

PRELIMINARY OFFICIAL STATEMENT DATED MAY 14, 2020

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.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF OSSEO, MINNESOTA (Hennepin County)

\$3,790,000* GENERAL OBLIGATION BONDS, SERIES 2020A

PROPOSAL OPENING: May 26, 2020, 10:00 A.M., C.T.

CONSIDERATION: May 26, 2020, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$3,790,000* General Obligation Bonds, Series 2020A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429, 444 and 475, and Section 412.301, by the City of Osseo, Minnesota (the "City") for the purposes of: (i) financing various public improvements within the City; (ii) financing the construction of various utility system improvements within the City; and (iii) financing the acquisition of capital equipment. 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: June 18, 2020

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2022	\$240,000	2029	\$285,000	2036	\$180,000
2023	255,000	2030	285,000	2037	75,000
2024	260,000	2031	160,000	2038	80,000
2025	260,000	2032	160,000	2039	80,000
2026	265,000	2033	165,000	2040	80,000
2027	265,000	2034	170,000	2041	85,000
2028	265,000	2035	175,000		

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, 2021 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2030 and thereafter are subject to call for prior optional redemption on February 1, 2029 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$3,744,520.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$75,800 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.

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CITY OF OSSEO CITY COUNCIL

		<u>Term Expires</u>
Duane Poppe	Mayor	January 2021
Juliana Hultstrom	Council Member	January 2023
Harold Johnson	Council Member	January 2021
Mark Schulz	Council Member	January 2021
Larry Stelmach	Council Member	January 2023

ADMINISTRATION

Riley Grams, City Administrator
April Weller, City Accountant
LeAnn Larson, City Clerk

PROFESSIONAL SERVICES

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Osseo, Minnesota (the "City") and the issuance of its \$3,790,000* General Obligation Bonds, Series 2020A (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 May 26, 2020.

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 June 18, 2020. 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, 2021, 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 2022 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, 2030 shall be subject to optional redemption prior to maturity on February 1, 2029 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the 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, and Section 412.301, by the City, for the purposes of: (i) financing street surface improvements (the "Improvement Portion"); (ii) financing the construction of water, sewer and storm water system improvements (the "Utility Revenue Portion"); and (iii) financing the acquisition of capital equipment (the "Equipment Portion").

All equipment has an expected useful life at least as long as the term of the Bonds. The par amount of the Equipment Portion of the Bonds does not exceed 0.25% of the estimated market value of the City. The estimated market value of the City for taxes collectible in 2020 is \$292,412,400. Therefore, the maximum par amount of the Equipment Portion of the Bonds cannot exceed \$731,031.

ESTIMATED SOURCES AND USES*

Sources	Improvement Portion	Utility Revenue Portion	Equipment Portion	Total Bond Issue
Par Amount of Bonds	\$810,000	\$2,845,000	\$135,000	\$3,790,000
Prepaid Assessments	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Total Sources	\$840,000	\$2,845,000	\$135,000	\$3,820,000
Uses				
Total Underwriter's Discount (1.200%)	\$9,720	\$34,140	\$1,620	\$45,480
Costs of Issuance	12,823	45,040	2,137	60,000
Deposit to Capitalized Interest Fund	11,132	-	-	11,132
Deposit to Project Construction Fund	801,696	2,767,941	130,000	3,699,636
Rounding Amount	<u>4,629</u>	<u>(2,120)</u>	<u>1,243</u>	<u>3,752</u>
Total Uses	\$840,000	\$2,845,000	\$135,000	\$3,820,000

*Preliminary, subject to change.

Breakdown of Principal Payments:*

Payment Date	Improvement Portion	Utility Revenue Portion	Equipment Portion	Total Bond Issue
2/01/2022	\$45,000	\$180,000	\$15,000	\$240,000
2/01/2023	50,000	190,000	15,000	255,000
2/01/2024	50,000	195,000	15,000	260,000
2/01/2025	50,000	195,000	15,000	260,000
2/01/2026	50,000	200,000	15,000	265,000
2/01/2027	50,000	200,000	15,000	265,000
2/01/2028	50,000	200,000	15,000	265,000
2/01/2029	55,000	215,000	15,000	285,000
2/01/2030	55,000	215,000	15,000	285,000
2/01/2031	55,000	105,000	-	160,000
2/01/2032	55,000	105,000	-	160,000
2/01/2033	60,000	105,000	-	165,000
2/01/2034	60,000	110,000	-	170,000
2/01/2035	60,000	115,000	-	175,000
2/01/2036	65,000	115,000	-	180,000
2/01/2037	-	75,000	-	75,000
2/01/2038	-	80,000	-	80,000
2/01/2039	-	80,000	-	80,000
2/01/2040	-	80,000	-	80,000
2/01/2041	<u>-</u>	<u>85,000</u>	<u>-</u>	<u>85,000</u>
Total	\$810,000	\$2,845,000	\$135,000	\$3,790,000

*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 that the debt service 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 Bonds as required by Minnesota law.

The City anticipates that the debt service on the Utility Revenue Portion of the Bonds will be paid entirely from net revenues of the water, sewer and storm water systems which are owned and operated by the City.

The City anticipates that the debt service on the Equipment Portion of the Bonds will be paid entirely from ad valorem property taxes, which will be levied in an amount sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

Should the 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.

The City has requested a rating on the Bonds from S&P Global Ratings, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P Global Ratings. 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 that 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, 2019, have been audited by BerganKDV, LTD., Minneapolis, 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 President Trump declaring 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 April 30, 2020, Minnesota Governor Tim Walz, signed Emergency Executive Order 20-48, Extending and Modifying Stay at Home Order, Continuing Temporary Closure of Bars, Restaurants, and Other Places of Public Accommodation, and Allowing Additional Workers in Certain Non-Critical Sectors to Return to Safe Workplaces. This order is in effect through May 17, 2020. On April 23, 2020, the Governor also signed Emergency Executive Order 20-41 which directs the Commissioner of Education to extend the Distance Learning Period for Minnesota's students through the end of the current school year.

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	2017/18	2018/19	2019/20
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 \$1,940,000 - 0.50% ² Over \$1,940,000 - 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 \$1,880,000 - 0.50% ² Over \$1,880,000 - 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 \$121,000 - .75% Over \$121,000 - .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 \$139,000 - .75% Over \$139,000 - .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 \$150,000 - .75% Over \$150,000 - .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 \$150,000 - 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

2018/19 Economic Market Value ¹		<u>\$289,142,039²</u>
	2019/20 Assessor's Estimated Market Value	2019/20 Net Tax Capacity
Real Estate	\$289,379,600	\$ 3,612,715
Personal Property	<u>3,032,800</u>	<u>58,926</u>
Total Valuation	<u>\$292,412,400</u>	\$ 3,671,641
Less: Captured Tax Increment Tax Capacity ³		(665,362)
Fiscal Disparities Contribution ⁴		<u>(499,178)</u>
Taxable Net Tax Capacity		\$ 2,507,101
Plus: Fiscal Disparities Distribution ³		<u>481,794</u>
Adjusted Taxable Net Tax Capacity		<u>\$ 2,988,895</u>

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

² According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City of Osseo is about 96.63% 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 an Economic Market Value ("EMV") for the City of \$289,142,039.

³ The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City of Osseo.

⁴ Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base since 1972 to an area pool which is then distributed among the municipalities on the basis of population, and fiscal capacity indicated market value as determined by the Minnesota Department of Revenue. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2018/19 NET TAX CAPACITY BY CLASSIFICATION

	2019/20 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$ 1,312,678	35.75%
Other	73,210	1.99%
Commercial/industrial	1,364,862	37.17%
Public utility	988	0.03%
Railroad operating property	28,112	0.77%
Non-homestead residential	816,215	22.23%
Commercial & residential seasonal/rec.	16,650	0.45%
Personal property	58,926	1.60%
Total	<u>\$ 3,671,641</u>	<u>100.00%</u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Adjusted Taxable Net Tax Capacity²	Percent +/- in Estimated Market Value
2015/16	\$215,160,500	\$200,131,762	\$2,662,415	\$2,262,200	+10.77%
2016/17	239,168,600	224,327,195	2,961,192	2,461,181	+11.16%
2017/18	259,662,800	246,085,240	3,208,154	2,703,426	+ 8.57%
2018/19	278,713,100	265,641,800	3,464,665	2,896,030	+ 7.34%
2019/20	292,412,400	279,620,580	3,671,641	2,988,895	+ 4.92%

¹ Net Tax Capacity is before fiscal disparities adjustments and includes tax increment values.

² Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment values.

LARGER TAXPAYING PARCELS¹

Taxpayer	Type of Property	2019/20 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Magellan Investment Partnerships, LLC	Apartment	\$ 327,688	8.92%
Bell Tower Osseo, LLC, et al	Industrial	137,614	3.75%
Wiley Enterprises, Inc.	Industrial/Commercial	133,120	3.63%
Wiley Properties, LLC	Industrial	126,500	3.45%
Steeple Point	Apartment	75,438	2.05%
KL & KL Investments	Industrial	63,410	1.73%
Bennis Investment Property, LLP	Industrial	53,250	1.45%
Mijon Minneapolis, LC	Industrial	44,830	1.22%
6 th St Apts, LLC	Apartment	44,763	1.22%
Villa At Osseo Realty, LLC	Nursing home	44,650	1.22%
Total		<u><u>\$ 1,051,263</u></u>	<u><u>28.63%</u></u>

City's Total 2019/20 Net Tax Capacity \$3,671,641

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

¹ Hennepin County has provided only the ten largest taxpaying parcels which appear on the tax rolls of the County, and therefore the information stated above may not be reflective of the entire valuation of all parcels and may not include all classifications of property.

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)*	\$ 7,170,000
Total G.O. debt secured by tax increment revenues	720,000
Total G.O. debt secured by taxes (includes the Equipment Portion of the Bonds)*	1,510,000
Total G.O. debt secured by utility revenues (includes the Utility Revenue Portion of the Bonds)*	<u>3,510,000</u>
Total General Obligation Debt*	<u><u>\$12,910,000</u></u>

Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations ²	<u><u>\$940,000</u></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 Osseo, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 06/18/2020)

Dated Amount Maturity	Improvement Bonds Series 2012A		Improvement Bonds Series 2014A		Improvement Bonds Series 2016A		Improvement Refunding Bonds Series 2016B		Improvement Bonds 1) Series 2017A		
	09/12/2012 \$505,000 02/01	10/16/2014 \$1,010,000 02/01	06/16/2016 \$880,000 02/01	06/16/2016 \$3,250,000 02/01	06/29/2017 \$700,000 02/01	Principal	Interest	Principal	Interest	Principal	Interest
Calendar Year Ending											
2020	0	2,975	0	8,975	0	7,863	0	34,350	0	7,760	
2021	30,000	5,613	80,000	17,150	55,000	15,175	240,000	65,100	40,000	15,240	
2022	30,000	4,938	80,000	15,350	55,000	14,075	250,000	57,750	40,000	14,680	
2023	30,000	4,263	90,000	13,225	55,000	12,975	260,000	50,100	45,000	13,950	
2024	30,000	3,588	90,000	10,975	55,000	11,875	270,000	42,150	45,000	13,050	
2025	30,000	2,860	90,000	8,725	60,000	10,725	280,000	33,900	45,000	12,150	
2026	30,000	2,080	35,000	6,900	60,000	9,525	290,000	26,800	45,000	11,250	
2027	30,000	1,300	35,000	5,500	60,000	8,325	290,000	21,000	45,000	10,125	
2028	35,000	455	40,000	4,000	60,000	7,125	295,000	15,150	50,000	8,700	
2029			40,000	2,400	60,000	5,850	300,000	9,200	50,000	7,200	
2030			40,000	800	65,000	4,444	310,000	3,100	50,000	5,700	
2031					65,000	2,819			55,000	4,125	
2032					70,000	963			55,000	2,475	
2033									55,000	825	
2034											
2035											
2036											
	245,000	28,070	620,000	94,000	720,000	111,738	2,785,000	358,600	620,000	127,230	

1) This represents the \$700,000 Improvement portion of the \$905,000 General Obligation Bonds, Series 2017A.

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**City of Osseo, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 06/18/2020)**

Dated Amount	Maturity	Improvement Bonds 2) Series 2018A		Improvement Bonds Series 2019A		Improvement Bonds 3) Series 2020A		Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
		Principal	Interest	Principal	Interest	Principal	Interest				
06/07/2018 \$660,000	02/01	0	8,861	0	11,648	0	0	82,431	7,170,000	.00%	2020
		35,000	17,319	40,000	12,885	0	0	167,962	6,650,000	7.25%	2021
		35,000	16,514	40,000	12,365	45,000	19,480	727,020	6,075,000	15.27%	2022
		40,000	15,651	40,000	11,845	50,000	16,349	137,609	5,465,000	23.78%	2023
		40,000	14,666	45,000	11,270	50,000	15,600	122,361	4,840,000	32.50%	2024
		40,000	13,616	50,000	10,605	50,000	14,788	106,531	4,195,000	41.49%	2025
		45,000	12,501	50,000	9,905	50,000	13,075	92,036	3,590,000	49.93%	2026
		45,000	11,235	50,000	9,130	50,000	12,150	78,765	2,985,000	58.37%	2027
		45,000	9,885	50,000	8,280	50,000	11,175	64,770	2,360,000	67.09%	2028
		45,000	8,535	50,000	7,430	55,000	10,111	50,726	1,760,000	75.45%	2029
		50,000	7,110	50,000	6,493	55,000	8,970	36,616	1,140,000	84.10%	2030
		50,000	5,610	50,000	5,468	55,000	7,801	25,823	865,000	87.94%	2031
		50,000	4,110	55,000	4,391	55,000	6,578	18,516	580,000	91.91%	2032
		50,000	2,560	55,000	3,264	60,000	5,240	11,889	360,000	94.98%	2033
		55,000	880	60,000	2,025	60,000	3,815	6,720	185,000	97.42%	2034
				60,000	675	60,000	2,360	3,035	65,000	99.09%	2035
						65,000	813	813	0	100.00%	2036
		625,000	149,053	745,000	127,678	810,000	162,254	1,158,622	8,328,622		

* Preliminary, subject to change.

2) This represents the \$660,000 improvement portion of the \$805,000 General Obligation Bonds, Series 2018A.

3) This represents the \$810,000 improvement portion of the \$3,790,000 General Obligation Bonds, Series 2020A.

City of Osseo, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Incremental Revenues
(As of 06/18/2020)

		Tax Increment Refunding Bonds Series 2011A		Taxable Tax Increment Bonds Series 2014B			
Dated Amount	Maturity	Principal	Interest	Principal	Interest		
05/04/2011 \$1,665,000	02/01	0	5,569	0	6,570	0	12,139
		160,000	8,438	45,000	12,488	205,000	20,925
		170,000	2,869	45,000	11,183	215,000	14,051
				45,000	9,776	45,000	9,776
				45,000	8,269	45,000	8,269
				50,000	6,678	50,000	6,678
				50,000	4,928	50,000	4,928
				55,000	3,011	55,000	3,011
				55,000	1,004	55,000	1,004
		330,000	16,875	390,000	63,905	720,000	80,780
2020						0	12,139
2021						205,000	20,925
2022						215,000	229,051
2023						45,000	54,776
2024						45,000	53,269
2025						50,000	56,678
2026						50,000	54,928
2027						55,000	58,011
2028						55,000	56,004
				720,000	80,780	720,000	800,780
Calendar Year Ending						Total Principal	Total Interest
						Total P & I	Principal Outstanding
						% Paid	Calendar Year Ending
						.00%	2020
						28.47%	2021
						58.33%	2022
						64.58%	2023
						70.83%	2024
						77.78%	2025
						84.72%	2026
						92.36%	2027
						100.00%	2028

City of Osseo, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 06/18/2020)

Dated Amount	Maturity	Capital Improvement Plan Bonds Series 2010A		Street Reconstruction Bonds Series 2015A		Equipment Certificates 1) Series 2020A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
		Principal	Interest	Principal	Interest	Principal	Interest						
07/08/2010 \$1,955,000	02/01	0	6,283	0	10,650	0	0	0	16,933	16,933	1,510,000	.00%	2020
		185,000	9,513	160,000	19,700	0	345,000	32,074	377,074	377,074	1,165,000	22.85%	2021
		190,000	3,250	160,000	16,500	15,000	365,000	22,066	387,066	387,066	800,000	47.02%	2022
				165,000	13,250	15,000	180,000	15,350	195,350	195,350	620,000	58.94%	2023
				170,000	9,900	15,000	185,000	11,756	196,756	196,756	435,000	71.19%	2024
				170,000	6,288	15,000	185,000	7,893	192,893	192,893	250,000	83.44%	2025
				175,000	2,188	15,000	190,000	3,530	193,530	193,530	60,000	96.03%	2026
						15,000	15,000	1,065	16,065	16,065	45,000	97.02%	2027
						15,000	15,000	773	15,773	15,773	30,000	98.01%	2028
						15,000	15,000	469	15,469	15,469	15,000	99.01%	2029
						15,000	15,000	158	15,158	15,158	0	100.00%	2030
		375,000	19,025	1,000,000	78,475	135,000	1,510,000	112,065	1,622,065	1,622,065			

* Preliminary, subject to change.

1) This represents the \$135,000 Equipment Portion of the \$3,790,000 General Obligation Bonds, Series 2020A.

City of Osseo, Minnesota
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Utility Revenues
 (As of 06/18/2020)

Dated Amount	Utility Revenue Bonds Series 2016A			Utility Revenue Bonds Series 2017A			Utility Revenue Bonds Series 2018A			Utility Revenue Bonds Series 2020A			Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	Maturity	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Interest				
2020	0	3,794	0	0	1,864	0	0	0	0	0	0	7,973	3,510,000	.00%	2020	
2021	25,000	7,338	10,000	4,560	3,613	10,000	3,613	180,000	57,373	0	68,562	84,072	3,465,000	1.28%	2021	
2022	25,000	6,838	10,000	4,420	3,383	10,000	3,383	10,000	5,458	180,000	72,013	297,013	3,240,000	7.69%	2022	
2023	25,000	6,338	15,000	4,200	3,153	10,000	3,153	10,000	54,458	190,000	68,148	308,148	3,000,000	14.53%	2023	
2024	25,000	5,838	15,000	3,900	2,906	10,000	2,906	195,000	51,329	195,000	63,973	308,973	2,755,000	21.51%	2024	
2025	25,000	5,338	15,000	3,600	2,644	10,000	2,644	195,000	48,063	245,000	59,644	304,644	2,510,000	28.49%	2025	
2026	25,000	4,838	15,000	3,300	2,381	10,000	2,381	200,000	44,605	250,000	55,124	305,124	2,260,000	35.61%	2026	
2027	30,000	4,288	15,000	2,925	2,100	10,000	2,100	200,000	40,905	255,000	50,218	305,218	2,005,000	42.88%	2027	
2028	30,000	3,688	15,000	2,475	1,800	10,000	1,800	200,000	37,005	255,000	44,968	299,968	1,750,000	50.14%	2028	
2029	30,000	3,050	15,000	2,025	1,500	10,000	1,500	215,000	32,801	270,000	39,376	309,376	1,480,000	57.83%	2029	
2030	35,000	2,319	15,000	1,575	1,125	15,000	1,125	215,000	28,340	280,000	33,359	313,359	1,200,000	65.81%	2030	
2031	35,000	1,444	15,000	1,125	675	15,000	675	105,000	24,954	170,000	28,198	198,198	1,030,000	70.66%	2031	
2032	35,000	481	15,000	675	225	15,000	225	105,000	22,618	170,000	23,999	193,999	860,000	75.50%	2032	
2033			15,000	225		15,000		105,000	20,176	120,000	20,401	140,401	740,000	78.92%	2033	
2034								110,000	17,623	110,000	17,623	127,623	630,000	82.05%	2034	
2035								115,000	14,894	115,000	14,894	129,894	515,000	85.33%	2035	
2036								115,000	12,048	115,000	12,048	127,048	400,000	88.60%	2036	
2037								75,000	9,654	75,000	9,654	84,654	325,000	90.74%	2037	
2038								80,000	7,658	80,000	7,658	87,658	245,000	93.02%	2038	
2039								80,000	5,558	80,000	5,558	85,558	165,000	95.30%	2039	
2040								80,000	3,418	80,000	3,418	83,418	85,000	97.58%	2040	
2041								85,000	1,169	85,000	1,169	86,169	0	100.00%	2041	
			345,000	55,588	185,000	37,320	135,000	27,368	2,845,000	603,206	723,481	4,233,481	3,510,000			

* Preliminary, subject to change.

- 1) This represents the \$205,000 Utility Revenue portion of the \$905,000 General Obligation Bonds, Series 2017A.
- 2) This represents the \$145,000 Utility Revenue portion of the \$805,000 General Obligation Bonds, Series 2018A.
- 3) This represents the \$2,845,000 Utility Revenue Portion of the \$3,790,000 General Obligation Bonds, Series 2020A.

Economic Development Authority of the City of Osseo, Minnesota
 Schedule of Bonded Indebtedness
 Non-General Obligation Debt Secured by Annual Appropriation
 (As of 06/18/2020)

Public Project Lease Revenue Bonds
 Series 2014A

Dated Amount	08/06/2014 \$1,150,000
Maturity	02/01

Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2020	0	17,313	0	17,313	17,313	940,000	.00%	2020
2021	50,000	34,125	50,000	34,125	84,125	890,000	5.32%	2021
2022	50,000	32,875	50,000	32,875	82,875	840,000	10.64%	2022
2023	50,000	31,375	50,000	31,375	81,375	790,000	15.96%	2023
2024	55,000	29,800	55,000	29,800	84,800	735,000	21.81%	2024
2025	55,000	27,944	55,000	27,944	82,944	680,000	27.66%	2025
2026	55,000	25,881	55,000	25,881	80,881	625,000	33.51%	2026
2027	60,000	23,725	60,000	23,725	83,725	565,000	39.89%	2027
2028	60,000	21,400	60,000	21,400	81,400	505,000	46.28%	2028
2029	65,000	18,900	65,000	18,900	83,900	440,000	53.19%	2029
2030	65,000	16,300	65,000	16,300	81,300	375,000	60.11%	2030
2031	70,000	13,600	70,000	13,600	83,600	305,000	67.55%	2031
2032	70,000	10,800	70,000	10,800	80,800	235,000	75.00%	2032
2033	75,000	7,900	75,000	7,900	82,900	160,000	82.98%	2033
2034	80,000	4,800	80,000	4,800	84,800	80,000	91.49%	2034
2035	80,000	1,600	80,000	1,600	81,600	0	100.00%	2035
	940,000	318,338	940,000	318,338	1,258,338			

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 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 (includes the Utility Revenue Portion of the Bonds); (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (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 issued to pay judgments against the City; and (8) 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.

2019/20 Assessor's Estimated Market Value	\$292,412,400
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 8,772,372
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Equipment Portion of the Bonds)*	(1,510,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	<u>(940,000)</u>
Unused Debt Limit*	<u><u>\$ 6,322,372</u></u>

*Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2019/20 Adjusted Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
Hennepin County	\$2,112,707,400	0.1415%	\$ 996,820,000 ³	\$ 1,410,500
I.S.D. No. 279 (Osseo Area Schools)	212,201,535	1.4085%	146,965,000 ⁴	2,070,002
Metropolitan Council	4,576,187,142	0.0653%	221,800,000 ⁵	144,835
Three Rivers Park District	1,487,545,247	0.2009%	46,875,000	94,172
City's Share of Total Overlapping Debt				<u>\$ 3,719,510</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. 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 Hennepin County also has General Obligation Solid Waste Revenue Bonds outstanding which are payable entirely from the County's solid waste enterprise fund; General Obligation Bonds (Century Plaza Debt) which are expected to be paid from building rental fees from County departments and non-County tenants; and General Obligation Ice Arena Revenue Bonds which are expected to be paid from building rental payments from Augsburg College. These issues have not been included in the overlapping debt or debt ratios.

⁴ 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.

⁵ The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding all of which are supported entirely by revenues and have not been included in the Overlapping Debt or Debt Ratios sections.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$289,142,039)	Debt/ Current Population Estimate (2,731)
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	\$ 7,170,000		
Tax Increment Revenues	720,000		
Taxes*	1,510,000		
Utility Revenues*	<u>3,510,000</u>		
Total General Obligation Debt (includes the Bonds)*	\$12,910,000		
Less: G.O. Debt Paid Entirely from Revenues ¹	<u>(3,510,000)</u>		
Tax Supported General Obligation Debt*	\$ 9,400,000	3.25%	\$3,441.96
 City's Share of Total Overlapping Debt	 <u>\$ 3,719,510</u>	 <u>1.29%</u>	 <u>\$1,361.96</u>
 Total*	 <u><u>\$13,119,510</u></u>	 <u><u>4.54%</u></u>	 <u><u>\$4,803.92</u></u>

*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 plans to issue approximately \$1,000,000 General Obligation Improvement Bonds, for continued planned projects, in the Spring of 2021.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2015/16	\$1,604,827	\$ 1,590,769	\$ 1,603,816	99.94%
2016/17	1,711,614	1,708,443	1,710,719	99.95%
2017/18	1,728,753	1,720,826	1,728,294	99.97%
2018/19	1,753,000	1,745,409	1,745,409	99.57%
2019/20	1,736,725	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 January 1, 2020.

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

TAX CAPACITY RATES¹

	2015/16	2016/17	2017/18	2018/19	2019/20
Hennepin County	45.356%	44.087%	42.808%	41.861%	41.084%
City of Osseo	70.645%	69.097%	63.157%	60.009%	57.740%
I.S.D. No. 279 (Osseo Area Schools)	26.267%	26.730%	24.921%	24.615%	22.008%
Metropolitan Mosquito	0.483%	0.475%	0.456%	0.427%	0.412%
Metropolitan Council	0.925%	0.883%	0.844%	0.659%	0.616%
Metropolitan Transit	1.491%	1.463%	1.383%	1.456%	1.433%
Three Rivers Park District	3.601%	3.365%	3.161%	2.961%	2.895%
Park Museum	0.712%	0.711%	0.710%	0.705%	0.710%
HCRRA	1.879%	1.925%	1.962%	1.807%	1.388%
Hennepin County HRA	0.439%	0.497%	0.457%	0.535%	0.801%
Referendum Market Value Rates:					
I.S.D. No. 279 (Osseo Area Schools)	0.27820%	0.27516%	0.26582%	0.27486%	0.25606%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Hennepin 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 of Osseo was organized as a municipality in 1875. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Administrator, City Accountant and City Clerk are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 16 full-time, 37 part-time, and 3 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
LELS No. 182	December 31, 2020

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 actuarial study shows a total OPEB liability of \$234,101 as of December 31, 2019. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent actuarial study.

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 February 28, 2020)

Fund	Total Cash and Investments
General	\$ 1,067,934
Special Revenue	76,741
Debt Service	588,887
Capital Projects	2,202,427
Enterprise Funds	2,793,610
Total Funds on Hand	<u><u>\$ 6,729,599</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:

	2017	2018	2019
Water			
Total Operating Revenues	\$460,935	\$461,348	\$433,267
Less: Operating Expenses	<u>(340,432)</u>	<u>(359,586)</u>	<u>(383,065)</u>
Operating Income	\$120,503	\$101,762	\$ 50,202
Plus: Depreciation	<u>27,391</u>	<u>27,352</u>	<u>29,858</u>
Revenues Available for Debt Service	<u><u>\$147,894</u></u>	<u><u>\$129,114</u></u>	<u><u>\$ 80,060</u></u>
Sewer			
Total Operating Revenues	\$515,803	\$546,444	\$519,028
Less: Operating Expenses	<u>(347,689)</u>	<u>(349,344)</u>	<u>(394,685)</u>
Operating Income	\$168,114	\$197,100	\$124,343
Plus: Depreciation	<u>43,068</u>	<u>40,624</u>	<u>34,470</u>
Revenues Available for Debt Service	<u><u>\$211,182</u></u>	<u><u>\$237,724</u></u>	<u><u>\$158,813</u></u>
Storm Water			
Total Operating Revenues	\$180,695	\$187,317	\$189,480
Less: Operating Expenses	<u>(59,528)</u>	<u>(71,648)</u>	<u>(71,139)</u>
Operating Income	\$121,167	\$115,669	\$118,341
Plus: Depreciation	<u>11,897</u>	<u>14,054</u>	<u>21,036</u>
Revenues Available for Debt Service	<u><u>\$133,064</u></u>	<u><u>\$129,723</u></u>	<u><u>\$139,377</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 City's 2019 audited financial statements.

	FISCAL YEAR ENDING DECEMBER 31				
	2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Adopted Budget 1)
COMBINED STATEMENT					
Revenues					
Taxes	\$1,289,264	\$1,457,746	\$1,460,861	\$1,477,551	\$1,539,578
Franchise taxes	89,205	93,030	98,107	99,808	98,500
Special assessments	5,816	5,653	3,862	1,091	5,500
Licenses and permits	129,332	155,934	210,464	192,754	175,300
Intergovernmental	712,071	729,292	720,876	728,375	716,688
Charges for services	2,194	22,905	37,578	43,458	48,000
Fines and forfeitures	35,048	41,386	43,310	53,066	50,000
Miscellaneous	32,664	17,094	21,951	75,917	96,700
Total Revenues	<u>\$2,295,594</u>	<u>\$2,523,040</u>	<u>\$2,597,009</u>	<u>2,672,020</u>	<u>\$2,730,266</u>
Expenditures					
Current:					
General government	576,639	574,854	657,312	678,359	729,526
Public safety	875,691	887,810	937,708	1,084,221	1,198,947
Public works	194,376	139,921	187,479	194,258	193,518
Culture and recreation	70,765	80,830	103,341	115,110	125,405
Debt service	0	0	0	0	0
Capital outlay	0	1,602	4,720	4,436	0
Total Expenditures	<u>\$1,717,471</u>	<u>\$1,685,017</u>	<u>\$1,890,560</u>	<u>2,076,384</u>	<u>\$2,247,396</u>
Excess of revenues over (under) expenditures	\$578,123	\$838,023	\$706,449	\$595,636	\$482,870
Other Financing Sources (Uses)					
Operating transfers in	35,000	49,500	52,500	55,000	50,000
Operating transfers out	(637,525)	(669,400)	(652,870)	(625,870)	(565,870)
Total Other Financing Sources (Uses)	<u>(\$602,525)</u>	<u>(\$619,900)</u>	<u>(\$600,370)</u>	<u>(\$570,870)</u>	<u>(\$515,870)</u>
Net changes in Fund Balances	(\$24,402)	\$218,123	\$106,079	\$24,766	(\$33,000)
General Fund Balance January 1					
General Fund Balance January 1	1,013,083	988,681	1,206,804	1,312,883	1,337,649
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance December 31	\$988,681	\$1,206,804	\$1,312,883	\$1,337,649	\$1,304,649
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$16,943	\$21,873	\$11,494	\$20,721	
Unassigned	971,738	1,184,931	1,301,389	1,316,928	
Total	<u>\$988,681</u>	<u>\$1,206,804</u>	<u>\$1,312,883</u>	<u>\$1,337,649</u>	

1) The 2020 budget was adopted on December 9, 2019.

GENERAL INFORMATION

LOCATION

The City of Osseo, with a 2010 U.S. Census population of 2,430 and a current population estimate of 2,731, and comprising an area of one square miles, is located approximately 20 miles northwest of the City of Minneapolis.

LARGER EMPLOYERS¹

Larger employers in the City of Osseo include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 279 (Osseo Area Schools)	Elementary and secondary education	454 ²
LCI (Lawinger Consulting, Inc.)	IT consulting	150
The Villa at Osseo	Nursing home	110
Parts Town ³	Food service & beverage equipment distributor	100
Computer Docs	Computer service & repair	99
Minnesota Exteriors, Inc. ⁴	Roofing, siding & window contractor	65
Ceramic Industrial Coatings	Paint & coating manufacturing	57
City of Osseo	Municipal government and services	56
Benedictine Senior Living at Steeple Pointe	Nursing home	43
Voyage Healthcare	Healthcare clinic	30 ⁵
Yellow Tree Theater	Theater	27 ⁶

Source: *ReferenceUSA, written and telephone survey (March 2020), 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 noted 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").

² This total reflects the employees within the City limits.

³ 3 Wire Group and Parts Town merged.

⁴ Minnesota Exteriors, Inc. also has two subsidiary companies in the same location. The two subsidiary companies are North Country Distributors and Minnesota Exterior Commercial.

⁵ Formally known as North Clinic.

⁶ Yellow Tree Theater is currently closed due to the COVID-19 pandemic. The 27 employees listed is as of March 2020.

BUILDING PERMITS

	2016	2017	2018	2019	2020 ¹
<u>New Single Family Homes</u>					
No. of building permits	1	0	0	1	0
Valuation	\$10,000	\$0	\$0	\$225,178	\$0
<u>New Multiple Family Buildings</u>					
No. of building permits	0	19	0	0	0
Valuation	\$0	\$474,738	\$0	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	0	10	1	0	0
Valuation	\$0	\$149,813	\$150,000	\$0	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	252	328	310	515	96
Valuation	\$3,004,503	\$5,093,692	\$8,694,991	\$7,683,888	\$705,185

Source: The City.

¹ As of April 14, 2020.

U.S. CENSUS DATA

Population Trend: The City

2000 U.S. Census population	2,434
2010 U.S. Census population	2,430
2018 State Demographer's Estimate	2,731
Percent of Change 2000 - 2010	-0.16%

Income and Age Statistics

	The City	Hennepin County	State of Minnesota	United States
2018 per capita income	\$34,953	\$43,976	\$36,245	\$32,621
2018 median household income	\$52,930	\$74,113	\$68,411	\$60,293
2018 median family income	\$71,563	\$100,661	\$86,204	\$73,965
2018 median gross rent	\$963	\$1,085	\$944	\$1,023
2018 median value owner occupied units	\$181,800	\$260,300	\$211,800	\$204,900
2018 median age	48 yrs.	36 yrs.	37 yrs.	37.9 yrs.

	State of Minnesota	United States
City % of 2018 per capita income	96.44%	107.15%
City % of 2018 median family income	83.02%	96.75%

Housing Statistics

	<u>The City</u>		
	2010	2018	Percent of Change
All Housing Units	1,060	1,217	14.81%

Source: 2000 and 2010 Census of Population and Housing, and 2018 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>	
	Hennepin County	Hennepin County	State of Minnesota	
2016	664,578	3.3%	3.9%	
2017	677,696	3.0%	3.4%	
2018	685,853	2.5%	2.9%	
2019	691,497	2.8%	3.3%	
2020, March	681,625	3.0%	3.9%	

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 Osseo
Hennepin County, Minnesota**

Financial Statements

December 31, 2019

City of Osseo
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- Schedule of Changes in Total OPEB Liability and Related Ratios
- Schedule of City's Proportionate Share of Net Pension Liability – General Employees Plan Retirement Fund
- Schedule of City's Proportionate Share of Net Pension Liability – Public Employees Police and Fire Retirement Fund
- Schedule of City Contributions – General Employees Plan Retirement Fund
- Schedule of City Contributions – Public Employees Police and Fire Retirement Fund
- Schedule of Changes in Net Pension Liability and Related Ratios – Fire Relief Association
- Schedule of City Contributions and Non-Employer Contributing Entities – Fire Relief Association
- Notes to Required Supplementary Information

Supplementary Information

- Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
- Combining Balance Sheet – Nonmajor Governmental Funds

City of Osseo
Table of Contents

Supplementary Information (Continued)

- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
- Combining Balance Sheet – EDA Funds
- Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – EDA Funds

Minnesota Legal Compliance

City of Osseo
Elected Officials and Administration
 December 31, 2019

Elected Officials	Position	Term Expires
Duane Poppe	Mayor	December 31, 2020
Mark Schulz	Council Member	December 31, 2020
Harold E. Johnson	Council Member	December 31, 2020
Larry Steilmach	Council Member	December 31, 2022
Julianna Hullstrom	Council Member	December 31, 2022
<u>Administration</u>		
Riley Grams	City Administrator/ EDA Executive Director	Appointed
April Weller	Accountant	Appointed

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Osseo
Osseo, 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 Osseo, Minnesota, as of and for the year ended December 31, 2019, and the related notes to 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Osseo, Minnesota, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Osseo's basic financial statements. The accompanying supplementary information, as identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Bergan KDV Ltd.

Minneapolis, Minnesota
May 4, 2020

**City of Osseo
Management's Discussion and Analysis**

As management of the City of Osseo, Minnesota (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent year by \$13,550,775.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$5,698,963 an increase of \$466,286.
- At the end of the current year, unassigned fund balance for the General Fund was \$1,316,928 or 48.7% of 2019 total General Fund expenditures and transfers out and 46.8% of the 2020 budgeted expenditures and transfers out.
- The net position of the governmental activities increased by \$904,804 and the net position of the business-type activities increased by \$408,784.
- On March 26, 2018 S&P Global Ratings raised its long-term rating to "AA" from "AA-1" on the City's existing general obligation bonds and the City continues to maintain that rating in 2019.
- The City issued \$745,000 G. O. Bonds to finance the 2019 infrastructure improvements.
- The utility portion of the 2019 improvements for water, sewer and stormwater infrastructure was paid from monies available in those enterprise funds.
- The City also retired \$1,020,000 in scheduled bond principal in 2019.

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OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broader overview of the City's finances, in a manner similar to a private-sector business.

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

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, cultural and recreation, economic development, interest on long-term debt and intergovernmental. The business-type activities of the City include the water, sewer, and storm water.

The government-wide financial statements can be found on pages 15-17 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 year. Such information may be useful in evaluating a City'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 City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund (page 25) to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-25 of this report.

Proprietary Funds

The City maintains proprietary funds. The City's enterprise (proprietary) funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and storm water services.

FUND FINANCIAL STATEMENTS (CONTINUED)

Proprietary Funds (Continued)

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

The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Notes to 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 Financial Statements can be found on pages 29-64 of this report.

Blended Component Unit

The Osseo Economic Development Authority (EDA) has a seven-member governing body, with the majority of its membership being City Council members. Although legally separate, its financial activity is combined with the City as a blended component unit.

Comparative Data

In comparing year-end 2019 to 2018, there are a few items of note. The City's General Fund revenues increased in 2019 by \$75,011 while the City's expenditures increased by \$185,824 excluding transfers in or out. Budgeted transfers out decreased by \$27,000 in accordance with the City's long-term capital improvement plan. The overall General Fund Balance increased \$24,766.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities by \$13,350,775 at the close of the most recent year.

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

City of Osseo
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

	Net Position		
	2019	2018	Total
Current and other assets	\$ 8,464,143	\$ 8,019,964	\$ 11,771,830
Capital assets	13,062,610	12,815,632	15,305,331
Total assets	\$ 21,526,753	\$ 20,835,596	\$ 25,947,466
Deferred outflows of resources	\$ 648,296	\$ 844,847	\$ 668,937
Long-term liabilities outstanding	\$ 11,170,521	\$ 11,684,933	\$ 11,514,092
Other liabilities	1,759,351	1,628,468	56,949
Total liabilities	\$ 12,929,872	\$ 13,313,401	\$ 13,373,924
Deferred inflows of resources	\$ 794,261	\$ 1,025,930	\$ 27,138
Net position	\$ 3,944,875	\$ 3,133,202	\$ 2,047,721
Restricted	4,106,605	3,879,919	3,879,919
Unrestricted	399,436	147,991	3,451,574
Total net position	\$ 8,450,916	\$ 7,341,112	\$ 13,550,775

In June 2012, the Governmental Accounting Standards Board (GASB 68) issued new public pension accounting rules that took effect in fiscal year 2015 for local and state governments. The "Net Pension Liability" is calculated by the Public Employees Retirement Association (PERA) actuary, and a pro-rata share of the liability is recorded on the City's Statement of Net Position. The City's share of the net pension liability is reported in footnote 10.

Governmental activities increased the City's net position by \$904,804. The net position increase is mainly related to the reduced overall general governmental expenses and the capital grants and contributions related to public works.

Business-Type Activities

Business-type activities net position increased by \$408,784. The following highlights the change in the net position of the business accounts:

- The Water Fund charges for services decreased by \$22,057 and operating expenses increased by \$23,479. The operating income of the Water Fund is \$50,202 in 2019. Other income includes antennae rental income totaling \$64,712 together with interest income totaling \$50,815. Net position in the water fund increased by \$139,745 in 2019. Transfers out include the Water Fund contribution to the debt service of various bond issues over the past several years and contributions for future capital equipment needs.
- The Sewer Fund charges for services decreased by \$31,350 and operating expenses increased by \$45,341. The operating income of \$124,343 together with interest income of \$40,242 accounted for an increase in the Sewer Fund net position of \$101,972.

City of Osseo
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

	Net Position		
	2019	2018	Total
Current and other assets	\$ 8,464,143	\$ 8,019,964	\$ 11,771,830
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- The Water Fund charges for services decreased by \$22,057 and operating expenses increased by \$23,479. The operating income of the Water Fund is \$50,202 in 2019. Other income includes antennae rental income totaling \$64,712 together with interest income totaling \$50,815. Net position in the water fund increased by \$139,745 in 2019. Transfers out include the Water Fund contribution to the debt service of various bond issues over the past several years and contributions for future capital equipment needs.
- The Sewer Fund charges for services decreased by \$31,350 and operating expenses increased by \$45,341. The operating income of \$124,343 together with interest income of \$40,242 accounted for an increase in the Sewer Fund net position of \$101,972.

City of Osseo
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities (Continued)

- The Storm Water Fund charges for services increased by \$2,111 and operating expenses decreased by \$509. The operating income totaled \$118,341 and together with net interest expense totaling \$4,782 accounted for most of the increase in net position in the Storm Water Fund. The net position increase was \$167,067.
- Charges for services in the Water, Sewer and Storm Water Fund decreased by \$51,296 or approximately 4.4% from 2018. There was no increase in the user rates for the Water, Sewer or Storm Water in 2019. The City completed a utility rate study in 2019 and rates will be adjusted as necessary over the coming years as required to finance ongoing operations and the 2020 improvements that are planned.
- Beginning in 2018, the City is allocating any portion of bonds issued that include utility (water, sewer, or storm water) improvements to the respective enterprise funds. In prior years, the City has reported the liability for the bond issue in the governmental funds and transferred monies as necessary to finance the enterprise portion of the debt.
- Capital contributions reported as revenue in the utility enterprise funds represents infrastructure improvements financed by the governmental funds of the City.
- Transfers out include the enterprise fund contributions for debt service on bonds issued prior to 2018 and financing for future utility fund capital equipment needs.

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total
	2019	2018	2019	2018	
Revenue					
Program revenues	\$ 351,044	\$ 353,401	\$ 1,207,090	\$ 1,266,534	\$ 1,558,104
Charges for services	148,087	141,288	-	-	148,087
Operating grants and contributions	524,990	656,264	-	-	524,990
Capital grants and contributions	-	-	-	-	-
General revenues	1,773,766	1,752,981	-	-	1,773,766
Grants and contributions not restricted	1,509,604	1,425,221	-	-	1,509,604
To specific programs	227,819	71,922	111,802	27,478	339,751
Other	4,535,410	4,401,077	1,318,892	1,294,032	5,854,302
Total revenues	808,487	1,483,980	-	-	808,487
Expenses					
General government	1,294,798	1,109,229	-	-	1,294,798
Public safety	709,170	930,630	-	-	709,170
Public works	218,795	191,427	-	-	218,795
Culture and recreation	349,778	330,226	-	-	349,778
Economic development	36,013	35,164	-	-	36,013
Interest on long-term debt	394,685	349,344	394,685	349,344	789,370
Water	394,685	349,344	394,685	349,344	789,370
Sewer	394,685	349,344	394,685	349,344	789,370
Storm water	394,685	349,344	394,685	349,344	789,370
Total expenses	3,687,043	4,377,476	789,370	789,370	4,466,783
Increase in net position before transfers	848,867	37,601	464,221	566,080	1,313,588
Transfers	56,437	244,233	(56,437)	(244,233)	-
Increase (decrease) in net position	904,804	257,834	408,784	261,847	1,313,588
Net Position					
Beginning, as restated	7,546,112	7,278,278	4,609,075	4,429,228	12,237,187
Ending	\$ 8,450,916	\$ 7,546,112	\$ 5,099,859	\$ 4,691,075	\$ 13,550,775

City of Osseo
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$5,698,963. Approximately 21.43%, or \$1,221,545 of this total amount constitutes unassigned fund balance. The unassigned fund balance includes the fund balance deficit in the EDA Debt Service Fund of \$36,195 and the deficits of \$59,188 that are attributed to other non-major funds. The 2017 Street Projects, financed by issuing bonds in 2017, was eliminated in 2019 and the EDA debt service fund deficit will be eliminated by future TIF revenues. The deficit in the 2020 Improvement Capital Projects Fund represents the preliminary expenditures incurred in planning the 2020 project that will be financed with bonds issued in 2020.

The restricted, committed, or assigned fund balances indicate that the expenditures are limited to the eligible expenditures imposed by other governing bodies, funds that are identified for use under the City's capital plans, or is already restricted for debt service.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements.

The proprietary funds current year net position increase of \$408,784 is primarily due to operating income of \$292,886, interest income of \$109,727, capital contributions of \$134,839, less transfers out totaling \$191,276.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund balance increased by \$24,766 during the current year. Of the total fund balance of \$1,337,649, \$20,721 relates to prepaid items and is considered non-spendable and \$1,316,928 is unassigned and available for spending at December 31, 2019.

The City's 2019 General Fund revenue includes \$19,049 of excess TIF revenue (reported as part of property tax revenue). General Fund property tax and franchise tax revenues were \$18,391 more than 2018. The City also received \$192,754 in license and permit revenue compared to the estimated budget of \$170,610. The license and permit revenue variance of \$22,144 together with the interest income variance of \$38,246 accounts for the most significant General Fund revenue variance. The total General Fund actual revenue was \$104,150 more than anticipated in 2019. The General Fund expenditures totaled \$2,076,384 compare to a budgeted expenditure total of \$1,997,000. The variance is \$79,384 and is due to the City's operating expenditures of the inspection services.

City of Osseo
Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

The total fund balance is within the parameters of the City's policy of maintaining a General Fund balance that is approximately 40-50% of the subsequent year's budgeted operating expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019 amounted to \$15,305,331 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings, improvements, and machinery and equipment. The City continues its commitment to its Street Management Plan. The Street Management Plan started with the 2014 improvements and will continue thru 2021 or 2022 to complete the infrastructure improvements throughout the entire City. The Street Management Plan includes capital and maintenance expenditure estimates through 2030.

Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 620,368	\$ 620,368	\$ 46,035	\$ 46,035	\$ 666,403	\$ 666,403
Construction in Progress	900,505	1,026,439	-	-	900,505	1,026,439
Infrastructure	13,998,374	7,159,389	3,969,168	1,820,005	17,967,542	8,979,394
Buildings and Building Improvements	4,286,101	2,657,951	-	-	4,286,101	2,657,951
Improvements Other than Buildings	469,634	328,605	-	-	469,634	328,605
Machinery and Equipment	2,429,118	1,042,880	246,069	78,741	2,675,187	1,121,621
Total Capital Assets	\$ 22,704,100	\$ 12,815,632	\$ 4,261,272	\$ 1,944,781	\$ 26,965,372	\$ 14,760,413

Additional information on the City's capital assets can be found in Note 6 of this report.

Long-Term Debt

At the end of the current year the City had total bonded debt, including the lease revenue bonds, of \$11,155,000. The G.O. Bonds and the G.O. Tax Increment Bonds are backed by the full faith and credit of the City. The revenue sources needed to finance the G.O. Bonds and G.O. Tax Increment Bonds include general property taxes, tax increments, special assessments, and contributions from the enterprise funds. The lease revenue bonds will be paid by the annual budget appropriations of the City Council.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation (G.O.)	\$ 9,085,000	\$ 9,090,000	\$ 195,000	\$ 205,000	\$ 9,280,000	\$ 9,295,000
G.O. Tax Increment	915,000	1,100,000	-	-	915,000	1,100,000
Capital Lease Payable	990,000	1,035,000	-	-	990,000	1,035,000
Total	\$ 10,990,000	\$ 11,225,000	\$ 195,000	\$ 205,000	\$ 11,185,000	\$ 11,430,000

**City of Osseo
Management's Discussion and Analysis**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt (Continued)

In March, 2018 Standard and Poor's (S & P) reviewed the City's rating of its long-term debt and increased the rating to AA from AA-1. The AA rating of the City's long-term debt continues as the AA rating was reaffirmed with the issuance of the 2019 Improvement bonds. The S & P report noted a strong economy along with the City's strong management with good financial policies, practices, and strong budgetary performance producing an operating surplus in the general fund.

Additional information on the City's long-term debt can be found in Note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The City's tax capacity valuation has increased again for 2019 general property taxes extending this trend over the past several years.
- The tax capacity rate has decreased from 77.83% in 2013 to an estimated 57.71% for property taxes payable in 2020.
- The 2020 General Fund budget is balanced with an estimated \$2,813,260 in revenue and expenditures budgeted. The 2020 revenue budget includes the use of approximately \$30,000 of the General Fund balance.
- The City did not increase the utility rates in 2019 but did complete a utility rate study and future years rates will be increased to finance ongoing operations and equipment and infrastructure improvements planned in the 2020 bond issue.
- The City will be issuing street/equipment/utility reconstruction bonds totaling \$3,790,000 in 2020. The bonds will be repaid from resources budgeted annually together with contributions from the enterprise funds.
- The City is carefully analyzing the financial impacts of the COVID 19 outbreak in 2020 and any affects both short-term and long-term.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City at 415 Central Avenue, Osseo, Minnesota 55369.

BASIC FINANCIAL STATEMENTS

**City of Osseo
Statement of Net Position
December 31, 2019**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash and equivalents)	\$ 6,363,720	\$ 2,600,655	\$ 8,964,375
Property tax receivable	16,493	-	16,493
Accounts receivable	23,720	314,748	338,468
Interest receivable	171,879	-	171,879
Due from other governments	5,131	-	5,131
Due from other funds (internal balances)	(335,477)	335,477	-
Mortgages receivable	164,021	-	164,021
Special assessments receivable			
Delinquent	2,226	39,916	42,142
Deferred	1,914,337	-	1,914,337
Prepaid items	21,936	16,891	38,827
Net pension asset	116,157	-	116,157
Capital assets			
Land	620,368	46,035	666,403
Construction in progress	900,505	-	900,505
Capital assets being depreciated			
Infrastructure	13,998,374	3,969,168	17,967,542
Buildings	4,286,101	-	4,286,101
Improvements	469,634	-	469,634
Machinery and equipment	2,429,118	246,069	2,675,187
Less accumulated depreciation	(9,641,490)	(2,018,551)	(11,660,041)
Total capital assets	<u>13,062,610</u>	<u>2,242,721</u>	<u>15,305,331</u>
Total assets	<u>21,526,753</u>	<u>5,550,408</u>	<u>27,077,161</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to fire relief pensions	55,031	-	55,031
Deferred outflows of resources related to city pensions	581,686	19,589	601,275
Deferred outflows of resources related to other post employment benefits	11,579	1,052	12,631
Total deferred outflows of resources	<u>648,296</u>	<u>20,641</u>	<u>668,937</u>
Total assets and deferred outflows of resources	<u>\$ 22,175,049</u>	<u>\$ 5,571,049</u>	<u>\$ 27,746,098</u>
Liabilities			
Accounts payable	\$ 293,421	\$ 9,889	\$ 303,310
Contracts payable	78,106	-	78,106
Salaries and benefits payable	53,175	11,064	64,239
Due to other governments	5,793	45,612	51,405
Interest payable	117,200	1,970	119,170
Bonds payable, net of premiums			
Due within one year	1,085,000	10,000	1,095,000
Due in more than one year	10,113,023	185,000	10,298,023
Compensated absences payable			
Due within one year	126,656	21,946	148,602
Due in more than one year	11,930	-	11,930
Total other post employment benefits (OPEB) liability	214,598	19,503	234,101
Net pension liability	<u>830,970</u>	<u>139,068</u>	<u>970,038</u>
Total liabilities	<u>12,929,872</u>	<u>444,052</u>	<u>13,373,924</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	783,065	27,138	810,203
Deferred inflows of resources related to fire relief pensions	11,196	-	11,196
Total deferred inflows of resources	<u>794,261</u>	<u>27,138</u>	<u>821,399</u>
Net Position			
Net investment in capital assets	3,944,875	2,047,721	5,067,308
Restricted for			
Park improvements	177,968	-	177,968
Debt service	3,480,270	-	3,480,270
Other purposes	448,367	-	448,367
Unrestricted	399,436	3,052,138	4,376,862
Total net position	<u>8,450,916</u>	<u>5,099,859</u>	<u>13,550,775</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 22,175,049</u>	<u>\$ 5,571,049</u>	<u>\$ 27,746,098</u>

See notes to financial statements.

**City of Osseo
Statement of Activities
Year Ended December 31, 2019**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities			
General government	\$ 808,487	\$ 76,531	\$ -
Public safety	1,294,798	197,368	106,268
Public works	709,170	-	-
Culture and recreation	218,795	77,115	41,819
Economic development	349,778	-	-
Interest and fiscal charges on long-term debt	306,015	-	-
Total governmental activities	<u>3,687,043</u>	<u>351,014</u>	<u>148,087</u>
Business-type activities			
Water	383,065	498,582	-
Sewer	394,685	519,028	-
Storm water	75,921	189,480	-
Total business-type activities	<u>853,671</u>	<u>1,207,090</u>	<u>-</u>
 Total governmental and business-type activities	 <u>\$ 4,540,714</u>	 <u>\$ 1,558,104</u>	 <u>\$ 148,087</u>

General revenues
 Property taxes
 Franchise taxes
 Tax increments
 State aids
 Investment earnings
 Other general revenue
Transfers
 Total general revenues and transfers
Change in net position

Net position - beginning, as previously stated
Prior period adjustment (see Note 12)
Net position - beginning, as restated

Net position - ending

See notes to financial statements.

Program Revenues Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (731,956)	\$ -	\$ (731,956)
79,104	(912,058)	-	(912,058)
445,886	(263,284)	-	(263,284)
-	(99,861)	-	(99,861)
-	(349,778)	-	(349,778)
-	(306,015)	-	(306,015)
<u>524,990</u>	<u>(2,662,952)</u>	<u>-</u>	<u>(2,662,952)</u>
-	-	115,517	115,517
-	-	124,343	124,343
-	-	113,559	113,559
-	-	<u>353,419</u>	<u>353,419</u>
<u>\$ 524,990</u>	<u>(2,662,952)</u>	<u>353,419</u>	<u>(2,309,533)</u>
	1,773,766	-	1,773,766
	99,808	-	99,808
	770,954	-	770,954
	638,842	-	638,842
	192,241	109,727	301,968
	35,708	2,075	37,783
	56,437	(56,437)	-
	<u>3,567,756</u>	<u>55,365</u>	<u>3,623,121</u>
	904,804	408,784	1,313,588
	7,341,112	4,691,075	12,032,187
	205,000	-	205,000
	<u>7,546,112</u>	<u>4,691,075</u>	<u>12,237,187</u>
<u>\$ 8,450,916</u>	<u>\$ 5,099,859</u>	<u>\$ 13,550,775</u>	

**City of Osseo
Balance Sheet - Governmental Funds
December 31, 2019**

	General Fund (101, 200)	Special Revenue EDA General	Debt Service 2016B G.O. Improvement Refunding Bonds (365)	Debt Service EDA Debt Service
Assets				
Cash and investments	\$ 1,369,408	\$ 424,839	\$ 268,509	\$ 346,236
Taxes receivable - delinquent	13,597	-	1,097	-
Special assessments receivable				
Delinquent	-	-	1,272	-
Deferred	3,622	-	840,957	-
Accounts receivable	23,720	-	-	-
Interest receivable	39,616	132,263	-	-
Due from other funds	2,597	-	-	-
Due from other governments	5,131	-	-	-
Mortgages receivable	-	164,021	-	-
Prepaid items	20,721	-	-	-
Total assets	\$ 1,478,412	\$ 721,123	\$ 1,111,835	\$ 346,236
Liabilities				
Accounts payable	\$ 73,643	\$ 4,364	\$ -	\$ 85,346
Contracts payable	-	-	-	-
Salaries and benefits payable	53,175	-	-	-
Due to other funds	-	-	-	297,085
Due to other governments	5,637	-	-	-
Total liabilities	132,455	4,364	-	382,431
Deferred Inflows of Resources				
Unavailable revenue - property taxes	8,308	-	697	-
Unavailable revenue - special assessments	-	-	842,229	-
Unavailable revenue - mortgages	-	296,284	-	-
Total deferred inflows of resources	8,308	296,284	842,926	-
Fund Balances				
Nonspendable	20,721	-	-	-
Restricted	-	-	268,909	-
Committed	-	420,475	-	-
Assigned	-	-	-	-
Unassigned	1,316,928	-	-	(36,195)
Total fund balances	1,337,649	420,475	268,909	(36,195)
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,478,412	\$ 721,123	\$ 1,111,835	\$ 346,236

See notes to financial statements.

Capital Projects			
	2019		
Streets (130)	Improvement Project (407, 408)	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,386,756	\$ 85,565	\$ 2,482,407	\$ 6,363,720
-	-	1,799	16,493
137	-	817	2,226
33,978	-	1,035,780	1,914,337
-	-	-	23,720
-	-	-	171,879
-	-	-	2,597
-	-	-	5,131
-	-	-	164,021
-	-	1,215	21,936
<u>\$ 1,420,871</u>	<u>\$ 85,565</u>	<u>\$ 3,522,018</u>	<u>\$ 8,686,060</u>
\$ 568	\$ 990	\$ 128,510	\$ 293,421
-	42,331	35,775	78,106
-	-	-	53,175
-	-	40,989	338,074
-	-	156	5,793
<u>568</u>	<u>43,321</u>	<u>205,430</u>	<u>768,569</u>
-	-	1,115	10,120
34,115	-	1,035,780	1,912,124
-	-	-	296,284
<u>34,115</u>	<u>-</u>	<u>1,036,895</u>	<u>2,218,528</u>
-	-	1,215	21,936
-	-	2,075,075	2,343,984
-	-	29,677	450,152
1,386,188	42,244	232,914	1,661,346
-	-	(59,188)	1,221,545
<u>1,386,188</u>	<u>42,244</u>	<u>2,279,693</u>	<u>5,698,963</u>
<u>\$ 1,420,871</u>	<u>\$ 85,565</u>	<u>\$ 3,522,018</u>	<u>\$ 8,686,060</u>

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**City of Osseo
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2019**

Total fund balances - governmental funds	\$ 5,698,963
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	22,704,100
Less accumulated depreciation	(9,641,490)
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	(10,960,000)
Compensated absences payable	(138,586)
Total OPEB liability	(214,598)
Net pension liability	(830,970)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and post employment benefits that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(794,261)
Deferred outflows of resources related to pensions	636,717
Deferred outflows of resources related to post employment benefits	11,579
Fire Relief Association net pension asset created through contributions to a defined benefit pension plan which is not recognized in the governmental funds.	116,157
Bond premiums are reported as a liability within the Statement of Net Position and are reported as an other financing source in the year the debt is issued within the governmental funds.	(238,023)
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Property taxes	9,303
Special assessments	2,226
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred special assessments	1,910,715
Second mortgage principal and accrued interest	296,284
Governmental funds do not report a liability for accrued interest until due and payable.	(117,200)
Total net position - governmental activities	\$ 8,450,916

See notes to financial statements.

City of Osseo
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2019

	General Fund (101, 200)	Special Revenue	Debt Service	
		EDA General	2016B G.O. Improvement Refunding Bonds (365)	EDA Debt Service
Revenues				
Taxes	\$ 1,477,551	\$ -	\$ 110,417	\$ -
Tax increments	-	-	-	619,107
Franchise taxes	99,808	-	-	-
Special assessments	1,091	-	166,455	-
Licenses and permits	192,754	-	-	-
Intergovernmental	728,375	-	-	-
Charges for services	43,458	-	-	-
Fines and forfeitures	53,066	-	-	-
Miscellaneous				
Investment income	48,246	21,387	373	6,746
Contributions and donations	18,750	-	-	-
Other	8,921	-	-	-
Total revenues	<u>2,672,020</u>	<u>21,387</u>	<u>277,245</u>	<u>625,853</u>
Expenditures				
Current				
General government	678,359	-	-	-
Public safety	1,084,221	-	-	-
Public works	194,258	-	18,314	-
Culture and recreation	115,110	-	-	-
Economic development	-	22,430	-	185,980
Debt service				
Principal	-	-	230,000	90,000
Interest and other charges	-	-	79,675	23,200
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	4,436	-	-	-
Total expenditures	<u>2,076,384</u>	<u>22,430</u>	<u>327,989</u>	<u>299,180</u>
Excess of revenues over (under) expenditures	595,636	(1,043)	(50,744)	326,673
Other Financing Sources (Uses)				
Bond issuance	-	-	-	-
Transfers in	55,000	-	73,092	-
Transfers out	(625,870)	(45,000)	-	(163,822)
Total other financing sources (uses)	<u>(570,870)</u>	<u>(45,000)</u>	<u>73,092</u>	<u>(163,822)</u>
Net change in fund balances	24,766	(46,043)	22,348	162,851
Fund Balances				
Beginning of year	<u>1,312,883</u>	<u>466,518</u>	<u>246,561</u>	<u>(199,046)</u>
End of year	<u>\$ 1,337,649</u>	<u>\$ 420,475</u>	<u>\$ 268,909</u>	<u>\$ (36,195)</u>

See notes to financial statements.

Capital Projects			
2019			
Streets (130)	Improvement Project (407, 408)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 188,986	\$ 1,776,954
-	-	151,847	770,954
-	-	-	99,808
6,515	110,707	165,363	450,131
-	-	-	192,754
-	-	13,500	741,875
-	-	44,487	87,945
-	-	3,341	56,407
49,166	-	66,323	192,241
-	-	126,945	145,695
100	-	29,672	38,693
<u>55,781</u>	<u>110,707</u>	<u>790,464</u>	<u>4,553,457</u>
-	-	7,955	686,314
-	-	11,773	1,095,994
-	-	-	212,572
-	-	79,244	194,354
-	-	126,074	334,484
-	-	690,000	1,010,000
-	41,062	196,401	340,338
-	-	126,226	126,226
-	-	108,265	108,265
1,700	762,483	146,281	910,464
-	-	-	4,436
<u>1,700</u>	<u>803,545</u>	<u>1,492,219</u>	<u>5,023,447</u>
54,081	(692,838)	(701,755)	(469,990)
-	745,000	-	745,000
332,160	40,000	1,008,657	1,508,909
(387,315)	-	(95,626)	(1,317,633)
<u>(55,155)</u>	<u>785,000</u>	<u>913,031</u>	<u>936,276</u>
(1,074)	92,162	211,276	466,286
<u>1,387,262</u>	<u>(49,918)</u>	<u>2,068,417</u>	<u>5,232,677</u>
<u>\$ 1,386,188</u>	<u>\$ 42,244</u>	<u>\$ 2,279,693</u>	<u>\$ 5,698,963</u>

**City of Osseo
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended December 31, 2019**

Total net change in fund balances - governmental funds \$ 466,286

Amounts reported for governmental activities in the Statement of Activities are different because:

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	1,110,445
Assets transferred to enterprise funds	(134,839)
Depreciation expense	(728,628)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(10,771)
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Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	(52,464)
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Total OPEB obligations are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(4,199)
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Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on the net position in the Statement of Activities.	1,010,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	10,145
Accrued interest payable	24,178
Amortization of bond premiums	

The issuance of long-term debt provides current financial resources to governmental funds and has no effect on net position. These amounts are reported in the governmental funds as a source of financing. These amounts are not shown as revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.	(745,000)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(21,871)
Special assessments deferred	(1,159)
Special assessments delinquent	(15,290)
Second mortgage principal and accrued interest	

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	<u>(2,029)</u>
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Change in net position - governmental activities	<u><u>\$ 904,804</u></u>
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See notes to financial statements.

**City of Osseo
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2019**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 1,479,860	\$ 1,477,551	\$ (2,309)
Franchise taxes	92,000	99,808	7,808
Special assessments	5,300	1,091	(4,209)
Licenses and permits	170,610	192,754	22,144
Intergovernmental	724,100	728,375	4,275
Charges for services	34,000	43,458	9,458
Fines and forfeitures	36,000	53,066	17,066
Miscellaneous			
Investment income	10,000	48,246	38,246
Contributions and donations	-	18,750	18,750
Refunds and reimbursements	1,000	-	(1,000)
Other	15,000	8,921	(6,079)
Total revenues	<u>2,567,870</u>	<u>2,672,020</u>	<u>104,150</u>
Expenditures			
Current			
General government	675,060	678,359	3,299
Public safety	1,040,893	1,084,221	43,328
Public works	170,514	194,258	23,744
Culture and recreation	105,233	115,110	9,877
Capital outlay			
Culture and recreation	5,300	4,436	(864)
Total expenditures	<u>1,997,000</u>	<u>2,076,384</u>	<u>79,384</u>
Excess of revenues over expenditures	570,870	595,636	24,766
Other Financing Sources (Uses)			
Transfers in	55,000	55,000	-
Transfers out	(625,870)	(625,870)	-
Total other financing sources (uses)	<u>(570,870)</u>	<u>(570,870)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	24,766	<u>\$ 24,766</u>
Fund Balance			
Beginning of year		<u>1,312,883</u>	
End of year		<u>\$ 1,337,649</u>	

See notes to financial statements.

**City of Osseo
Statement of Net Position - Proprietary Funds
December 31, 2019**

	Water (601)	Sewer (602)	Storm Water (604)	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 931,004	\$ 1,176,619	\$ 493,032	\$ 2,600,655
Special assessments receivable				
Delinquent	16,018	17,133	6,765	39,916
Accounts receivable	117,691	140,847	56,210	314,748
Due from other funds	335,477	-	-	335,477
Prepaid items	604	16,287	-	16,891
Total current assets	<u>1,400,794</u>	<u>1,350,886</u>	<u>556,007</u>	<u>3,307,687</u>
Noncurrent assets				
Capital assets				
Land	46,035	-	-	46,035
Infrastructure	1,177,311	2,057,434	734,423	3,969,168
Machinery and equipment	246,069	-	-	246,069
Total capital assets	<u>1,469,415</u>	<u>2,057,434</u>	<u>734,423</u>	<u>4,261,272</u>
Less accumulated depreciation	<u>(693,514)</u>	<u>(1,248,434)</u>	<u>(76,603)</u>	<u>(2,018,551)</u>
Net capital assets	<u>775,901</u>	<u>809,000</u>	<u>657,820</u>	<u>2,242,721</u>
Total assets	<u>2,176,695</u>	<u>2,159,886</u>	<u>1,213,827</u>	<u>5,550,408</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	8,660	8,660	2,269	19,589
Deferred outflows of resources related to post employment benefits	467	467	118	1,052
Total assets and deferred outflows of resources	<u>9,127</u>	<u>9,127</u>	<u>2,387</u>	<u>20,641</u>
	<u>\$ 2,185,822</u>	<u>\$ 2,169,013</u>	<u>\$ 1,216,214</u>	<u>\$ 5,571,049</u>
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities				
Accounts payable	\$ 2,392	\$ 5,056	\$ 2,441	\$ 9,889
Salaries and benefits payable	4,942	4,942	1,180	11,064
Interest payable	-	-	1,970	1,970
Due to other governments	27,002	18,610	-	45,612
Bonds payable, due within one year	-	-	10,000	10,000
Compensated absences payable	10,448	10,448	1,050	21,946
Total current liabilities	<u>44,784</u>	<u>39,056</u>	<u>16,641</u>	<u>100,481</u>
Noncurrent liabilities				
Bonds payable	-	-	195,000	195,000
Compensated absences	10,448	10,448	1,050	21,946
Total OPEB liability	8,657	8,657	2,189	19,503
Net pension liability	61,484	61,478	16,106	139,068
Less amount due within one year	<u>(10,448)</u>	<u>(10,448)</u>	<u>(11,050)</u>	<u>(31,946)</u>
Total noncurrent liabilities	<u>70,141</u>	<u>70,135</u>	<u>203,295</u>	<u>343,571</u>
Total liabilities	<u>114,925</u>	<u>109,191</u>	<u>219,936</u>	<u>444,052</u>
Deferred inflows of resources related to pensions				
Deferred inflows of resources related to pensions	11,998	11,997	3,143	27,138
Net Position				
Net investment in capital assets	775,901	809,000	462,820	2,047,721
Unrestricted	<u>1,282,998</u>	<u>1,238,825</u>	<u>530,315</u>	<u>3,052,138</u>
Total net position	<u>2,058,899</u>	<u>2,047,825</u>	<u>993,135</u>	<u>5,099,859</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,185,822</u>	<u>\$ 2,169,013</u>	<u>\$ 1,216,214</u>	<u>\$ 5,571,049</u>

See notes to financial statements.

City of Osseo
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2019

	Water (601)	Sewer (602)	Storm Water (604)	Total
Operating revenues				
Charges for services	\$ 424,444	\$ 507,175	\$ 185,819	\$ 1,117,438
Permits, hookup fees, and penalties	8,823	11,853	3,661	24,337
Total operating revenues	<u>433,267</u>	<u>519,028</u>	<u>189,480</u>	<u>1,141,775</u>
Operating expenses				
Wages and salaries	81,271	81,271	20,554	183,096
Employee benefits	26,651	24,873	7,787	59,311
Materials and supplies	10,045	4,397	997	15,439
Repairs and maintenance	10,741	38,963	1,466	51,170
Professional services	32,224	27,520	15,130	74,874
Insurance	2,605	4,115	1,065	7,785
Utilities	2,392	10,068	1,002	13,462
Depreciation	29,858	34,470	21,036	85,364
Other	11,146	4,729	2,102	17,977
Service charges	176,132	164,279	-	340,411
Total operating expenses	<u>383,065</u>	<u>394,685</u>	<u>71,139</u>	<u>848,889</u>
Operating income	50,202	124,343	118,341	292,886
Nonoperating revenues/(expenses)				
Investment income	50,815	40,242	18,670	109,727
Interest expense	-	-	(4,782)	(4,782)
Other income	65,315	2,075	-	67,390
Total nonoperating revenues	<u>116,130</u>	<u>42,317</u>	<u>13,888</u>	<u>172,335</u>
Income before capital contributions and transfers	166,332	166,660	132,229	465,221
Capital contributions	44,642	5,785	84,412	134,839
Transfers out	<u>(71,229)</u>	<u>(70,473)</u>	<u>(49,574)</u>	<u>(191,276)</u>
Change in net position	139,745	101,972	167,067	408,784
Net position				
Beginning of year	<u>1,919,154</u>	<u>1,945,853</u>	<u>826,068</u>	<u>4,691,075</u>
End of year	<u>\$ 2,058,899</u>	<u>\$ 2,047,825</u>	<u>\$ 993,135</u>	<u>\$ 5,099,859</u>

See notes to financial statements.

City of Osseo
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2019

	Water (601)	Sewer (602)	Storm Water (604)	Total
Cash Flows - Operating Activities				
Receipts from customers and users	\$ 454,792	\$ 527,835	\$ 186,599	\$ 1,169,226
Payments to suppliers	(231,999)	(232,115)	(19,672)	(483,786)
Payments to employees	(106,522)	(105,945)	(28,205)	(240,672)
Miscellaneous revenue	65,315	2,075	-	67,390
Net cash flows - operating activities	<u>181,586</u>	<u>191,850</u>	<u>138,722</u>	<u>512,158</u>
Cash Flows - Noncapital				
Financing Activities				
Payments to/from other funds	215,335	-	-	215,335
Transfer to other funds	(71,229)	(70,473)	(49,574)	(191,276)
Net cash flows - noncapital financing activities	<u>144,106</u>	<u>(70,473)</u>	<u>(49,574)</u>	<u>24,059</u>
Cash Flows - Capital and Related				
Financing Activities				
Principal Paid on Debt	-	-	(10,000)	(10,000)
Interest paid on debt	-	-	(4,840)	(4,840)
Acquisition of capital assets	(186,415)	(7,090)	(54,960)	(248,465)
Net cash flows - capital and related financing activities	<u>(186,415)</u>	<u>(7,090)</u>	<u>(69,800)</u>	<u>(263,305)</u>
Cash Flows - Investing Activities				
Interest and dividends received	50,815	40,242	18,670	109,727
Net change in cash and cash equivalents	190,092	154,529	38,018	382,639
Cash and Cash Equivalents				
January 1	740,912	1,022,090	455,014	2,218,016
December 31	<u>\$ 931,004</u>	<u>\$ 1,176,619</u>	<u>\$ 493,032</u>	<u>\$ 2,600,655</u>
Reconciliation of Operating				
Income to Net Cash				
Flows - Operating Activities				
Operating income	\$ 50,202	\$ 124,343	\$ 118,341	\$ 292,886
Adjustments to reconcile operating income to net cash flows - operating activities				
Miscellaneous revenue	65,315	2,075	-	67,390
Depreciation expense	29,858	34,470	21,036	85,364
Accounts receivable	19,832	6,330	(1,284)	24,878
Prepaid items	40	(785)	-	(745)
Special assessments receivable	1,693	2,477	(1,597)	2,573
Accounts payable	800	4,131	2,090	7,021
Due to other governmental units	12,446	18,610	-	31,056
Salaries payable	739	739	143	1,621
Net pension expense	238	(963)	(219)	(944)
Compensated absences payable	1,625	1,625	642	3,892
Total OPEB liability	(1,202)	(1,202)	(430)	(2,834)
Total adjustments	<u>131,384</u>	<u>67,507</u>	<u>20,381</u>	<u>219,272</u>
Net cash flows - operating activities	<u>\$ 181,586</u>	<u>\$ 191,850</u>	<u>\$ 138,722</u>	<u>\$ 512,158</u>
Noncash Activities				
Contribution of capital assets from governmental funds	<u>\$ 44,642</u>	<u>\$ 5,785</u>	<u>\$ 84,412</u>	<u>\$ 134,839</u>

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Osseo is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

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

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

As a result of applying the component unit definition criteria above, a certain organization has been defined and is presented in this report as a Blended Component Unit and reported as if it were part of the City.

1. Blended Component Unit

The Osseo Economic Development Authority (EDA) is a legal entity separate from the City.

Although legally separate, the Osseo EDA is reported as if it were part of the primary government because the governing body is substantively the same as the City Council and management of the City has operational responsibility for activities of the EDA. Separate financial statements are not prepared for the Osseo EDA.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

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

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

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

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

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

Description of Funds:

Major Governmental Funds:

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

EDA Special Revenue fund – This fund accounts for all non-debt service and capital EDA activity.

2016B G.O. Improvement Refunding Bonds – This fund accounts for the resources accumulated and payments made for principal and interest on this bond issue.

EDA Debt Service – This fund accounts for resources accumulated and payments made for principal and interest on EDA debt issuances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds: (Continued)

Major Governmental Funds: (Continued)

Streets Capital Projects Fund – This fund accounts for resources accumulated and payments related to the City's streets.

2019 Improvement Project Capital Projects Fund – This fund accounts for resources accumulated and payments related to street improvements.

Proprietary Funds:

Water Fund – This fund accounts for the operations of the City's water utility.

Sewer Fund – This fund accounts for the operations of the City's sewer utility.

Storm Water Fund – This fund accounts for the operations of the City's storm water utility.

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 utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

1. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. The City and EDA Component Unit's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Minnesota Statutes authorizes the City and EDA Component Unit to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool. Investments for the City and EDA Component Unit are reported at fair value.

Certain investments for the City and the EDA Component Unit are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

2. Receivables and Payables

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Hennepin County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

2. **Receivables and Payables (Continued)**
The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.
3. **Prepaid Items**
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.
4. **Capital Assets**
Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost greater than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure	15-100
Structures and improvements	25-50
Equipment	3-5
Public improvements	20-40

5. **Deferred Outflows/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 represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

5. **Deferred Outflows/Inflows of Resources (Continued)**
In addition to liabilities, the statement of financial position and fund financial statements 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 has two items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and mortgage receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

6. **Compensated Absences**
Employees earn vacation days based upon the number of completed years of service. Full-time employees earn 96 hours of sick pay each year. The City compensates employees for unused vacation upon termination of employment, up to a maximum of 840 hours. Employees are also entitled to payment for 50% for their unused sick leave upon termination, up to a maximum of 960 hours.

7. **Long-Term Obligations**
In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

8. Pensions

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

9. Fund Balance

a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balance** – These are amounts that cannot be spent because they are not in spendable form.
- **Restricted Fund Balance** – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balance** – These are amounts comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the City Council (highest level of decision making authority) through resolution and that remain binding unless removed by the City Council by subsequent formal action.
- **Assigned Fund Balance** – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted or committed. The City Council has delegated authority to assign and remove fund balance assignments to the City Administrator.

- **Unassigned Fund Balance** – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

9. Fund Balance (Continued)

a. Classification (Continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order: committed, assigned, and unassigned.

b. Minimum Fund Balance

The City's target General Fund balance is to maintain an unrestricted General Fund balance of 40-50% of the subsequent year's budgeted operating expenditures. If the General Fund balance falls below 40% of the following fiscal year's budget, the City shall include a one-time budget adjustment in that following fiscal year's budget to increase the General Fund balance to 40% of that following fiscal year's budget.

c. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. A reclassification of \$925,288 was made between this net position class and unrestricted net position in the total column of the Statement of Net Position to recognize the portion of debt attributable to capital assets donated from governmental activities to business-type activities. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

E. Use of Estimates

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

F. Budgetary Information

1. In August of each year City staff submits to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- F. Budgetary Information (Continued)**
- Public hearings are conducted to obtain taxpayer comments.
 - The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
 - The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
 - Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
 - Annual appropriated budgets are adopted during the year for the General Fund. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted. Formal budgets are not adopted for Special Revenue Funds.
 - Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balances

At December 31, 2019, the following City Funds reported deficit fund balances:

Major Funds	Deficit Fund
Debt Service Fund	Balance
EDA Debt Service	\$ 36,195
Nonmajor Governmental Funds	
Special Revenue Fund	
Hennepin County Tree Assessment Grant	1,604
Comp Plan Grant	6,857
Debt Service Fund	
2011A Refunding Bonds	370
Capital Projects Fund	
Fire Equipment	2,597
2020 Improvement Project	47,166
Hennepin County Corridor Planning	594

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash balances of the City's and Component Unit's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

A. Deposits

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's and EDA Component Unit's deposits may not be returned to it. The City has a policy that requires the City's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2019, the City's bank balance of \$1,102,260 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. The book balance as of December 31, 2019, was \$1,073,622 for deposits.

B. Investments

Investment Type	Fair Value	Investment Maturities		
		Less than One Year	1-5 Years	6-10 Years
Brokered money market accounts	\$ 1,285,071	\$ 1,285,071	\$ -	\$ -
Brokered certificates of deposit	6,605,472	2,015,592	4,589,880	-
Total	<u>\$ 7,890,543</u>	<u>\$ 3,300,663</u>	<u>\$ 4,589,880</u>	<u>\$ -</u>

Concentration of Credit Risk: The City's and Component Unit's investment policy states the City will diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. As of December 31, 2019, the City's investments follow the guidelines stated in its investment policy. No single investment was over 5% of the portfolio.

Credit Risk: The City's investment policy limits investments to those specified in the above statutes. Money market mutual funds and the rest of the City and Component Unit's investments were not rated by a credit rating agency.

City of Osseo
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Custodial Credit Risk – Investments: for an investment, this is the risk in the event of the failure of the counterparty the City or Component Unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City and Component Unit's policy states all investments must be fully insured and registered in the name of the City. Some City Securities held by the City's broker-dealer are not registered to the City, but are held in an insured account. The account is insured up to \$500,000 SIPC insurance and the broker-dealer provides an additional aggregate insurance policy for all of its customers as a group, not individually. It is unknown what portion of this policy is applicable to the City's portfolio.

The City has the following recurring fair value measurements as of December 31, 2019:

- \$6,605,472 of \$7,890,543 are valued using a matrix pricing model (Level 2 inputs)

Summary of cash deposits and investments as of December 31, 2019, were as follows:

Cash on hand	\$ 210
Deposits	1,073,622
Investments	<u>7,890,543</u>
Total deposits and investments	<u>\$ 8,964,375</u>

Deposits and investments are presented in the December 31, 2019, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u>\$ 8,964,375</u>

City of Osseo
Notes to Financial Statements

NOTE 4 – INTERFUND ASSETS/LIABILITIES

Fund Type and Fund	Due from Other Funds	Due to Other Funds	Total
General Fund	\$ 2,597	-	2,597
Special Revenue Funds	-	-	-
Comp Plan Grant	-	6,857	6,857
Debt Service Fund	-	-	-
2011A Refunding Bonds	-	370	370
EDA Debt Service	-	297,085	297,085
Capital Project Funds	-	-	-
2020 Improvement Project	-	30,571	30,571
Henco Corridor Planning	-	594	594
Fire Equipment	-	2,597	2,597
Enterprise Fund	-	-	-
Water Fund	335,477	-	335,477
Total	<u>\$ 338,074</u>	<u>\$ 338,074</u>	<u>\$ 676,148</u>

The Water Fund lent \$297,085 to the TIF 2-9, 5 Central Fund to help with project costs. Other interfund activity exists to cover deficit cash balances and will be repaid as funds become available.

NOTE 5 – INTERFUND TRANSFERS

Transfers Out	Transfers In				Total
	General Fund	2016B G.O. Improvement Refunding Bonds	Streets	2019 Improvement Project	
General Fund	\$ 45,000	-	\$ 332,160	-	\$ 295,710
EDA General	-	-	-	-	45,000
EDA Debt Service	-	-	-	-	163,822
Streets	-	-	-	40,000	347,315
Nonmajor governmental funds	10,000	-	-	-	85,626
Water	-	32,813	-	-	38,416
Sewer	-	405	-	-	70,068
Storm Water	-	39,874	-	-	9,700
Total	<u>\$ 55,000</u>	<u>\$ 73,092</u>	<u>\$ 332,160</u>	<u>\$ 40,000</u>	<u>\$ 1,008,657</u>
					<u>\$ 1,508,909</u>

The above transfers were made for the following reasons: debt service agreements, capital asset purchases, closing of funds, capital contributions, and operating transfers.

City of Osseo
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the City for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 620,368	-	-	\$ 620,368
Construction in progress	1,026,439	941,080	1,067,014	900,505
Total capital assets not being depreciated	1,646,807	941,080	1,067,014	1,520,873
Capital assets being depreciated				
Infrastructure	13,066,200	932,174	-	13,998,374
Buildings	4,268,289	17,812	-	4,286,101
Improvements	469,634	-	-	469,634
Machinery and equipment	2,317,564	151,554	40,000	2,429,118
Total capital assets being depreciated	20,121,687	1,101,540	40,000	21,183,227
Total capital assets, cost	21,768,494	2,042,620	1,107,014	22,704,100
Less accumulated depreciation for				
Infrastructure	5,906,811	425,144	-	6,331,955
Buildings	1,630,338	121,724	-	1,752,062
Improvements	141,029	17,607	-	158,636
Machinery and equipment	1,274,684	164,153	40,000	1,398,837
Total accumulated depreciation	8,952,862	728,628	40,000	9,641,490
Total capital assets being depreciated, net	11,168,825	372,912	-	11,541,737
Governmental activities capital assets, net	\$ 12,815,632	\$ 1,313,992	\$ 1,067,014	\$ 13,062,610

City of Osseo
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 46,035	-	-	\$ 46,035
Capital assets being depreciated				
Infrastructure and improvements	3,585,864	383,304	-	3,969,168
Machinery and equipment	246,069	-	-	246,069
Total capital assets being depreciated	3,831,933	383,304	-	4,215,237
Total capital assets, cost	3,877,968	383,304	-	4,261,272
Less accumulated depreciation for				
Infrastructure and improvements	1,765,859	76,769	-	1,842,628
Machinery and equipment	167,328	8,595	-	175,923
Total accumulated depreciation	1,933,187	85,364	-	2,018,551
Total capital assets being depreciated, net	1,898,746	297,940	-	2,196,686
Business-type activities capital assets, net	\$ 1,944,781	\$ 297,940	\$ -	\$ 2,242,721
Depreciation expense was charged to functions/programs of the City as follows:				
Governmental activities				
General government				\$ 65,096
Public safety				126,249
Public works				517,950
Park and recreation				19,333
Total depreciation expense - governmental activities				\$ 728,628
Business-type activities				
Water				\$ 29,858
Sewer				34,470
Storm water				21,036
Total depreciation expense - business-type activities				\$ 85,364

City of Osseo
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT

A. General Obligation Bonds

The City issues general obligation (G.O.) bonds to provide financing for tax increment projects and infrastructure improvements. Debt service is covered respectively by tax increments and special assessments against benefited properties with any shortfalls being paid from general taxes.

G.O. bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15 year serial bonds with equal debt service payments each year.

B. Components of Long-Term Liabilities

Long-term indebtedness of the City listed below were issued to finance acquisition and construction of capital improvements or to refinance (refund) previous bond issues.

Governmental activities	Interest Rate	Final Maturity	Original Issue	Current Amount Retired	Principal Outstanding	Due Within One Year
G.O. Bonds						
G.O. Capital Improvement, 2010A	0.75%-3.40%	2022	\$ 1,955,000	\$ 170,000	\$ 555,000	\$ 180,000
G.O. Improvement, 2012A	2.00%-2.60%	2028	505,000	30,000	275,000	30,000
G.O. Improvement, 2014	0.55%-4.00%	2030	1,010,000	80,000	700,000	80,000
G.O. Street Reconstruction Bonds, 2015A	2.00%-2.50%	2026	1,610,000	155,000	1,155,000	155,000
G.O. Bonds, 2016A	1.86%-2.08%	2032	1,285,000	75,000	1,140,000	75,000
G.O. Improvement Refunding Bonds, 2016B	1.66%-1.77%	2030	3,250,000	230,000	3,020,000	235,000
G.O. Bonds, 2017A	1.40%-3.00%	2033	700,000	40,000	660,000	40,000
G.O. Bonds, 2018A	2.30%-3.20%	2034	805,000	-	805,000	45,000
G.O. Improvement Bonds, 2019A	1.30%-2.25%	2035	745,000	-	745,000	-
Total G.O. Bonds			11,865,000	780,000	9,085,000	840,000
Public Project Lease Revenue Bonds, 2014A	1.50%-4.00%	2035	1,150,000	45,000	990,000	50,000
G.O. Tax Increment Refunding, 2011A	3.00%-3.75%	2022	1,665,000	145,000	485,000	155,000
G.O. Tax Increment, 2014B	2.25%-3.65%	2028	550,000	40,000	430,000	40,000
Total G.O. Tax Increment bonds			2,215,000	185,000	915,000	195,000
Unamortized bond premiums					238,023	-
Compensated absences					138,586	126,656
Total governmental activities long-term liabilities					\$ 11,336,609	\$ 1,211,656
Business-type activities						
G.O. Bonds, 2017A	1.40%-3.00%	2033	\$ 205,000	\$ 10,000	\$ 195,000	\$ 10,000
Compensated absences					21,946	21,946
Total business type activities long-term liabilities					\$ 216,946	\$ 31,946

City of Osseo
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
G.O. Bonds	\$ 9,090,000	\$ 745,000	\$ 780,000	\$ 9,055,000	\$ 840,000
Revenue Bonds	1,035,000	-	45,000	990,000	50,000
G.O. Tax Increment Bonds	1,100,000	-	185,000	915,000	195,000
Unamortized bond premiums	262,201	-	24,178	238,023	-
Compensated absences	127,815	104,922	94,151	138,586	126,656
Total governmental activities long-term liabilities	\$ 11,615,016	\$ 849,922	\$ 1,128,329	\$ 11,336,609	\$ 1,211,656
Business type activities					
G.O. Bonds	\$ 205,000	\$ -	\$ 10,000	\$ 195,000	\$ 10,000
Compensated absences	18,054	15,328	11,436	21,946	21,946
Total governmental activities long-term liabilities	\$ 223,054	\$ 15,328	\$ 21,436	\$ 216,946	\$ 31,946

The City's General Fund typically liquidates the liabilities related to the governmental activities compensated absences.

D. Annual Debt Service Obligations

The annual requirements to amortize all debt outstanding other than compensated absences are as follows:

Year Ending December 31,	General Obligation Bonds		Governmental Activities Tax Increment Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 840,000	\$ 209,154	\$ 195,000	\$ 27,279
2021	900,000	188,643	205,000	20,925
2022	915,000	165,622	215,000	14,051
2023	760,000	139,748	45,000	9,776
2024	780,000	126,218	45,000	8,269
2025-2029	3,360,000	372,466	210,000	15,620
2030-2034	1,440,000	73,429	-	-
2035	60,000	675	-	-
Total	\$ 9,055,000	\$ 1,275,955	\$ 915,000	\$ 95,920

City of Osseo
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

D. Annual Debt Service Obligations (Continued)

Year Ending December 31,	Public Revenue Bonds-EDA			Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 50,000	\$ 35,125	\$ 85,125	\$ 1,085,000	\$ 271,558	\$ 1,356,558
2021	50,000	34,125	84,125	1,155,000	243,693	1,398,693
2022	50,000	32,875	82,875	1,180,000	212,548	1,392,548
2023	50,000	31,375	81,375	855,000	180,899	1,035,899
2024	55,000	29,800	84,800	880,000	164,287	1,044,287
2025-2029	295,000	117,850	412,850	3,865,000	505,936	4,370,786
2030-2034	360,000	53,400	413,400	1,800,000	126,829	2,230,229
2035	80,000	1,600	81,600	140,000	2,275	142,275
Total	\$ 990,000	\$ 336,150	\$ 1,326,150	\$ 10,960,000	\$ 1,708,025	\$ 12,668,175

Year Ending December 31,	Business-Type Activities	
	Principal	Interest
2020	\$ 10,000	\$ 4,700
2021	10,000	4,560
2022	10,000	4,420
2023	15,000	4,200
2024	15,000	3,900
2025-2029	75,000	14,325
2030-2033	60,000	3,600
Total	\$ 195,000	\$ 39,705

Pay-As-You-Go TIF Notes

The City has issued TIF notes for various economic development purposes within the City. These issuances represent notes for which the City has no obligation for debt payment beyond the resources provided by tax increment revenues collected, as incorporated within the debt documents. At December 31, 2019, there were two TIF notes outstanding.

City of Osseo
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

F. Conduit Debt

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

As of December 31, 2019, the City's conduit debt consisted of the following:

Health Care Facility Revenue Note	\$ 5,488,777
Commercial Development Revenue Note	3,051,077
Total	\$ 8,539,854

NOTE 8 – FUND BALANCES/NET POSITION

A. Fund Balance

Fund balances are classified as follows to reflect the limitations and restrictions of the respective funds. Fund balances of the City are comprised of the following components:

	General Fund	EDA General	2016B G.O. Improvement Bonding	EDA Special Service	Streets	2019 Improvement Project	Nonmajor Governmental Funds	Total
Nonspendable	\$ 20,721	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,215	\$ 21,936
Restricted	-	-	268,909	-	-	-	-	268,909
Debt service	-	-	-	-	-	-	1,488,740	1,488,740
Park improvements	-	-	-	-	-	-	177,968	177,968
Police forfeiture	-	-	-	-	-	-	10,864	10,864
Tire	-	-	-	-	-	-	10,415	10,415
Healthy Community Grant	-	-	-	-	-	-	45,000	45,000
Fire equipment	-	-	-	-	-	-	269,840	269,840
Economic development	-	-	268,909	-	-	-	110,136	379,045
Total restricted	-	-	268,909	-	-	-	2,075,075	2,343,984
Committed	-	420,475	-	-	-	-	-	420,475
Economic development	-	-	-	-	-	-	12,998	12,998
Community fund	-	-	-	-	-	-	9,892	9,892
Cable access fees	-	-	-	-	-	-	136,010	136,010
Total committed	-	420,475	-	-	-	-	259,877	680,352
Assigned	-	-	-	-	1,386,188	42,244	-	1,428,432
Equipment	-	-	-	-	1,386,188	-	-	1,386,188
Facilities improvements	-	-	-	-	-	42,244	-	42,244
Total assigned	-	-	-	-	1,386,188	42,244	-	1,428,432
Unassigned	1,316,938	-	-	(86,195)	-	-	(99,180)	1,231,545
Total fund balance	\$ 1,337,649	\$ 420,475	\$ 268,909	\$ (86,195)	\$ 1,386,188	\$ 42,244	\$ 2,279,693	\$ 5,698,063

NOTE 8 – FUND BALANCES/NET POSITION (CONTINUED)

B. Net Position

Restricted net position is comprised of the total restricted fund balances in the governmental funds plus the effect of the conversion to the government-wide net position.

NOTE 9 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state, which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2019 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2019, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 10 – PENSION PLANS

The City participates in various pension plans. Total pension expense for the year ended December 31, 2019, was \$188,888. The components of pension expense are noted in the following plan summaries.

The General Fund, Water, Sewer, and Storm Water Funds typically liquidate the liability related to pensions.

Public Employees' Retirement Association

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by 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.

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 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 a Coordinated member is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. 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.

NOTE 10 – PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

Police and Fire Fund Benefits

Benefits for the Police and Fire Fund members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Fund members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1%. 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. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2019 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$47,668. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8% of pay to 11.3% and employer rates increased from 16.2% to 16.95% on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$82,367. The City's contributions were equal to the required contributions as set by state statute.

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$486,532 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the Fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$14,999. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0088%, which was a decrease of 0.0002% from its proportionate share measured as of June 30, 2018.

City's proportionate share of the net pension liability

\$ 486,532

State of Minnesota's proportionate share of the net pension liability associated with the City

14,999

Total

\$ 501,531

For the year ended December 31, 2019, the City recognized pension expense of \$85,268 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$1,123 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 13,072	\$ -
Changes in actuarial assumptions	-	37,224
Differences between projected and actual investment earnings	31,626	49,399
Changes in proportion	23,834	8,322
Contributions paid to PERA subsequent to the measurement date	-	-
Total	\$ 68,532	\$ 94,945

The \$23,834 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2020	\$ (10,384)
2021	(27,902)
2022	(12,745)
2023	784
Total	\$ (50,247)

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$483,506 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0460% which was an increase of 0.0036% from its proportionate share measured as of June 30, 2018. The City also recognized \$6,210 for the year ended December 31, 2019, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90% funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$ 86,278 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City 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	\$ 19,154	\$ 68,719
Changes in actuarial assumptions	388,718	479,767
Difference between projected and actual investment earnings	-	86,510
Changes in proportion	83,687	80,262
Contributions paid to PERA subsequent to the measurement date	41,184	-
Total	\$ 532,743	\$ 715,258

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

The \$41,184 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2020	\$ (7,318)
2021	(48,317)
2022	(185,550)
2023	11,506
2024	5,980
Total	\$ (223,699)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 %	Per year
Active member payroll growth	3.25 %	Per year
Investment rate of return	7.50 %	

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disability for all plans were based on RP 2014 tables 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% per year for the General Employees Plan and 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

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 equity	35.5 %	5.10 %
Private markets	25.0	5.90
Fixed income	20.0	0.75
International equity	17.5	5.90
Cash equivalents	2.0	0.00
Total	100 %	

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.5%. 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's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 799,833	\$ 486,532	\$ 227,840
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the Police and Fire Fund net pension liability (asset)	\$ 1,064,219	\$ 483,506	\$ (6,201)

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.

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association

A. Plan Description

The Osseo Firefighter's Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Osseo Fire Department per *Minnesota State Statutes*.

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

A. Plan Description (Continued)

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Osseo Firefighter's Association, 415 Central Avenue, Osseo, MN 55369 or by calling (763) 424-5444.

B. Benefits Provided

Volunteer firefighters of the City are members of the Osseo Fire Fighters Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 15 years of service for monthly service pension, or 10 years of service for lump sum service pension. Partial benefits are payable to members who have reached 50 and have completed 10 years of service. Disability benefits and widow and children's survivor benefits are also payable to members or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

C. Members Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	-
Inactive members entitled to but not yet receiving benefits	2
Active members	25
Total	<u>27</u>

D. Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$15,546 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017.

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter’s Relief Association (Continued)

E. Net Pension Liability (Continued)

Actuarial assumptions:

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.75 %
Investment rate of return 4.75 %, net of pension plan investment expense, including inflation

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

The long-term return on assets has been set based on the plan’s target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of the measurement date are summarized in the table below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	23.06 %	5.39 %
International equity	25.62	5.20
Fixed income	10.23	1.98
Real estate	1.3	4.25
Cash	39.79	0.79
Total	100 %	

Discount rate:

The discount rate used to measure the total pension liability was 4.75%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter’s Relief Association (Continued)

F. Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2018	\$ 239,348	\$ 403,511	\$ (164,163)
Changes for the year			
Service cost	19,095	-	19,095
Interest cost	12,276	-	12,276
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
State contributions	-	15,546	(15,546)
Municipal contributions	-	-	-
Projected investment return	-	(24,520)	24,520
Gain or loss	-	-	-
Benefit payments	-	-	-
Administrative expense	-	(7,661)	7,661
Net charges	31,371	(16,635)	48,006
Balances at December 31, 2018	\$ 270,719	\$ 386,876	\$ (116,157)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 4.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.75%) or 1-percentage-point higher (5.75%) than the current rate:

	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
City’s net pension liability (asset)	\$ (106,908)	\$ (116,157)	\$ (125,058)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued relief association financial report.

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter’s Relief Association (Continued)

G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2019, the City recognized pension expense of \$17,342. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	3,704	11,196
Change of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	35,275	-
Contributions paid to the Association subsequent to the measurement date	16,052	-
Total	\$ 55,031	\$ 11,196

The \$16,052 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Total
Year Ending	
December 31,	
2020	\$ 13,517
2021	5,845
2022	5,014
2023	8,015
2024	(721)
Thereafter	(3,887)
Total	\$ 27,783

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter’s Relief Association (Continued)

H. Payable to the Pension Plan

At December 31, 2019, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2018.

Required and actual employer contributions to the plan during 2018 were \$0. In addition, the City passes through state aid allocated to the plan in accordance with state statutes. For 2018, the state aid was \$15,546. Members of the Association are not allowed to make voluntary contributions to the plan.

Members are not vested in their accounts until they attain 10 years of active service, at which time they become 60% vested. Thereafter, the vested portion of their accounts increases by 5% annually until they achieve 100% vesting after having served for 20 years.

Plan provisions were established and may only be amended by amendments to the Association bylaws which require a majority vote by the Board of Trustees.

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The City provides a single-employer defined benefit healthcare plan to eligible retirees (as required by *Minnesota Statute 471.61*) and police or firefighters disabled in the line of duty (as required by *Minnesota Statute 299A.465*). The City will contribute 65% of the cost of health insurance premiums per month for those who have retired with at least 12 years of continuous service and have reached the age of 50. The City contribution applies only to the cost of individual coverage for the retiree and ceases upon the retiree reaching age 65. As of December 31, 2019, there was one retiree participating in the City’s group health plan.

B. Benefits Provided

There is no implicit rate subsidy for the City since age-based premiums are paid for health insurance. This results in the City’s OPEB liability being only the direct subsidy payments made towards retiree health insurance premiums

C. Contributions

The City makes direct subsidy payments towards retiree health insurance premiums. For the year 2019, the City contributed \$11,737.

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Members

As of December 31, 2019, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefit payments	4
Active employees	1
Total	15

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	3.71%, net of investment expense
Inflation	2.75%
Healthcare cost trend increases	6.9% initially, decreasing to an ultimate rate of 4.4%

Mortality assumption

RP 2014 mortality tables with projected mortality improvements based on scale MP-2016, and other adjustments.

The actuarial assumptions used in the December 31, 2017, valuation was based on the results of an actuarial experience study for the period January 1, 2018 – December 31, 2018.

The discount rate used to measure the total OPEB liability was 3.71% based on 20 year municipal G.O. AA Index Bonds.

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability

The City's total OPEB liability of \$234,101 was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2017.

Balances at January 1, 2018	\$ 231,387	Total OPEB Liability
Changes for the year		
Service cost	15,998	
Interest	7,994	
Changes of assumptions	(9,541)	
Benefit payments	(11,737)	
Net changes	2,714	
Balances at December 31, 2018	\$ 234,101	

Changes of assumptions and other inputs reflect a change in the discount rate from 3.31% in 2018 to 3.71% in 2019.

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 3.71% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	Total OPEB Liability/(Asset)	
	1% decrease (2.71%)	1% increase (4.71%)
	\$ 258,648	\$ 211,803
	\$ 234,101	\$ 234,101
	(3.71%)	(3.71%)

City of Osseo
Notes to Financial Statements

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN

G. OPEB Liability Sensitivity (Continued)

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% lower and 1% higher than the current healthcare cost trend rates.

Total OPEB Liability/(Asset)	
1% decrease (5.9% decreasing to 3.4%)	Current (6.9% decreasing to 4.4%)
\$ 201,236	\$ 234,101
	\$ 273,043
	1% increase (7.9% decreasing to 5.4%)

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the City recognized OPEB expense of \$1,365. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 12,631	\$ -
Total	\$ 12,631	\$ -

The \$12,631 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

A portion of the 2017A G.O. Bond was required to be reported in the enterprise funds. This resulted in an adjustment to the beginning net position on the Statement of Activities of \$205,000 to reduce the beginning total bonds payable, which was included in both governmental activities and business-type activities as of December 31, 2018.

City of Osseo
Notes to Financial Statements

NOTE 13 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending December 31, 2020.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. This statement will be effective for the year ending December 31, 2020.

NOTE 14 – SUBSEQUENT EVENT

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the City may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the City's financial statements at December 31, 2019 cannot be determined at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

**City of Osseo
Schedule of Changes in Total OPEB Liability
and Related Ratios**

	December 31, 2018	December 31, 2019
Total OPEB Liability	\$ 13,643	\$ 15,998
Service cost	8,258	7,994
Interest	11,216	(9,541)
Changes of assumptions	(9,660)	(11,737)
Benefit payments	23,457	2,714
Net change in total OPEB liability	207,950	231,387
Beginning of year	\$ 231,387	\$ 234,101
End of year	\$ 1,079,576	\$ 1,027,560
Covered payroll	21.43%	22.78%

Total OPEB liability as a percentage of covered payroll

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**City of Osseo
Schedule of City's Proportionate Share
of Net Pension Liability
General Employees Retirement Fund
Last Ten Years**

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	City's Proportionate Share of the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of the Total Pension Liability
2019	0.0088%	\$ 486,552	\$ 14,999	\$ 501,531	\$ 620,267	78.44%	80.23%
2018	0.0090%	499,283	16,386	515,669	605,507	82.87%	79.53%
2017	0.0082%	525,483	6,545	532,028	525,307	99.65%	75.90%
2016	0.0079%	641,441	8,374	649,815	490,693	130.72%	68.91%
2015	0.0067%	347,229	-	-	385,040	90.18%	78.19%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of City's Proportionate Share
of Net Pension Liability
Public Employees Police and Fire Retirement Fund
Last Ten Years**

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of the Total Pension Liability
2019	0.0460%	\$ 483,506	\$ 474,572	101.88%
2018	0.0424%	448,124	446,370	100.39%
2017	0.0400%	540,048	408,716	132.13%
2016	0.0409%	1,765,797	420,920	419.51%
2015	0.0370%	420,407	329,346	127.65%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

See notes to required supplementary information.

See notes to required supplementary information.

**City of Osseo
Schedule of City Contributions -
General Employees Retirement Fund
Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 47,668	\$ 47,668	\$ -	\$ 635,573	7.5%
2018	44,164	44,164	-	588,853	7.5%
2017	35,995	35,995	-	479,933	7.5%
2016	36,551	36,551	-	487,347	7.5%
2015	27,183	27,183	-	362,440	7.5%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

**Schedule of City Contributions -
Public Employees Police and Fire Retirement Fund
Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 82,367	\$ 82,367	\$ -	\$ 485,941	16.95%
2018	72,946	72,946	-	450,284	16.20%
2017	73,661	73,661	-	454,698	16.20%
2016	69,638	69,638	-	429,864	16.20%
2015	67,659	67,659	-	417,668	16.20%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

See notes to required supplementary information.

City of Osseo
Schedule of Changes in Net Pension Liability
and Related Ratios - Fire Relief Association

	Measurement Date				
	2014	2015	2016	2017	2018
Total pension liability (TPL)					
Service cost	\$ -	\$ 13,749	\$ 14,869	\$ 15,278	\$ 19,095
Interest	-	14,653	13,960	13,212	12,276
Differences between expected and actual experience	-	-	-	(13,350)	-
Changes of assumptions	-	-	-	4,416	-
Benefit payments, including refunds or member contributions	-	(31,640)	(53,800)	(33,172)	-
Net change in total pension liability	-	(3,238)	(24,971)	(13,616)	31,371
Beginning of year	-	281,173	277,935	252,964	239,348
End of year	\$ -	\$ 277,935	\$ 252,964	\$ 239,348	\$ 270,719
Plan fiduciary net pension (FNP)					
Contributions - employer	\$ -	\$ 23,341	\$ 14,230	\$ 16,428	\$ 15,546
Net investment income	-	(16,397)	15,092	34,081	(24,520)
Benefit payments, including refunds of member contributions	-	(31,640)	(53,800)	(33,172)	-
Administrative expense	-	(1,775)	(100)	(2,650)	(7,661)
Net change in plan fiduciary net position	-	(26,471)	(24,578)	14,687	(16,635)
Beginning of year	-	439,873	413,402	388,824	403,511
End of year	\$ -	\$ 413,402	\$ 388,824	\$ 403,511	\$ 386,876
Net pension liability (NPL)	\$ -	\$ (135,467)	\$ (135,860)	\$ (164,163)	\$ (116,157)
Plan fiduciary net position as a percentage of the total pension liability	0.0%	148.7%	153.7%	168.6%	142.9%
Covered payroll	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

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section require a ten-year presentation, but does not require retroactive reporting. Information prior to 2015 is not available. Additional years will be reported as they become available.

See notes to required supplementary information.

City of Osseo
Schedule of City Contributions
and Non-Employer Contributing
Entities - Fire Relief Association

	2014	2015	2016	2017	2018	2019
Employer						
Statutorily determined contribution (SDC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the SDC	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-employer						
2% aid	\$ 13,578	\$ 14,282	\$ 14,230	\$ 14,987	\$ 15,546	\$ 16,052
Covered employee payroll	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

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section require a ten-year presentation, but does not require retroactive reporting. Information prior to 2014 is not available. Additional years will be reported as they become available.

See notes to required supplementary information.

GENERAL EMPLOYEES FUND

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.
- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

GENERAL EMPLOYEES FUND (CONTINUED)

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

POLICE AND FIRE FUND

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

POLICE AND FIRE FUND (CONTINUED)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.
- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

OTHER POST EMPLOYMENT BENEFITS

2019 Changes

- The Discount rate increased from 3.31% to 3.71%

2018 Changes

- The City switched from age-based rates to a blended rate for health insurance
- The City implemented GASB 75 in 2018
- The Discount rate decrease from 3.81% to 3.31%

There are no assets accumulated in a trust for Other Postemployment Benefits.

City of Osseo
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2019

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over/(Under)
Revenues			
Property taxes	\$ 1,479,860	\$ 1,477,551	(2,309)
Franchise taxes	92,000	99,808	7,808
Special assessments	5,300	1,091	(4,209)
Licenses and permits	170,610	192,754	22,144
Intergovernmental revenue			
Local government aid	625,564	625,564	-
PERA aid	836	836	-
Fire aid	23,000	25,066	2,066
Police aid	64,000	64,703	703
Other grants and aids	10,700	12,206	1,506
Total intergovernmental revenue	724,100	728,375	4,275
Charges for services			
General government	12,000	15,307	3,307
Culture and recreation	22,000	28,151	6,151
Total charges for services	34,000	43,458	9,458
Fines and forfeitures	36,000	53,066	17,066
Miscellaneous revenues			
Investment income	10,000	48,246	38,246
Contributions and donations	-	18,750	18,750
Refunds and reimbursements	1,000	-	(1,000)
Other	15,000	8,921	(6,079)
Total miscellaneous revenues	26,000	75,917	49,917
Total revenues	2,567,870	2,672,020	104,150
Expenditures			
General government			
Mayor and council	45,559	40,958	(4,601)
Administrative and finance	344,456	361,448	16,992
Other general government	285,045	275,953	(9,092)
Total general government	675,060	678,359	3,299
Public safety			
Police			
Current	861,132	884,673	23,541
Fire			
Current	145,241	155,346	10,105

SUPPLEMENTARY INFORMATION

City of Osseo
 Detailed Schedule of Revenues, Expenditures, and
 Changes in Fund Balance -
 Budget and Actual - General Fund
 Year Ended December 31, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over/(Under)
Expenditures (Continued)			
Public safety (continued)			
Building inspections			
Current	\$ 34,520	\$ 44,202	\$ 9,682
Total public safety	1,040,893	1,084,221	43,328
Public works			
Streets and highways			
Street maintenance and storm sewers	170,514	194,258	23,744
Culture and recreation			
Current	105,233	115,110	9,877
Capital outlay	5,300	4,436	(864)
Total culture and recreation	110,533	119,546	9,013
Total expenditures	1,997,000	2,076,384	79,384
Excess of revenues over expenditures	570,870	595,636	24,766
Other Financing Sources (Uses)			
Transfers in	55,000	55,000	-
Transfers out	(625,870)	(625,870)	-
Total other financing sources (uses)	(570,870)	(570,870)	-
Net change in fund balances	\$ -	\$ 24,766	\$ 24,766
Fund Balance			
Beginning of year		1,312,883	
End of year		\$ 1,337,649	

City of Osseo
 Combining Balance Sheet -
 Nonmajor Governmental Funds
 December 31, 2019

	Police Forfeiture (116)	Trolley (204)	Park Improvement (205)	CHec - Healthy Communities Grant (241)
Assets				
Cash and investments	\$ 10,864	\$ 2,115	\$ 179,019	\$ 10,412
Taxes receivable - delinquent	-	-	-	-
Special assessments receivable	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 10,864	\$ 2,115	\$ 179,019	\$ 10,412
Liabilities				
Accounts payable	\$ -	\$ -	\$ 895	\$ -
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	156	-
Total liabilities	-	-	1,051	-
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances				
Nonspendable	-	-	-	-
Restricted	10,864	2,115	177,968	10,412
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	10,864	2,115	177,968	10,412
Total fund balances	\$ 10,864	\$ 2,115	\$ 177,968	\$ 10,412
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,864	\$ 2,115	\$ 179,019	\$ 10,412

City of Osseo
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2019

	Special Revenue					Debt Service			
	Community Fund (250, 251, 252, 253, 254, 255, 256, 257, 258)	Heritage Preservation (260)	Comp Plan Grant (150)	Hennepin County Tree Assessment Grant (242)	Special Revenue Total	2018A Improvement Bonds (309, 310)	2019 Improvement Bonds (311, 312)	2017A Improvement Bonds (308)	2010A Refunding Bonds (380)
Cable TV (240)	\$ 46,509	\$ 13,410	\$ 10,781	\$ -	\$ 2,396	\$ 133,899	\$ 14,808	\$ 109,894	\$ 213,767
	-	-	-	-	-	-	-	-	1,799
	-	-	-	-	-	18	-	-	-
	1,215	-	-	-	-	209,918	193,131	197,447	-
	\$ 47,724	\$ 13,410	\$ 10,781	\$ -	\$ 2,396	\$ 207,939	\$ 307,341	\$ 215,566	-
	\$ 39,622	\$ 412	\$ 989	\$ -	\$ 4,000	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	6,857	-	-	-	-	-
	39,622	412	989	6,857	4,000	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	209,918	193,131	197,447	1,115
	-	-	-	-	-	209,918	193,131	197,447	1,115
	1,215	-	-	-	-	-	-	-	-
	6,887	12,998	9,792	-	-	133,917	14,808	109,894	214,451
	-	-	-	-	-	-	-	-	-
	8,102	12,998	9,792	(6,857)	(1,604)	133,917	14,808	109,894	214,451
	-	-	-	(6,857)	(1,604)	-	-	-	-
	-	-	-	(6,857)	(1,604)	-	-	-	-
	-	-	-	-	-	-	-	-	-
	\$ 47,724	\$ 13,410	\$ 10,781	\$ -	\$ 2,396	\$ 207,939	\$ 307,341	\$ 215,566	-

Total liabilities, deferred inflows of resources, and fund balances

City of Osseo
 Combining Balance Sheet -
 Nonmajor Governmental Funds
 December 31, 2019

	Capital Projects			
	Police Equipment (115)	Fire Equipment (120)	Facilities Fund (135)	Equipment Fund (110)
Assets				
Cash and investments	\$ 13,856	\$ -	\$ 136,010	\$ 320,002
Taxes receivable - delinquent	-	-	-	-
Special assessments receivable	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 13,856	\$ -	\$ 136,010	\$ 320,002
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 862
Contracts payable	-	-	-	-
Due to other funds	-	2,597	-	-
Due to other governments	-	-	-	-
Total liabilities	-	2,597	-	862
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	-	45,000	269,840
Committed	-	-	-	-
Assigned	13,856	-	91,010	49,300
Unassigned	13,856	(2,597)	(136,010)	319,140
Total fund balances	\$ 13,856	\$ (2,597)	\$ 136,010	\$ 320,002
Total liabilities, deferred inflows of resources, and fund balances	\$ 13,856	\$ -	\$ 136,010	\$ 320,002

	Debt Service						
	2011A Refunding Bonds (385)	2012A Improvement Bonds (371)	2014A Improvement Bond (301)	Police Building Debt Service Fund (395)	2015A Improvement Bonds (305)	2016A Improvement Bonds (306, 307)	Debt Service Total
\$ -	\$ 89,425	\$ 115,407	\$ 122,243	\$ 243,567	\$ 404,229	\$ 1,447,239	
-	-	-	-	-	-	1,799	
-	96,798	87,664	-	-	799	817	
-	-	-	-	-	250,822	1,035,780	
\$ -	\$ 186,223	\$ 203,071	\$ 122,243	\$ 243,567	\$ 655,850	\$ 2,485,635	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
370	-	-	-	-	-	370	
370	-	-	-	-	-	370	
-	96,798	87,664	-	-	-	1,115	
-	96,798	87,664	-	-	250,822	1,035,780	
-	-	-	-	-	250,822	1,036,895	
-	89,425	115,407	122,243	243,567	405,028	1,448,740	
-	-	-	-	-	-	-	
(370)	-	-	-	-	-	(370)	
\$ -	\$ 186,223	\$ 203,071	\$ 122,243	\$ 243,567	\$ 655,850	\$ 2,485,635	

Capital Projects					
2018 Alley Improvement (406)	2018 Street Improvement (405)	2020 Improvement Project (409)	Hennepin County Corridor Planning (243)	EDA Capital Projects	
\$ 11,839	\$ 102,684	\$ -	\$ -	\$ 175,271	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
<u>\$ 11,839</u>	<u>\$ 102,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,271</u>	
\$ -	\$ 35,775	\$ 16,595	\$ -	\$ 65,135	
-	-	30,571	594	-	
-	-	-	-	-	
-	<u>35,775</u>	<u>47,166</u>	<u>594</u>	<u>65,135</u>	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	-	
11,839	66,909	(47,166)	(594)	110,136	
<u>11,839</u>	<u>66,909</u>	<u>(47,166)</u>	<u>(594)</u>	<u>110,136</u>	
\$ 11,839	\$ 102,684	\$ -	\$ -	\$ 175,271	

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City of Osseo
 Combining Balance Sheet -
 Nonmajor Governmental Funds
 December 31, 2019

	Capital Projects Total	Total Nonmajor Governmental Funds
ASSETS		
Cash and investments	\$ 759,662	\$ 2,482,407
Taxes receivable - delinquent	-	1,799
Special assessments receivable	-	817
Delinquent	-	1,035,780
Deferred	-	1,215
Prepaid items	-	-
Total assets	<u>\$ 759,662</u>	<u>\$ 3,522,018</u>
Liabilities		
Accounts payable	\$ 82,592	\$ 128,510
Contracts payable	35,775	35,775
Due to other funds	33,762	40,989
Due to other governments	-	156
Total liabilities	<u>152,129</u>	<u>205,430</u>
Deferred Inflows of Resources		
Unavailable revenue - property taxes	-	1,115
Unavailable revenue - special assessments	-	1,035,780
Total deferred inflows of resources	<u>-</u>	<u>1,036,895</u>
Fund Balances		
Nonspendable	-	1,215
Restricted	424,976	2,075,075
Committed	-	29,677
Assigned	232,914	232,914
Unassigned	(50,357)	(59,188)
Total fund balances	<u>607,533</u>	<u>2,279,693</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 759,662</u>	<u>\$ 3,522,018</u>

City of Osseo
 Combining Statement of Revenues, Expenditures, and Changes
 in Fund Balances - Nonmajor Governmental Funds
 Year Ended December 31, 2019

	Special Revenue			
	Police Forfeiture (116)	Trolley (204)	Park Improvement (205)	CHec - Healthy Communities Grant (241)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	1,500	42,987	-
Charges for services	-	-	-	-
Fines and forfeitures	3,341	-	-	-
Miscellaneous	-	-	-	-
Investment income	349	-	5,265	-
Contributions and donations	-	-	-	-
Other	3,690	1,500	48,252	-
Total revenues	<u>7,070</u>	<u>3,000</u>	<u>57,504</u>	<u>48,252</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	2,415	-	-	-
Culture and recreation	-	653	41,255	-
Economic development	-	-	-	-
Debt services	-	-	-	-
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Total expenditures	<u>2,415</u>	<u>653</u>	<u>41,255</u>	<u>-</u>
Excess of revenues over (under) expenditures	4,655	2,347	16,249	48,252
Other Financing Sources (Uses)				
Transfers in	1,275	847	6,997	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>1,275</u>	<u>847</u>	<u>6,997</u>	<u>-</u>
Net change in fund balances	2,380	1,500	9,252	48,252
Fund Balances				
Beginning of year	9,589	1,268	156,385	10,412
End of year	<u>\$ 10,864</u>	<u>\$ 2,768</u>	<u>\$ 165,637</u>	<u>\$ 58,664</u>

City of Oswego
 Combining Statement of Revenues, Expenditures, and Changes
 in Fund Balances - Nonmajor Governmental Funds
 Year Ended December 31, 2019

	Special Revenue				Debt Service			
	Community Fund (250, 251, 252, 253, 254, 255, 256, 257, 258)	Heritage Preservation (260)	Comp Plan Grant (150)	Hemepin County Tree Assessment (242)	2018A Improvement Bonds (310)	2019 Improvement Bonds (312)	2017A Improvement Bonds (308)	2010A Refunding Bonds (380)
Cable TV (240)								
\$	2,342	25	26,769	1,660	595	150	29,418	28,454
	27,608	1,660	10,245	4,000				
	29,950	28,454	10,245	4,000				
	1,545		5,816					
	21,542	10,212		5,582				
	79,537							
	81,082	21,542	10,212	5,582	27,065	14,808	3,785	197,010
	(51,132)	6,912	33	(1,582)	30,982	14,808	(53,521)	5,680
	(10,000)				26,976			
	(10,000)				26,976			
	(61,132)	6,912	33	(1,582)	57,958	14,808	(53,521)	5,680
	69,234	6,086	9,759	(40,741)	75,959		163,415	208,771
\$	8,102	12,998	9,792	(1,604)	133,917	14,808	109,894	214,451

	Special Revenue				Debt Service			
	Community Fund (250, 251, 252, 253, 254, 255, 256, 257, 258)	Heritage Preservation (260)	Comp Plan Grant (150)	Hemepin County Tree Assessment (242)	2018A Improvement Bonds (310)	2019 Improvement Bonds (312)	2017A Improvement Bonds (308)	2010A Refunding Bonds (380)
Taxes								
Special assessments					54,859	11,796		
Intergovernmental		9,500		4,000				
Charges for services								
Fines and forfeitures								
Miscellaneous								
Investment income	2,342	25	26,769	1,660	3,188	3,012	3,785	8,024
Contributions and donations	27,608	1,660	10,245	4,000				
Other	29,950	28,454	10,245	4,000	58,047	14,808	3,785	197,010
Total revenues								
Expenditures								
Current								
General government								
Public safety								
Culture and recreation								
Economic development								
Debt service								
Principal								
Interest and other charges					27,065		40,000	170,000
Capital outlay								21,330
General government								
Public safety								
Public works								
Total expenditures					27,065		57,306	191,330
Excess of revenues over (under) expenditures					30,982	14,808	(53,521)	5,680
Other Financing Sources (Uses)								
Transfers in								
Transfers out					26,976			
Total other financing sources (uses)					26,976			
Net change in fund balances					57,958	14,808	(53,521)	5,680
Fund Balances								
Beginning of year					75,959		163,415	208,771
End of year					133,917	14,808	109,894	214,451

City of Osseo
 Combining Statement of Revenues, Expenditures, and Changes
 in Fund Balances - Nonmajor Governmental Funds
 Year Ended December 31, 2019

	Capital Projects				
	Police Equipment (115)	Fire Equipment (120)	Facilities Fund (135)	Equipment Fund (110)	
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-
Special assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Miscellaneous:	-	-	-	-	-
Investment income	-	-	4,107	-	7,997
Contributions and donations	21,100	226	45,000	-	33,850
Other	-	-	-	-	254
Total revenues	21,100	226	49,107	-	42,101
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	8,858	-	500	-	-
Culture and recreation	-	-	-	-	-
Economic development	-	-	-	-	-
Debt service	-	-	-	-	-
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
General government	-	-	-	-	-
Public safety	9,904	-	46,689	-	70,758
Public works	18,762	-	27,603	-	63,934
Total expenditures	28,524	-	74,792	-	134,692
Excess of revenues over (under) expenditures	2,338	226	(25,685)	(92,591)	
Other Financing Sources (Uses)					
Transfers in	-	-	127,660	188,920	
Transfers out	-	-	(85,626)	(188,920)	
Total other financing sources (uses)	-	-	42,034		
Net change in fund balances	2,338	226	16,349	96,329	
Fund Balances					
Beginning of year	11,518	(2,823)	119,661	222,811	
End of year	\$ 13,856	\$ (2,597)	\$ 136,010	\$ 319,140	

	Debt Service					
	2011A Refunding Bonds (385)	2012A Improvement Bonds (371)	2014A Improvement Bond (301)	2015A Improvement Bonds (305)	2016A Improvement Bonds (306, 307)	Debt Service Total
\$						
	-	-	-	-	-	\$ 188,986
	-	17,526	19,377	-	36,721	140,279
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	2,445	2,855	4,236	10,806	40,653
	-	-	-	-	-	-
	-	19,971	22,232	2,302	4,236	369,918
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	145,000	30,000	30,000	155,000	75,000	690,000
	19,192	7,695	13,320	26,795	26,778	196,401
	-	-	-	-	-	-
	-	-	-	-	-	-
	164,192	37,695	43,320	181,795	101,778	886,401
	(164,192)	(17,724)	(21,088)	(177,559)	(54,251)	(516,483)
	163,822	12,140	26,921	168,370	95,056	578,911
	163,822	12,140	26,921	168,370	95,056	578,911
	(370)	(5,584)	5,833	(9,189)	40,805	62,428
	-	95,009	109,574	116,235	252,756	1,385,942
	(370)	89,425	115,407	122,243	243,567	1,448,370

Capital Projects

2017 Street Improvements (404)	2018 Alley Improvement (406)	2018 Street Improvement (405)	2020 Improvement Project (409)	Hennepin County Corridor Planning (243)	EDA Capital Projects
\$	\$	\$	\$	\$	\$
25,084	-	-	-	-	151,847
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	397	3,771	-	-	822
-	-	-	-	-	-
25,084	397	3,771	-	-	152,669
-	-	-	-	594	-
-	-	-	-	-	-
-	-	-	-	-	126,074
-	-	-	-	-	-
-	-	-	-	-	-
1,122	-	34,059	47,166	-	-
1,122	-	34,059	47,166	594	126,074
23,962	397	(30,288)	(47,166)	(594)	26,595
38,880	-	-	-	-	-
38,880	-	-	-	-	-
62,842	397	(30,288)	(47,166)	(594)	26,595
(62,842)	11,442	97,197	-	-	83,541
\$	\$	\$	\$	\$	\$
-	11,839	66,909	(47,166)	(594)	110,136

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City of Osseo
 Combining Statement of Revenues, Expenditures, and Changes
 in Fund Balances - Nonmajor Governmental Funds
 Year Ended December 31, 2019

	Capital Projects Total	Total Nonmajor Governmental Funds
Revenues		
Taxes	\$ -	\$ 188,986
Tax increments	151,847	151,847
Special assessments	25,084	165,363
Intergovernmental	-	13,500
Charges for services	-	44,487
Fines and forfeitures	-	3,341
Miscellaneous:		
Investment income	17,094	66,323
Contributions and donations	100,176	126,945
Other	254	29,672
Total revenues	294,455	790,464
Expenditures		
Current		
General government	594	7,955
Public safety	9,358	11,773
Culture and recreation	-	79,244
Economic development	126,074	126,074
Debt service:		
Principal	-	690,000
Interest and other charges	-	196,401
Capital outlay		
General government	46,689	126,226
Public safety	108,265	108,265
Public works	146,281	146,281
Total expenditures	437,261	1,492,219
Excess of revenues over (under) expenditures	(142,806)	(701,755)
Other Financing Sources (Uses)		
Transfers in	355,460	1,008,657
Transfers out	(85,626)	(95,626)
Total other financing sources (uses)	269,834	913,031
Net change in fund balances	127,028	211,276
Fund Balances		
Beginning of year	480,505	2,068,417
End of year	\$ 607,533	\$ 2,279,693

City of Osseo
 Combining Balance Sheet -
 EDA Funds
 December 31, 2019

	General Fund	TIF 2-4 Bell Tower TIF (817)	TIF 2-9, 5 Central (836)	Total
Assets				
Cash and investments	\$ 424,839	\$ 214,649	\$ 131,587	\$ 346,236
Mortgages receivable	164,021	-	-	-
Interest receivable	132,263	-	-	-
Total assets	\$ 721,123	\$ 214,649	\$ 131,587	\$ 346,236
Liabilities				
Accounts payable	\$ 4,364	\$ 8,102	\$ 77,244	\$ 85,346
Due to other funds	-	-	297,085	297,085
Total liabilities	4,364	8,102	374,329	382,431
Deferred Inflows of Resources				
Unavailable revenue - mortgages	296,284	-	-	-
Fund Balances				
Restricted	-	206,547	-	206,547
Committed	420,475	-	-	-
Unassigned	-	-	(242,742)	(242,742)
Total fund balances	420,475	206,547	(242,742)	(36,195)
Total liabilities, deferred inflows of resources, and fund balances	\$ 721,123	\$ 214,649	\$ 131,587	\$ 346,236

City of Osceola
 Combining Schedule of Revenues, Expenditures, and Changes
 in Fund Balances - EDA Funds
 Year Ended December 31, 2019

	Special Revenue		Debt Service	
	Economic Development Authority (801)	TIF-2-4 Bell Tower TIF (817)	TIF-2-9, 5 Central (836)	Total
Revenues				
Tax increments	\$ -	\$ 229,664	\$ 389,443	\$ 619,107
Miscellaneous				
Investment income	21,387	6,746	-	6,746
Total revenues	21,387	236,410	389,443	625,853
Expenditures				
Current				
Economic development	22,430	15,305	170,675	188,980
Debt service	-	-	90,000	90,000
Principal	-	-	23,200	23,200
Interest and other charges	-	-	283,875	283,875
Total expenditures	22,430	15,305	283,875	299,180
Excess of revenues over (under) expenditures	(1,043)	221,105	105,568	326,673
Other Financing Uses				
Transfers out	(45,000)	(163,822)	-	(163,822)
Net change in fund balances	(46,043)	57,283	105,568	162,851
Fund Balances				
Beginning of year	466,518	149,264	(348,310)	(199,046)
End of year	\$ 420,475	\$ 206,547	\$ (242,742)	\$ (36,195)

	Capital Projects			Total EDA Funds
	TIF 2-5 Realife Co-op (806)	TIF 2-6 Celtic Crossing Comidos (819)	TIF 2-8 Lancor Lyndes Inn (825)	
\$ 57,133	\$ 81,965	\$ 36,173	\$ 175,271	\$ 946,346
-	-	-	-	164,021
-	-	-	-	132,263
\$ 57,133	\$ 81,965	\$ 36,173	\$ 175,271	\$ 1,242,630
\$ 38,041	\$ 18,987	\$ 8,107	\$ 65,135	\$ 154,845
38,041	18,987	8,107	65,135	297,085
-	-	-	-	451,930
-	-	-	-	296,284
19,092	62,978	28,066	110,136	316,683
-	-	-	-	420,475
19,092	62,978	28,066	110,136	(242,742)
-	-	-	-	494,416
\$ 57,133	\$ 81,965	\$ 36,173	\$ 175,271	\$ 1,242,630

Capital Projects					
TIF 2-5 Realife Co-op (806)	TIF 2-6 Celtic Crossing Condos (819)	TIF 2-8 Lancor Lyndes Inn (825)	Total	Total EDA Funds	
\$ 82,470	\$ 40,652	\$ 28,725	\$ 151,847	\$ 770,954	
822	-	-	822	28,955	
83,292	40,652	28,725	152,669	799,909	
75,154	37,281	13,639	126,074	334,484	
-	-	-	-	90,000	
-	-	-	-	23,200	
75,154	37,281	13,639	126,074	447,684	
8,138	3,371	15,086	26,595	352,225	
-	-	-	-	(208,822)	
8,138	3,371	15,086	26,595	143,403	
10,954	59,607	12,980	83,541	351,013	
\$ 19,092	\$ 62,978	\$ 28,066	\$ 110,136	\$ 494,416	

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Minnesota Legal Compliance
Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Osseo, Minnesota as of and for the year ended December 31, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 4, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Osseo 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 *Minnesota Statutes* § 6.65. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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.


BergankDV Ltd.
Minneapolis, Minnesota
May 4, 2020

FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF LEGAL OPINION

\$3,790,000
GENERAL OBLIGATION BONDS, SERIES 2020A
CITY OF OSSEO
HENNEPIN COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Osseo, Hennepin County, Minnesota (the "Issuer"), of its \$3,790,000 General Obligation Bonds, Series 2020A, bearing a date of original issue of June 18, 2020 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

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

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

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax 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.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Osseo, Minnesota (the "Issuer"), in connection with the issuance of its \$3,790,000 General Obligation Bonds, Series 2020A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on May 26, 2020 (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 _____, 2020, 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, 2020, 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, 2021, 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 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: _____, 2020.

CITY OF OSSEO, MINNESOTA

By _____
Its Mayor

By _____
Its Administrator

APPENDIX E

TERMS OF PROPOSAL

**\$3,790,000* GENERAL OBLIGATION BONDS, SERIES 2020A
CITY OF OSSEO, MINNESOTA**

Proposals for the purchase of \$3,790,000* General Obligation Bonds, Series 2020A (the "Bonds") of the City of Osseo, 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 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on May 26, 2020, 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, and Section 412.301, by the City, for the purposes of: (i) financing various public improvements within the City; (ii) financing the construction of various utility system improvements within the City; and (iii) financing the acquisition of capital equipment. 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 June 18, 2020, 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>
2022	\$240,000	2029	\$285,000	2036	\$180,000
2023	255,000	2030	285,000	2037	75,000
2024	260,000	2031	160,000	2038	80,000
2025	260,000	2032	160,000	2039	80,000
2026	265,000	2033	165,000	2040	80,000
2027	265,000	2034	170,000	2041	85,000
2028	265,000	2035	175,000		

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, 2021, 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 2022 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, 2030 shall be subject to optional redemption prior to maturity on February 1, 2029 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the 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 June 18, 2020, 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 \$3,744,520 plus accrued interest on the principal sum of \$3,790,000 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 10:00 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 \$75,800 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 Osseo, Minnesota

PROPOSAL FORM

The City Council
City of Osseo, Minnesota

May 26, 2020

RE: \$3,790,000* General Obligation Bonds, Series 2020A (the "Bonds")
DATED: June 18, 2020

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 \$3,744,520) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2022	_____ % due 2029	_____ % due 2036
_____ % due 2023	_____ % due 2030	_____ % due 2037
_____ % due 2024	_____ % due 2031	_____ % due 2038
_____ % due 2025	_____ % due 2032	_____ % due 2039
_____ % due 2026	_____ % due 2033	_____ % due 2040
_____ % due 2027	_____ % due 2034	_____ % due 2041
_____ % due 2028	_____ % due 2035	

* 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 2020 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 \$75,800 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 June 18, 2020.

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 the (circle one): 10% test / 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 June 18, 2020 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 Osseo, Minnesota, on May 26, 2020.

By: _____ By: _____
Title: _____ Title: _____