	390,647			390,647
Special assessments - delinquent		15,267	174	15,441
Special assessments - delinquent		513,236	3,190	516,426
Due from other governments	205,941			205,941
Prepaid expenses	1,250			1,250
TOTAL ASSETS	1,749,214	2,463,419	13,728	4,226,361
LIABILITIES				
Accounts/contracts payable	188,146		2,670	190,766
Due to other governments	80			80
Due to other funds	71,120		19,829	90,929
Total Liabilities	259,346		22,429	281,775
				379,767

CITY OF MONTICELLO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	
				2020	2019
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue - delinquent taxes	1,580	27,741		29,321	25,279
Unearned revenue - special assessments		528,523	3,304	531,887	489,324
Total deferred inflows of resources	1,580	556,264	3,304	561,208	513,603
FUND BALANCES					
Nonspendable	1,250			1,250	1,250
Restricted	902,376	1,947,155		2,809,531	2,886,129
Committed	208,049			208,049	185,491
Assigned	376,613		10,364	386,977	404,810
Unassigned			(22,429)	(22,429)	(40,348)
Total fund balances	1,488,288	1,907,155	(12,065)	3,383,378	3,447,332
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	1,749,214	2,463,419	13,728	4,226,361	4,340,702

CITY OF MONTICELLO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	Special Revenue	Debt Service	Capital Projects	Totals	
				2020	2019
REVENUES					
Taxes	45,908	777,564		823,470	920,768
Special assessments		123,379	827	124,206	172,186
Tax increment financing			22,895	22,895	22,892
Intergovernmental revenue	620,173			620,173	1,052,847
Interest on investments	12,358			12,358	43,825
Interest on loans	10,158	14,815	571	25,544	12,161
Charges for services	49,523			49,523	102,122
Miscellaneous revenues	62,438			62,438	2,653
Total revenues	800,556	915,758	24,293	1,740,607	2,219,224
EXPENDITURES					
Current					
Housing and economic development	139,169			139,169	254,067
Transportation	98,810			98,810	91,241
Poet	95,846			95,846	109,700
Culture and recreation	5,773			5,773	3,186
Capital outlay	597,571		6,387	563,958	893,379

CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

	C.D.B.G. Home Improvement Fund	Community Development Revolving Loan Fund	Airport Fund	Municipal Swimming Pool Fund
ASSETS				
Equity in pooled cash and investments	33,329	317,542		5,180
Accounts receivable			61,418	3,048
Notes receivable	27,506	257,290		
Delinquent taxes receivable				
Due from other governments			206,941	
Prepaid expenses				
TOTAL ASSETS	60,835	574,832	268,359	8,228
LIABILITIES				
Accounts/contracts payable			185,391	893
Due to other governments			71,120	
Due to other funds			266,511	893
Total liabilities				
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue-delinquent taxes				
Total deferred inflows of resources				
FUND BALANCE				
Nonspendable		574,832		
Restricted				
Committed				
Assigned	60,835		11,848	7,335
Total fund balance	60,835	574,832	11,848	7,335
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	60,835	574,832	268,359	8,228

CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	Special Revenue	Debt Service	Capital Projects	Totals
	2020	2019		
EXPENDITURES (Continued)				
Debt service				
Redemption of debt		914,125		999,488
Interest expense	1,422	152,865	312	173,567
Fiscal agent fees		4,119		3,694
Total expenditures	893,611	1,071,109	6,694	2,428,317
REVENUES OVER (UNDER) EXPENDITURES	(83,055)	(155,351)	17,594	(230,812)
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	114,351	28,703	(37,750)	105,304
Loss on sale of investment				49,722
Bond proceeds				(24,620)
Total other financing sources (uses)	114,351	28,703	(37,750)	105,304
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	21,296	(65,054)	(20,156)	(63,964)
FUND BALANCE - beginning of year	1,466,992	1,072,249	8,091	3,447,332
FUND BALANCE - end of year	1,488,288	1,907,155	(12,065)	3,383,378

CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2020

(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

	Housing Assistance Fund	Cemetery Perpetual Care Fund	(MDC) Economic Development Fund	Economic Development Authority Administration Fund
ASSETS				
Equity in pooled cash and investments	70,433	75,188	118,038	128,735
Accounts receivable			15,000	1,570
Notes receivable	16,725		10,452	2,460
Delinquent taxes receivable				
Due from other governments				
Prepaid expenses			1,250	
TOTAL ASSETS	87,158	75,188	144,740	132,765
LIABILITIES				
Accounts/contracts payable				1,744
Due to other governments				
Due to other funds				
Total liabilities				1,744
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue-delinquent taxes				1,580
Total deferred inflows of resources				1,580
FUND BALANCE			1,250	
Nonspendable	87,158	75,188		
Restricted				
Committed			143,490	129,441
Assigned			144,740	129,441
Total fund balance	87,158	75,188	144,740	132,765
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	87,158	75,188	144,740	132,765

110

CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2020

(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

	Economic Development Authority Community Revitalization Fund	Convention And Visitors Bureau Fund	Business Community Development Grant Fund	Small Cities Grant Fund
ASSETS				
Equity in pooled cash and investments	62,708	74,930	45,677	51,110
Accounts receivable				
Notes receivable	20,450		58,224	
Delinquent taxes receivable				
Due from other governments				
Prepaid expenses				
TOTAL ASSETS	83,158	74,930	103,901	51,110
LIABILITIES				
Accounts/contracts payable				
Due to other governments				
Due to other funds				
Total liabilities				
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue-delinquent taxes				
Total deferred inflows of resources				
FUND BALANCE				
Nonspendable	83,158	74,930	103,901	51,110
Restricted				
Committed				
Assigned				
Total fund balance	83,158	74,930	103,901	51,110
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	83,158	74,930	103,901	51,110

111

CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	C.D.B.G. Home Improvement Fund	Community Development Revolving Loan Fund	Airport Fund	Municipal Swimming Pool Fund
REVENUES				
Intergovernmental			535,837	
Property taxes				
Charges for services			30,784	7,775
Interest on investments	334	4,153		11
Interest on loans		7,347		
Miscellaneous			61,418	
Total revenues	334	11,500	628,039	7,786
EXPENDITURES				
Economic development		117		
Transportation			93,810	95,846
Pool				
Culture and recreation				
Total current expenditures		117	93,810	95,846
Interest expense			1,422	
Capital outlay			557,571	
Total expenditures		117	652,803	95,846
OTHER FINANCING SOURCES (USES)				
Loss on investment sale				
Transfers from other funds			32,764	87,675
Transfers to other funds			(8,000)	
Total other financing sources (uses)			24,764	87,675
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	334	11,383		(386)
FUND BALANCE - beginning of year	60,501	563,449	11,848	7,720
FUND BALANCE - end of year	60,835	574,832	11,848	7,335

113

CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

	Carnegie Library Fund	Dawson Legacy Fund	Public Safety Admin Fees	Totals
ASSETS				
Equity in pooled cash and investments				
Accounts receivable	23,782	57,931	2,297	1,071,466
Notes receivable			81,036	30,000
Delinquent taxes receivable			390,647	352,668
Due from other governments			2,460	1,782
Prepaid expenses			206,941	285,581
TOTAL ASSETS	23,782	57,931	1,250	1,742,747
LIABILITIES				
Accounts/contracts payable	118		188,146	12,760
Due to other governments			80	40
Due to other funds			71,120	261,706
Total liabilities	118		259,346	274,506
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue-delinquent taxes				
Total deferred inflows of resources			1,580	1,249
FUND BALANCE				
Nonspendable				1,250
Restricted			2,217	884,866
Committed		57,931		185,491
Assigned	23,664			395,385
Total fund balance	23,664	57,931	2,217	1,466,992
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	23,782	57,931	2,297	1,742,747

112

CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	Housing Assistance Fund	Cemetery Perpetual Care Fund	(MCDC) Economic Development Fund	Development Authority Administration Fund
REVENUES				
Intergovernmental				14,770
Property taxes				45,908
Charges for services		2,780		8,184
Interest on investments	801	852	1,361	1,349
Interest on loans			316	
Miscellaneous				
Total revenues	801	3,632	1,677	70,209
EXPENDITURES				
Economic development			8,093	33,822
Transportation				
Pool				
Culture and recreation				
Total current expenditures			8,093	33,822
Interest expense				
Capital outlay				
Total expenditures			8,093	33,822
OTHER FINANCING SOURCES (USES)				
Loss on investment sale				
Transfers from other funds			(2,400)	(41,035)
Transfers to other funds		(852)	(2,400)	(41,035)
Total other financing sources (uses)		(852)	(2,400)	(41,035)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER)				
EXPENDITURES AND OTHER FINANCING USES	801	2,780	(8,816)	(4,448)
FUND BALANCE - beginning of year	86,357	72,408	153,556	133,889
FUND BALANCE - end of year	87,158	75,188	144,740	129,441

114

CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	Development Authority Community Revitalization	Convention And Visitors Bureau Fund	Community Development Grant Fund	Small Cities Grant Fund
REVENUES				
Intergovernmental				69,566
Property taxes				
Charges for services				
Interest on investments	713	711	475	603
Interest on loans			2,495	
Miscellaneous				
Total revenues	713	711	2,970	70,169
EXPENDITURES				
Economic development		27,791		69,566
Transportation				
Pool				
Culture and recreation				
Total current expenditures		27,791		69,566
Interest expense				
Capital outlay				
Total expenditures		27,791		69,566
OTHER FINANCING SOURCES (USES)				
Loss on investment sale				
Transfers from other funds		46,199		
Transfers to other funds				
Total other financing sources (uses)		46,199		
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER)				
EXPENDITURES AND OTHER FINANCING USES	713	19,119	2,970	603
FUND BALANCE - beginning of year	82,445	55,811	100,931	50,507
FUND BALANCE - end of year	83,158	74,930	103,901	51,110

115

CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	Carnegie Library Fund	Dawson Legacy Fund	Public Safety Admin Fees	Totals
REVENUES				
Intergovernmental				620,173
Property taxes				573,981
Charges for services				44,161
Interest on investments	316	659	20	102,122
Interest on loans				12,358
Miscellaneous			1,020	18,562
			2,653	12,161
Total revenues	316	659	1,040	753,640
EXPENDITURES				
Economic development				139,189
Transportation				93,810
Pool				91,241
Culture and recreation	5,773			109,700
Total current expenditures	5,773			318
				334,618
Interest expense				1,422
Capital outlay				557,571
Total expenditures	5,773			819,236
OTHER FINANCING SOURCES (USES)				
Loss on investment sale				(24,620)
Transfers from other funds				148,728
Transfers to other funds				(86,685)
Total other financing sources (uses)				37,443
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(5,457)	659	1,040	(28,153)
FUND BALANCE - beginning of year	29,121	57,272	1,177	1,495,145
FUND BALANCE - end of year	23,664	57,931	2,217	1,466,992

118

CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

	2020 Downtown Revaluation	2020 Street Improvement	2010 Street Improvement	2013 Street Improvement
ASSETS				
Equity in pooled cash and investments	107,234	74,348	101,877	163,730
Delinquent taxes receivable	4,854	478	1,718	3,802
Special assessments:				
Delinquent		317	1,645	231
Deferred			2,084	19,453
TOTAL ASSETS	112,088	75,344	107,324	207,226
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - delinquent taxes	3,104	432	1,270	2,457
Unearned revenue - special assessments			3,729	19,684
Total deferred inflows of resources	3,104	749	4,999	22,151
FUND BALANCE				
Restricted for debt service	106,984	74,595	102,325	195,075
Total fund balance	106,984	74,595	102,325	195,075
TOTAL DEFERRED INFLOWS AND FUND BALANCE	112,088	75,344	107,324	207,226

117

CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NORMAL/MAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2020

(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

	2014 Street Improvement	2014 Fire Hall/ HVAC	2015 Street Improvement	2016 Street Improvement	2017 Street Improvement
ASSETS					
Equity in pooled cash and investments	210,211	220,720	230,931	158,409	149,862
Delinquent taxes receivable	3,575	11,384	3,651	3,495	3,726
Special assessments-					
Delinquent	35,883		2,686	1,779	1,757
Deferred			83,814	87,285	76,947
TOTAL ASSETS	249,669	232,104	321,082	250,968	231,312
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue - delinquent taxes	2,307	7,347	2,354	2,246	2,368
Unearned revenue - special assessments	35,883		86,500	89,064	77,704
Total deferred inflows of resources	38,190	7,347	88,854	91,310	80,072
FUND BALANCE					
Restricted for debt service	211,479	224,757	232,228	159,658	151,240
Total fund balance	211,479	224,757	232,228	159,658	151,240
TOTAL DEFERRED INFLOWS AND FUND BALANCE	249,669	232,104	321,082	250,968	231,312

CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NORMAL/MAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2020

(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

	2018 Street Improvement	2020 Street Improvements	2020 Capital Improvements	Totals
ASSETS				
Equity in pooled cash and investments	111,368	27,571	53,787	1,892,095
Delinquent taxes receivable	2,104			42,801
Special assessments-				
Delinquent	4,191			15,287
Deferred	52,542	135,241		513,236
TOTAL ASSETS	177,225	162,812	53,787	2,463,419
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - delinquent taxes	1,251			27,741
Unearned revenue - special assessments	55,733	135,241		528,523
Total deferred inflows of resources	56,984	135,241		556,264
FUND BALANCE				
Restricted for debt service	119,211	27,571	53,787	1,907,155
Total fund balance	119,211	27,571	53,787	1,907,155
TOTAL DEFERRED INFLOWS AND FUND BALANCE	177,225	162,812	53,787	2,463,419

CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	2000 Downtown Rehabilitation	2000 Street Improvement	2009 Street Improvement	2010 Street Improvement	2012 Street Improvement
REVENUES					
General property taxes	91,016	604	358	21,439	74,521
Special assessments			1,297	6,287	10,766
Interest income	563	847	116	968	2,292
Total revenues	91,579	1,451	1,771	28,674	87,579
EXPENDITURES					
Redemption of debt	83,825	55,500	40,000	85,000	95,000
Interest expense	2,509	1,695	780	4,420	7,314
Fiscal agent fees	183	173		479	975
Total expenditures	86,517	57,340	40,780	89,899	102,689
OTHER FINANCING SOURCES (USES)					
Bond proceeds			(8,138)		
Transfer (to) from other funds			(8,138)		
Total other financing sources (uses)			(8,138)		
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	5,180	(55,889)	(47,447)	(61,221)	(15,310)
FUND BALANCE - beginning of year	103,804	130,464	47,447	163,546	271,595
FUND BALANCE - end of year	108,984	74,505		102,325	256,285

120

CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	2013 Street Improvement	2014 Street Improvement	2014 Fire Hall/ HVAC	2015 Street Improvement	2016 Street Improvement
REVENUES					
General property taxes	69,641	65,489	209,004	57,160	64,585
Special assessments	7,096	12,564		23,465	19,781
Interest income	1,545	1,852	1,189	2,002	1,215
Total revenues	78,222	79,905	210,193	82,627	85,581
EXPENDITURES					
Redemption of debt	80,000	75,000	130,000	80,000	75,000
Interest expense	8,160	9,714	71,210	12,560	8,658
Fiscal agent fees	386	523	315	525	575
Total expenditures	88,546	85,237	201,525	92,885	84,233
OTHER FINANCING SOURCES (USES)					
Bond proceeds					
Transfer (to) from other funds					
Total other financing sources (uses)					
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(10,324)	(5,132)	8,408	(258)	1,153
FUND BALANCE - beginning of year	195,369	216,611	216,349	232,486	156,505
FUND BALANCE - end of year	185,075	211,479	224,757	232,228	159,658

121

CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

	2017 Street Improvement	2018 Street Improvement	2020 Street Improvement	2020 Capital Improvement	Totals
REVENUES					
General property taxes	70,106	43,641			876,607
Special assessments	11,929	10,954	19,320		121,520
Interest income	1,189	603	308		23,706
Total revenues	83,174	55,198	19,458	308	1,021,833
EXPENDITURES					
Redemption of debt	70,000	45,000			914,125
Interest expense	11,450	14,260			172,643
Fiscal agent fees	476				4,119
Total expenditures	81,925	59,260			1,071,105
OTHER FINANCING SOURCES (USES)					
Bond proceeds		36,641	8,075	53,479	61,554
Transfer (to) from other funds				28,703	(12,341)
Total other financing sources (uses)		36,641	8,075	53,479	90,257
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,249	32,809	27,571	53,787	(106,333)
FUND BALANCE - beginning of year	149,951	86,402			1,972,249
FUND BALANCE - end of year	151,240	119,211	27,571	53,787	1,907,155

122

CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2020
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2019)

	2021 Street Improvement	TIF District 3-S Post Office	2021 Special Assessment Construction	Totals
ASSETS				
Equity in pooled cash and investments	10,364			10,364
Special assessments - delinquent	174			174
Special assessments - deferred	3,190			3,190
Due from other governments				25,385
TOTAL ASSETS	13,728			13,728
LIABILITIES				
Accounts/contracts payable			2,620	2,620
Due to other funds		17,763	2,046	19,809
Total liabilities		17,763	4,666	22,429
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - special assessments	3,364			3,364
Total deferred inflows of resources	3,364			3,364
FUND BALANCE				
Restricted				39,014
Assigned	10,364			10,364
Unassigned		(17,763)	(4,666)	(22,429)
Total fund balances (deficit)	10,364	(17,763)	(4,666)	(12,065)
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	13,728			13,728

123

CITY OF MONTICELLO, MINNESOTA
TAXABLE NET TAX CAPACITIES, TAX LINES,
AND TAX CAPACITY RATES
(Shown by Year of Collectibility)

[illegible]

CITY OF MONTEVIDEO, MINNESOTA

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
SOURCES OF FUNDS				
Tax Increments Received	\$925,000	\$289,250	\$22,895	\$612,825
Local Contribution	\$46,250	\$46,250	\$0	\$0
Sale of Property	\$0	\$99,343	\$0	\$ (99,343)
Total Sources of Funds	971,250	434,873	22,895	513,482
USES OF FUNDS				
Land Acquisition	\$250,000	\$224,280	\$0	\$25,720
Demolition	100,000	16,638	0	83,362
Site Improvements	250,000	37,998	0	212,002
Interest	274,125	141,955	310	131,860
Administrative Costs	97,125	8,100	0	89,025
Total Uses of Funds	971,250	428,971	310	541,969
FUNDS REMAINING (OR DEFICIENT)				
	\$0	\$ 5,902	\$22,585	\$ (28,487)

[illegible]

10.11 The Beauty and General Obligations of the Academy. Let us conclude this study with a brief reflection on the Beauty and General Obligations of the Academy. Let us conclude this study with a brief reflection on the Beauty and General Obligations of the Academy.

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

Series 2014A Capital Improvement Plan Bonds				
Date	Rate	Principal		Total
		Feb. 1	Interest	
2021	1.70	130,000	69,000	199,000
2022	2.10	135,000	66,478	201,478
2023	2.10	135,000	63,642	198,642
2024	2.75	140,000	60,300	200,300
2025	2.75	145,000	56,381	201,381
2026	3.00	145,000	52,213	197,213
2027	3.00	150,000	47,787	197,787
2028	3.00	155,000	43,212	198,212
2029	3.00	160,000	38,488	198,488
2030	3.20	165,000	33,448	198,448
2031	3.20	170,000	28,087	198,087
2032	3.35	175,000	22,436	197,436
2033	3.35	180,000	16,490	196,490
2034	3.50	190,000	10,150	200,150
2035	3.50	195,000	3,413	198,413
		<u>\$2,370,000</u>	<u>\$611,525</u>	<u>\$2,981,525</u>

128

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

Series 2020A Capital Improvement Plan Bonds				
Date	Rate	Principal		Total
		Feb. 1	Interest	
2021			100,667	100,667
2022	3.00	160,000	91,975	251,975
2023	3.00	165,000	87,100	252,100
2024	3.00	170,000	82,075	252,075
2025	3.00	175,000	76,900	251,900
2026	3.00	180,000	71,575	251,575
2027	3.00	185,000	66,100	251,100
2028	3.00	190,000	60,475	250,475
2029	2.00	195,000	55,675	250,675
2030	2.00	200,000	51,725	251,725
2031	2.00	205,000	47,675	252,675
2032	2.00	205,000	43,575	248,575
2033	2.00	210,000	39,425	249,425
2034	2.00	215,000	35,175	250,175
2035	2.00	220,000	30,825	250,825
2036	2.00	225,000	26,375	251,375
2037	2.00	230,000	21,825	251,825
2038	2.00	235,000	17,175	252,175
2039	2.00	240,000	12,425	252,425
2040	2.00	245,000	7,575	252,575
2041	2.05	250,000	2,562	252,562
		<u>\$4,100,000</u>	<u>\$1,028,879</u>	<u>\$5,128,879</u>

Series 2010A General Obligation Improvement Bonds

Date	Rate	Principal		Total
		Feb. 1	Interest	
2021	3.40	90,000	1,530	91,530
		<u>\$90,000</u>	<u>\$1,530</u>	<u>\$91,530</u>

Series 2012A General Obligation Improvement Bonds

Date	Rate	Principal		Total
		Feb. 1	Interest	
2021	2.00	95,000	5,415	100,415
2022	2.35	95,000	3,349	98,349
2023	2.35	95,000	1,116	96,116
		<u>\$285,000</u>	<u>\$9,880</u>	<u>\$294,880</u>

129

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

Series 2013A General Obligation Improvement Bonds

Date	Principal		Interest	Total
	Rate	Feb. 1		
2021	2.00	80,000	6,560	86,560
2022	2.40	80,000	4,800	84,800
2023	2.40	80,000	2,880	82,880
2024	2.40	80,000	960	80,960
		<u>\$320,000</u>	<u>\$15,200</u>	<u>\$335,200</u>

Series 2014B General Obligation Improvement Bonds

Date	Principal		Interest	Total
	Rate	Feb. 1		
2021	1.95	75,000	8,364	83,364
2022	2.35	75,000	6,751	81,751
2023	2.35	75,000	4,988	79,988
2024	2.65	75,000	3,114	78,114
2025	2.65	80,000	1,060	81,060
		<u>\$380,000</u>	<u>\$24,277</u>	<u>\$404,277</u>

Series 2015A General Obligation Improvement Bonds

Date	Principal		Interest	Total
	Rate	Feb. 1		
2021	2.25	80,000	10,760	90,760
2022	2.25	85,000	8,904	93,904
2023	2.25	85,000	8,991	91,991
2024	2.25	85,000	5,078	90,078
2025	2.35	85,000	3,124	88,124
2026	2.50	85,000	1,063	86,063
		<u>\$505,000</u>	<u>\$35,920</u>	<u>\$540,920</u>

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

Series 2016A General Obligation Improvement Bonds

Date	Principal		Interest	Total
	Rate	Feb. 1		
2021	1.10	80,000	8,000	88,000
2022	1.40	80,000	7,000	87,000
2023	1.40	80,000	5,880	85,880
2024	1.40	80,000	4,760	84,760
2025	1.75	80,000	3,500	83,500
2026	1.75	80,000	2,100	82,100
2027	1.75	80,000	700	80,700
		<u>\$560,000</u>	<u>\$31,940</u>	<u>\$591,940</u>

Series 2016C General Obligation Improvement Refunding Bonds-Downtown

Date	Principal		Interest	Total
	Rate	Feb. 1		
2021	2.00	83,625	836	84,461
		<u>\$83,625</u>	<u>\$836</u>	<u>\$84,461</u>

Series 2016C General Obligation Improvement Refunding Bonds - Streets

Date	Principal		Interest	Total
	Rate	Feb. 1		
2021	2.00	55,500	555	56,055
		<u>\$55,500</u>	<u>\$555</u>	<u>\$56,055</u>

Series 2017A General Obligation Improvement Bonds

Date	Principal		Interest	Total
	Rate	Feb. 1		
2021	1.50	70,000	10,487	80,487
2022	1.50	70,000	9,438	79,438
2023	1.75	70,000	8,300	78,300
2024	1.75	75,000	7,031	82,031
2025	2.00	75,000	5,625	80,625
2026	2.00	75,000	4,125	79,125
2027	2.25	75,000	2,531	77,531
2028	2.25	75,000	844	75,844
		<u>\$585,000</u>	<u>\$48,381</u>	<u>\$633,381</u>

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

Series 2018A General Obligation Improvement Bonds

Date	Rate	Principal		Total
		Feb. 1	Interest	
2021	3.00	45,000	12,525	57,525
2022	3.00	45,000	11,175	56,175
2023	3.00	45,000	9,825	54,825
2024	3.00	50,000	8,400	58,400
2025	3.00	50,000	6,900	56,900
2026	3.00	50,000	5,400	55,400
2027	3.00	50,000	3,900	53,900
2028	3.00	50,000	2,400	52,400
2029	3.00	55,000	825	55,825
		<u>\$440,000</u>	<u>\$61,350</u>	<u>\$501,350</u>

Series 2020A General Obligation Improvement Bonds

Date	Rate	Principal		Total
		Feb. 1	Interest	
2021	3.00	50,000	15,200	65,200
2022	3.00	50,000	13,500	63,500
2023	3.00	50,000	12,000	62,000
2024	3.00	50,000	10,500	60,500
2025	3.00	50,000	9,000	59,000
2026	3.00	55,000	7,425	62,425
2027	3.00	55,000	5,775	60,775
2028	3.00	55,000	4,125	59,125
2029	2.00	55,000	2,750	57,750
2030	2.00	55,000	1,650	56,650
2031	2.00	55,000	550	55,550
		<u>\$530,000</u>	<u>\$82,475</u>	<u>\$612,475</u>

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

Series 2007A General Obligation FDA Revenue Refunding Bonds

Date	Rate	Principal		Total
		Feb. 1	Interest	
2021	4.25	30,000	14,670	44,670
2022	4.25	30,000	13,395	43,395
2023	4.40	35,000	11,988	46,988
2024	4.40	35,000	10,447	45,447
2025	4.40	35,000	8,908	43,908
2026	4.40	35,000	7,367	42,367
2027	4.55	40,000	5,687	45,687
2028	4.55	40,000	3,868	43,868
2029	4.55	40,000	2,047	42,047
2030	4.55	25,000	569	25,569
		<u>\$345,000</u>	<u>\$78,946</u>	<u>\$423,946</u>

Series 2008A General Obligation Utility Improvement Bonds

Date	Rate	Principal		Total
		Feb. 1	Interest	
2021	4.05	40,000	6,075	46,075
2022	4.05	40,000	4,455	44,455
2023	4.05	45,000	2,734	47,734
2024	4.05	45,000	911	45,911
		<u>\$170,000</u>	<u>\$14,175</u>	<u>\$184,175</u>

Series 2013A Water Treatment Refunding Bonds

Date	Rate	Principal		Total
		Feb. 1	Interest	
2021	2.00	115,000	1,150	116,150
		<u>\$115,000</u>	<u>\$1,150</u>	<u>\$116,150</u>

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

Series 2014B General Obligation Utility Improvement Bonds

Date	Principal			Total
	Rate	Feb. 1	Interest	
2021	1.95	15,000	5,646	20,646
2022	2.35	20,000	5,265	25,265
2023	2.35	20,000	4,795	24,795
2024	2.85	20,000	4,295	24,295
2025	2.85	20,000	3,765	23,765
2026	3.50	20,000	3,150	23,150
2027	3.50	20,000	2,450	22,450
2028	3.50	20,000	1,750	21,750
2029	3.50	20,000	1,050	21,050
2030	3.50	20,000	350	20,350
		<u>\$195,000</u>	<u>\$32,516</u>	<u>\$227,516</u>

Series 2015A General Obligation Utility Improvement Bonds

Date	Principal			Total
	Rate	Feb. 1	Interest	
2021	2.25	20,000	6,545	26,545
2022	2.25	20,000	6,095	26,095
2023	2.25	20,000	5,645	25,645
2024	2.25	20,000	5,195	25,195
2025	2.35	20,000	4,735	24,735
2026	2.50	25,000	4,187	29,187
2027	3.10	25,000	3,488	28,488
2028	3.50	25,000	2,713	27,713
2029	3.50	25,000	1,937	26,937
2030	3.50	25,000	1,163	26,163
2031	3.50	25,000	387	25,387
		<u>\$250,000</u>	<u>\$42,090</u>	<u>\$292,090</u>

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

Series 2016B General Obligation Utility Revenue Bonds

Date	Principal			Total
	Rate	Feb. 1	Interest	
2021	1.30	55,000	10,015	65,015
2022	1.30	55,000	9,300	64,300
2023	1.55	55,000	8,516	63,516
2024	1.55	60,000	7,625	67,625
2025	1.75	60,000	6,635	66,635
2026	1.75	60,000	5,585	65,585
2027	2.30	40,000	4,600	44,600
2028	2.30	45,000	3,622	48,622
2029	2.30	45,000	2,588	47,588
2030	2.30	45,000	1,553	46,553
2031	2.30	45,000	517	45,517
		<u>\$565,000</u>	<u>\$60,556</u>	<u>\$625,556</u>

Series 2016C General Obligation Refunding Utility Improvement Bonds-Downtown

Date	Principal			Total
	Rate	Feb. 1	Interest	
2021	4.25	10,875	109	10,984
		<u>\$10,875</u>	<u>\$109</u>	<u>\$10,984</u>

Series 2018A General Obligation Utility Improvement Bonds

Date	Principal			Total
	Rate	Feb. 1	Interest	
2021	3.00	15,000	4,575	19,575
2022	3.00	15,000	4,125	19,125
2023	3.00	15,000	3,675	18,675
2024	3.00	15,000	3,225	18,225
2025	3.00	20,000	2,700	22,700
2026	3.00	20,000	2,100	22,100
2027	3.00	20,000	1,500	21,500
2028	3.00	20,000	900	20,900
2029	3.00	20,000	300	20,300
		<u>\$160,000</u>	<u>\$23,100</u>	<u>\$183,100</u>

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

Series 2020A General Obligation Utility Improvement Bonds

Date	Rate	Principal		Interest	Total
		Feb 1	Aug 1		
2021	3.00	35,000		15,413	15,413
2022	3.00	35,000		13,925	48,925
2023	3.00	35,000		12,875	47,875
2024	3.00	35,000		11,825	46,825
2025	3.00	35,000		10,775	45,775
2026	3.00	35,000		9,725	44,725
2027	3.00	40,000		8,600	48,600
2028	3.00	40,000		7,400	47,400
2029	2.00	40,000		6,400	46,400
2030	2.00	40,000		5,600	45,600
2031	2.00	40,000		4,800	44,800
2032	2.00	40,000		4,000	44,000
2033	2.00	45,000		3,150	48,150
2034	2.00	45,000		2,250	47,250
2035	2.00	45,000		1,350	46,350
2036	2.00	45,000		450	45,450
		<u>\$595,000</u>		<u>\$118,538</u>	<u>\$713,538</u>

Series 2020A EDA Lease Revenue Refunding Bonds

Date	Rate	Principal		Interest	Total
		Feb 1	Aug 1		
2021	1.80	150,000		80,148	230,148
2022	1.80	220,000		90,540	310,540
2023	1.80	220,000		86,580	306,580
2024	1.80	225,000		82,575	307,575
2025	1.80	230,000		78,480	308,480
2026	1.80	235,000		74,295	309,295
2027	1.80	240,000		70,065	310,065
2028	1.80	240,000		65,790	305,790
2029	1.80	3,535,000		31,815	3,566,815
		<u>\$5,295,000</u>		<u>\$660,288</u>	<u>\$5,955,288</u>

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

Wastewater Treatment Plant Public Facilities Authority Loan

Date	Rate	Principal		Interest	Total
		Aug 20	Aug 21		
2021	2.89	451,000		131,957	582,957
2022	2.89	464,000		118,924	582,924
2023	2.89	478,000		105,514	583,514
2024	2.89	492,000		91,700	583,700
2025	2.89	506,000		77,481	583,481
2026	2.89	521,000		62,858	583,858
2027	2.89	536,000		47,801	583,801
2028	2.89	551,000		32,310	583,310
2029	2.89	567,000		16,386	583,386
		<u>\$4,566,000</u>		<u>\$684,931</u>	<u>\$5,250,931</u>

Wastewater Storage Building Public Facilities Loan

Date	Rate	Principal		Interest	Total
		Aug 20	Aug 21		
2021	1.517	8,000		1,487	9,487
2022	1.517	8,000		1,365	9,365
2023	1.517	9,000		1,244	10,244
2024	1.517	9,000		1,107	10,107
2025	1.517	9,000		971	9,971
2026	1.517	9,000		834	9,834
2027	1.517	9,000		698	9,698
2028	1.517	9,000		562	9,562
2029	1.517	9,000		425	9,425
2030	1.517	9,000		288	9,288
2031	1.517	10,000		152	10,152
		<u>\$98,000</u>		<u>\$9,133</u>	<u>\$107,133</u>

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2020

Raw Watermain Replacement Public Facilities Loan				
Date	Rate	Principal		Interest
		Aug 20	Aug 20	
2021	1.000	57,000	57,000	9,150
2022	1.000	57,000	57,000	8,580
2023	1.000	58,000	58,000	8,010
2024	1.000	59,000	59,000	7,430
2025	1.000	59,000	59,000	6,840
2026	1.000	60,000	60,000	6,250
2027	1.000	60,000	60,000	5,650
2028	1.000	61,000	61,000	5,050
2029	1.000	62,000	62,000	4,440
2030	1.000	62,000	62,000	3,820
2031	1.000	63,000	63,000	3,200
2032	1.000	63,000	63,000	2,570
2033	1.000	64,000	64,000	1,940
2034	1.000	65,000	65,000	1,300
2035	1.000	65,000	65,000	650
		<u>\$915,000</u>		<u>\$74,880</u>
				<u>\$989,880</u>

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Contract Number	Federal Expenditures
U.S. Department of Agriculture Community Facilities Technical Assistance and Training Grant	10.766		2,920
Total U.S. Department of Agriculture			<u>2,920</u>
U.S. Department of Housing & Urban Development Pass-through program from MN Department of Employment & Economic Dev. Small Cities Grant Development Program	14.228	COAP-16-0032-O-FY17	89,566
Total U.S. Department of Housing & Urban Development			<u>89,566</u>
Federal Aviation Administration Pass-through program from MN Department of Transportation Airport CIP Project	20.106	3-27-0065-018-2019	424,992
Total Federal Aviation Administration			<u>424,992</u>
Federal Highway Administration Pass-through program from MN Department of Transportation Railroad Pedestrian Crossing	20.205	TA 1219 /260	42,775
Total Federal Highway Administration			<u>42,775</u>
U.S. Department of the Treasury Pass-through program from the State of Minnesota Coronavirus Relief Aid	21.019	SLT0016	398,324
Pass-through program from MN Department of Transportation Coronavirus Relief Aid	21.019	1033521	20,000
Total U.S. Department of the Treasury			<u>418,324</u>
Total Expenditures of Federal Awards			<u>956,577</u>

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

NOTE A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Montevideo, Minnesota, under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost of Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Montevideo, Minnesota, it is not intended to and does not present the financial position, changes in net assets, or cash flows for the City of Montevideo, Minnesota.

NOTE B: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C: Indirect Cost Rate

The City of Montevideo, Minnesota has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D: Subrecipients

The City of Montevideo, Minnesota passed through to subrecipients \$118,269 from the Coronavirus Relief Aid Program.

ADDITIONAL REPORTS REQUIRED BY THE UNIFORM GUIDANCE AND
GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS



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

Honorable Mayor and City Council
City of Montevideo, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montevideo, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Montevideo, Minnesota's basic financial statements, and have issued our report thereon dated June 22, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Montevideo, Minnesota
June 22, 2021

Dana F. Cole Company, LLP



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and City Council
City of Montevideo, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Montevideo, Minnesota's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Montevideo, Minnesota's major federal programs for the year ended December 31, 2020. City of Montevideo, Minnesota's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Montevideo, Minnesota's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Montevideo, Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Montevideo, Minnesota's compliance.

143

Opinion on Each Major Federal Program

In our opinion, City of Montevideo, Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the City of Montevideo, Minnesota, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Montevideo, Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Montevideo, Minnesota's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Montevideo, Minnesota
June 22, 2021

Dana F. Cole & Company, LLP

144

CITY OF MONTEVIDEO, MINNESOTA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED DECEMBER 31, 2020

A. SUMMARY OF AUDITORS' RESULTS

<u>Financial Statements</u>	Unmodified
Type of auditors' report issued:	
Internal control over financial reporting:	
Material weakness identified:	___ Yes ___ X No
Significant deficiencies identified that are not considered to be material weakness:	___ Yes ___ X No
Noncompliance matter to the financial statements disclosed:	___ Yes ___ X No
<u>Federal Awards</u>	
Internal control over major programs:	
Material weakness identified:	___ Yes ___ X No
Significant deficiencies identified that are not considered to be material weakness:	___ Yes ___ X No
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Audit findings required to be reported under 501(a):	___ Yes ___ X No
Identification of major federal programs:	
Coronavirus Relief Fund	21,019
Dollar threshold used to distinguish Between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee:	___ Yes ___ X No

OTHER REQUIRED REPORT AND SCHEDULE



CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Montevideo, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparison statement for the General Fund of the City of Montevideo, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Montevideo, Minnesota's basic financial statements, and have issued our report thereon dated June 22, 2021.

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Montevideo, Minnesota
June 22, 2021

Dana F. Cole & Company, LLP

FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF LEGAL OPINION

\$ _____
GENERAL OBLIGATION BONDS, SERIES 2022A
CITY OF MONTEVIDEO
CHIPPEWA COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Montevideo, Chippewa County, Minnesota (the "Issuer"), of its \$ _____ General Obligation Bonds, Series 2022A, bearing a date of original issue of July 14, 2022 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

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

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

insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

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

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

TAFT STETTINIUS & HOLLISTER LLP

BOOK-ENTRY-ONLY SYSTEM

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

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

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(See following pages)

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Montevideo, Minnesota (the "Issuer"), in connection with the issuance of its \$ _____ General Obligation Bonds, Series 2022A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on June 28, 2022 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"Official Statement" shall be the Official Statement dated _____, 2022, prepared in connection with the Bonds.

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

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

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

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

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2021, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2022, and by December 31 of each year thereafter.

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

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

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Current Property Valuations; Direct Debt; Tax Levies and Collections; US Census Data/Population Trend; and Employment/Unemployment Data.

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

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

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

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

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

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

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

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

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

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

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

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

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

Dated: July 14, 2022.

CITY OF MONTEVIDEO, MINNESOTA

By _____
Its Mayor

By _____
Its City Manager

TERMS OF PROPOSAL

\$1,815,000* GENERAL OBLIGATION BONDS, SERIES 2022A CITY OF MONTEVIDEO, MINNESOTA

Proposals for the purchase of \$1,815,000* General Obligation Bonds, Series 2022A (the "Bonds") of the City of Montevideo, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:00 A.M. Central Time, on June 28, 2022, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444 and 475, by the City for the purpose of financing the City's 2022 street and utility projects. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated July 14, 2022, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2024	\$110,000	2029	\$115,000	2034	\$125,000
2025	110,000	2030	120,000	2035	125,000
2026	110,000	2031	125,000	2036	130,000
2027	115,000	2032	125,000	2037	130,000
2028	115,000	2033	125,000	2038	135,000

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2023, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2024 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2033 shall be subject to optional redemption prior to maturity on February 1, 2032 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

DELIVERY

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

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$1,793,220 plus accrued interest on the principal sum of \$1,815,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 11:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

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

A good faith deposit ("Deposit") in the amount of \$36,300 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

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

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

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

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

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

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

By Order of the City Council

City of Montevideo, Minnesota

PROPOSAL FORM

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

June 28, 2022

RE: **\$1,815,000* General Obligation Bonds, Series 2022A (the "Bonds")**
DATED: **July 14, 2022**

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$1,793,220) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2024	_____ % due 2029	_____ % due 2034
_____ % due 2025	_____ % due 2030	_____ % due 2035
_____ % due 2026	_____ % due 2031	_____ % due 2036
_____ % due 2027	_____ % due 2032	_____ % due 2037
_____ % due 2028	_____ % due 2033	_____ % due 2038

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

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2024 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%). All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$36,300 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about July 14, 2022.

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

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

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

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

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

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from July 14, 2022 of the above proposal is \$_____ and the true interest cost (TIC) is _____.

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

By: _____ By: _____
Title: _____ Title: _____