

**ADDENDUM DATED APRIL 6, 2021
TO PRELIMINARY OFFICIAL STATEMENT DATED APRIL 1, 2021**

New Issue

Rating Application Made: S&P Global Ratings

CITY OF ZUMBROTA, MINNESOTA
(Goodhue County)

**\$3,120,000* GENERAL OBLIGATION STREET RECONSTRUCTION BONDS,
SERIES 2021A**

PROPOSAL OPENING: April 22, 2021, 10:00 A.M., C.T.

CONSIDERATION: April 22, 2021, 6:00 P.M., C.T.

The date for the Bid Opening and Consideration has been changed from April 15, 2021 to April 22, 2021.
Following is the revised Preliminary Official Statement.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 1, 2021

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.

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "TAX EXEMPTION" herein.

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

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\$3,120,000* GENERAL OBLIGATION STREET RECONSTRUCTION BONDS, SERIES 2021A

PROPOSAL OPENING: April 22, 2021, 10:00 A.M., C.T. **CONSIDERATION:** April 22, 2021, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$3,120,000* General Obligation Street Reconstruction Bonds, Series 2021A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 475.58, subdivision 3b, as amended, by the City of Zumbrota, Minnesota (the "City"), to finance the cost of street reconstruction projects as described in the City's approved Five-Year Street Reconstruction & Overlay Plan dated March 18, 2021. 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:

May 6, 2021

MATURITY:

February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2023	\$140,000	2030	\$150,000	2037	\$165,000
2024	140,000	2031	150,000	2038	170,000
2025	140,000	2032	150,000	2039	170,000
2026	145,000	2033	155,000	2040	175,000
2027	145,000	2034	155,000	2041	180,000
2028	145,000	2035	160,000	2042	180,000
2029	145,000	2036	160,000		

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, 2022 and semiannually thereafter.

OPTIONAL REDEMPTION:

Bonds maturing on February 1, 2031 and thereafter are subject to call for prior optional redemption on February 1, 2030 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL:

\$3,082,560.

GOOD FAITH DEPOSIT:

A good faith deposit in the amount of \$62,400 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).

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 ZUMBROTA CITY COUNCIL

		<u>Term Expires</u>
Todd Hammel	Mayor	January 2025
Sara Durhman	Council Member	January 2025
Chris Horvath	Council Member	January 2023
Tina Hostager	Council Member	January 2023
Bob Prigge	Council Member	January 2025

ADMINISTRATION

Brian Grudem, City Administrator
Kim Simonson, Assistant Financial Director

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 Zumbrota, Minnesota (the "City") and the issuance of its \$3,120,000* General Obligation Street Reconstruction Bonds, Series 2021A (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 April 22, 2021.

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 May 6, 2021. 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, 2022, 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 2023 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, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 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, Chapter 475 and Section 475.58, subdivision 3b, as amended, by the City to finance the cost of street reconstruction projects as described in the City’s approved Five-Year Street Reconstruction & Overlay Plan dated March 18, 2021.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	<u>\$3,120,000</u>	
Total Sources		\$3,120,000
Uses		
Total Underwriter's Discount (1.200%)	\$37,440	
Costs of Issuance	48,000	
Deposit to Capitalized Interest (CIF) Fund	32,893	
Deposit to Project Construction Fund	3,000,000	
Rounding Amount	<u>1,667</u>	
Total Uses		\$3,120,000

*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 will be paid from ad valorem property taxes. 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.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "A1" by Moody's Investors Service, Inc.

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.

The December 31, 2019 audited financial statements were due to be filed by December 31, 2020. The audited financial statements were not filed until February 9, 2021. 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.

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 Scanlon, Murch & Associates, LLC, Rochester, 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 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 March 13, 2020, Minnesota Governor Tim Walz signed Emergency Executive Order 20-01 and declared a peacetime emergency. In subsequent executive orders, the Governor has extended the peacetime emergency by 30 days. On June 5, 2020, the Governor signed Emergency Executive Order 20-74 which outlines guidelines for continuing to safely reopen Minnesota's economy and ensuring safe non-work activities during the COVID-19 peacetime emergency. This order is effective as of June 10, 2020, and outlines the guidelines for continuing to lift the restrictions that were identified in prior executive orders signed by the Governor.

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	2018/19	2019/20	2020/21
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 \$1,880,000 - 0.50% ² Over \$1,880,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²
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 \$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%	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

2019/20 Economic Market Value \$342,766,490¹

	2019/20 Assessor's Estimated Market Value	2019/20 Net Tax Capacity
Real Estate	\$315,988,300	\$ 3,381,950
Personal Property	<u>3,910,400</u>	<u>78,208</u>
Total Valuation	<u><u>\$319,898,700</u></u>	<u><u>\$ 3,460,158</u></u>

2019/20 NET TAX CAPACITY BY CLASSIFICATION

	2019/20 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$ 2,072,596	59.90%
Agricultural	22,900	0.66%
Commercial/industrial	915,733	26.47%
Public utility	44,736	1.29%
Non-homestead residential	317,050	9.16%
Commercial & residential seasonal/rec.	8,935	0.26%
Personal property	<u>78,208</u>	<u>2.26%</u>
Total	<u><u>\$ 3,460,158</u></u>	<u><u>100.00%</u></u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 93.36% 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 \$342,766,490.

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Taxable Net Tax Capacity ²	Percent +/- in Estimated Market Value
2015/16	\$ 245,449,500	\$ 218,990,300	\$ 2,645,692	\$ 2,583,699	- 1.64%
2016/17	258,286,400	232,558,900	2,780,386	2,767,907	+ 5.23%
2017/18	279,723,700	254,808,300	3,004,426	2,990,461	+ 8.30%
2018/19	297,811,200	273,726,400	3,201,441	3,186,466	+ 6.47%
2019/20	319,898,700	296,329,400	3,460,158	3,460,158	+ 7.42%

LARGER TAXPAYERS

Taxpayer	Type of Property	2019/20 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Inland American Zumbrota Atlas	Industrial	\$ 158,982	4.59%
Xcel Energy	Utility	68,092	1.97%
Midwest Fabrication R E, LLC	Industrial	67,228	1.94%
Dairiconcepts, LP	Industrial	35,296	1.02%
Zumbrota Enterprises, LLC	Commercial	34,102	0.99%
Minnesota Energy Resources Corporation	Agriculture	32,884	0.95%
Convenience Store Investments	Commercial	32,742	0.95%
GSG Partnership, LLC	Commercial	32,207	0.93%
MTM, LLC	Commercial	29,789	0.86%
Fargo East West, LLC	Commercial	27,342	0.79%
Total		<u>\$ 518,664</u>	<u>14.99%</u>

City's Total 2019/20 Net Tax Capacity \$3,460,158

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

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

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by taxes (includes the Bonds)*	\$3,120,000
Total G.O. debt secured by utility revenues	<u>310,000</u>
Total General Obligation Debt*	<u><u>\$3,430,000</u></u>

*Preliminary, subject to change.

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

City of Zumbrota, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 05/06/2021)

Street Reconstruction Bonds
Series 2021A

Dated Amount	05/06/2021 \$3,120,000*		
Maturity	02/01		
Calendar Year Ending	Principal	Estimated Interest	
2022	0	55,236	
2023	140,000	44,335	
2024	140,000	43,565	
2025	140,000	42,655	
2026	145,000	41,549	
2027	145,000	40,244	
2028	145,000	38,794	
2029	145,000	37,199	
2030	150,000	35,428	
2031	150,000	33,478	
2032	150,000	31,378	
2033	155,000	29,089	
2034	155,000	26,648	
2035	160,000	24,088	
2036	160,000	21,408	
2037	165,000	18,563	
2038	170,000	15,505	
2039	170,000	12,318	
2040	175,000	8,996	
2041	180,000	5,490	
2042	180,000	1,845	
	3,120,000	607,806	

* Preliminary, subject to change.

Calendar Year Ending	% Paid	Principal Outstanding	Total P & I	Total Interest	Total Principal
2022	.00%	3,120,000	55,236	55,236	0
2023	4.49%	2,980,000	184,335	44,335	140,000
2024	8.97%	2,840,000	183,565	43,565	140,000
2025	13.46%	2,700,000	182,655	42,655	140,000
2026	18.11%	2,555,000	186,549	41,549	145,000
2027	22.76%	2,410,000	185,244	40,244	145,000
2028	27.40%	2,265,000	183,794	38,794	145,000
2029	32.05%	2,120,000	182,199	37,199	145,000
2030	36.86%	1,970,000	185,428	35,428	150,000
2031	41.67%	1,820,000	183,478	33,478	150,000
2032	46.47%	1,670,000	181,378	31,378	150,000
2033	51.44%	1,515,000	184,089	29,089	155,000
2034	56.41%	1,360,000	181,648	26,648	155,000
2035	61.54%	1,200,000	184,088	24,088	160,000
2036	66.67%	1,040,000	181,408	21,408	160,000
2037	71.96%	875,000	183,563	18,563	165,000
2038	77.40%	705,000	185,505	15,505	170,000
2039	82.85%	535,000	182,318	12,318	170,000
2040	88.46%	360,000	183,996	8,996	175,000
2041	94.23%	180,000	185,490	5,490	180,000
2042	100.00%	0	181,845	1,845	180,000
			3,727,806	607,806	3,120,000

City of Zumbrota, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 05/06/2021)

Crossover Refunding Bonds
Series 2010B

Dated Amount	10/01/2010 \$1,410,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2021	0	5,038	0	5,038	5,038	310,000	.00%	2021
2022	155,000	7,595	155,000	7,595	162,595	155,000	50.00%	2022
2023	155,000	2,558	155,000	2,558	157,558	0	100.00%	2023
	310,000	15,190	310,000	15,190	325,190			

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; (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (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	\$319,898,700
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 9,596,961
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	<u>(3,120,000)</u>
Unused Debt Limit*	<u><u>\$ 6,476,961</u></u>

*Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2019/20 Taxable Net Tax Capacity	% In City	Total G.O. Debt ²	City's Proportionate Share
Goodhue County	\$80,463,523	4.3003%	\$ 15,130,000	\$ 650,635
I.S.D. No. 2805 (Zumbrota-Mazeppa Public Schools)	10,020,052	34.5323%	47,110,000 ³	16,268,167
City's Share of Total Overlapping Debt				<u>\$16,918,802</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 Currently, the State of Minnesota is paying approximately 18.1% of the principal and interest on the Zumbrota-Mazeppa Public School District's general obligation bonds. Assuming this percentage continues for the life of the bonds, the State's proportionate share of principal is \$8,526,910. Based upon the long term facilities maintenance revenue formula and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$342,766,490)	Debt/ Current Population Estimate (3,426)
Direct G.O. Debt Secured By:			
Taxes*	\$ 3,120,000		
Utility Revenues	<u>310,000</u>		
Total General Obligation Debt (includes the Bonds)*	\$ 3,430,000		
Less: G.O. Debt Paid Entirely from Revenues ¹	<u>(310,000)</u>		
Tax Supported General Obligation Debt*	\$ 3,120,000	0.91%	\$910.68
City's Share of Total Overlapping Debt ²	<u>\$16,918,802</u>	<u>4.94%</u>	<u>\$4,938.35</u>
Total*	<u><u>\$20,038,802</u></u>	<u><u>5.85%</u></u>	<u><u>\$5,849.04</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 has no current plans for additional financing in the next 12 months.

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

² After deducting the City's proportionate share of the agricultural land valuation applicable to the overlapping school districts of \$2,944,538, the City's net overlapping debt is \$13,974,264, which results in a net overlapping debt/market value ratio of 4.08% and net overlapping debt/current population estimate ratio of \$4,078.89.

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	\$1,628,416	\$ 1,621,814	\$ 1,626,879	99.91%
2016/17	1,767,012	1,758,512	1,766,571	99.98%
2017/18	1,803,382	1,790,098	1,802,726	99.96%
2018/19	1,944,443	1,936,016	1,943,051	99.93%
2019/20	1,982,983	In process of collection		

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

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

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

² Collections are through December 31, 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
Goodhue County	41.066%	41.636%	42.283%	44.979%	45.104%
City of Zumbrota	64.962%	63.944%	60.388%	61.189%	57.550%
I.S.D. No. 2805 (Zumbrota-Mazeppa Public Schools)	22.952%	22.297%	21.157%	19.928%	36.385%
SEMMCHRA	0.675%	0.656%	0.855%	0.852%	0.828%

Referendum Market Value Rates:

I.S.D. No. 2805 (Zumbrota-Mazeppa Public Schools)	0.27486%	0.23887%	0.34870%	0.32369%	0.30018%
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Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Goodhue County.

LEVY LIMITS

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

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

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1877. 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 and Assistant Financial Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 17 full-time, 4 part-time, and 25 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
Minnesota Teamster 320	December 31, 2022
LELS #425	December 31, 2022

POST EMPLOYMENT BENEFITS

The City does not pay directly for retirees' post-employment benefits. The City has some obligations for post-employment benefits as mandated by State Statutes. Specifically, the City is required to allow retirees to be covered by the City's health care plan as long as the retiree pays his/her premiums. Retiree membership in a health care plan typically increases costs of the premiums. This increased cost is commonly known as implicit price subsidy.

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 March 1, 2021)

Fund	Total Cash and Investments
General	\$ 1,571,783
Special Revenue	1,458,178
Debt Service	125,932
Capital Projects	610,543
Enterprise Funds	3,266,048
EDA Funds	489,576
Total Funds on Hand	<u><u>\$ 7,522,060</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	\$ 497,151	\$ 566,243	\$ 610,286
Less: Operating Expenses	<u>(603,571)</u>	<u>(518,480)</u>	<u>(487,892)</u>
Operating Income	\$ (106,420)	\$ 47,763	\$ 122,394
Plus: Depreciation	<u>165,818</u>	<u>169,811</u>	<u>175,280</u>
Revenues Available for Debt Service	<u><u>\$ 59,398</u></u>	<u><u>\$ 217,574</u></u>	<u><u>\$ 297,674</u></u>
Sewer			
Total Operating Revenues	\$ 847,821	\$ 945,324	\$1,115,990
Less: Operating Expenses	<u>(594,107)</u>	<u>(884,106)</u>	<u>(817,865)</u>
Operating Income	\$ 253,714	\$ 61,218	\$ 298,125
Plus: Depreciation	<u>308,025</u>	<u>396,833</u>	<u>400,318</u>
Revenues Available for Debt Service	<u><u>\$ 561,739</u></u>	<u><u>\$ 458,051</u></u>	<u><u>\$ 698,443</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					
COMBINED STATEMENT	2017 Audited	2018 Audited	2019 Audited	2020 Unaudited 1)	2021 Adopted Budget 2)
Revenues					
Property taxes	\$1,308,496	\$1,415,364	\$1,555,166	\$1,567,145	\$1,672,217
Special assessments	51,010	30,875	35,227	33,093	
Licenses and permits	119,171	143,519	135,213	226,906	59,925
Intergovernmental	672,027	717,053	683,878	1,008,180	743,654
Charges for services	103,515	80,164	80,227	101,244	83,656
Fines and forfeitures	18,813	34,718	31,193	29,013	27,000
Interest	7,817	11,941	13,800	9,839	6,950
Miscellaneous	96,958	128,140	58,749	108,848	5,025
Total Revenues	\$2,377,807	\$2,561,774	\$2,593,453	\$3,084,268	\$2,598,427
Expenditures					
Current:					
General government	\$441,301	\$402,709	\$462,189	\$502,553	\$472,900
Public safety	683,652	753,200	895,035	1,008,719	872,194
Public works	420,372	385,798	522,003	494,593	556,510
Parks and recreation	16,774	7,793	6,004	7,976	40,350
Unallocated	125,804	90,506	147,108	137,624	141,402
Total Expenditures	\$1,687,903	\$1,640,006	\$2,032,339	\$2,151,465	\$2,083,356
Excess of revenues over (under) expenditures	\$689,904	\$921,768	\$561,114	\$932,803	\$515,071
Other Financing Sources (Uses)					
Transfers in	\$464,609	\$459,174	\$526,717	\$520,000	\$522,500
Refunds and reimbursements	(22,508)	(12,689)	(13,557)	(51,959)	(13,000)
Transfers out	(660,684)	(1,445,248)	(1,807,033)	(983,553)	(441,388)
Total Other Financing Sources (Uses)	(\$218,583)	(\$998,763)	(\$1,293,873)	(\$515,512)	\$68,112
Net changes in Fund Balances	\$471,321	(\$76,995)	(\$732,759)	\$417,291	\$583,183
General Fund Balance January 1	\$1,792,324	\$2,263,645	\$2,186,650	\$1,453,891	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$2,263,645	\$2,186,650	\$1,453,891	\$1,871,182	
DETAILS OF DECEMBER 31 FUND BALANCE					
Committed	\$95,800	\$594,231	\$961,207	\$926,717	
Assigned	1,092,773	1,051,455	0	620,255	
Unassigned	1,075,072	540,964	492,684	324,210	
Total	\$2,263,645	\$2,186,650	\$1,453,891	\$1,871,182	

1) Unaudited data is as of March 10, 2021.

2) The 2021 budget was adopted on December 17, 2020.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 3,252 and a current population estimate of 3,426, and comprising an area of 2.9 square miles, is located approximately 20 miles north of the City of Rochester and 60 miles south of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 2805 (Zumbrota-Mazeppa Public Schools)	Elementary and secondary education	190
DairiConcepts/Dairy Farmers of America, Inc.	Dairy products- wholesale	180
Zumbrota Health Services	Convalescent home	100
Concast	Headquarters and manufacturing concrete materials	84
Zumbrota Ford	Automobile sales	62
Custom Iron	Architectural/ornamental metal work manufacturers	60
Commercial Water Distributing, LLC	Manufacturing/sales	55
Nilssen's	Grocery store	50
City of Zumbrota	Municipal government and services	46
McDonalds	Restaurant	40
Three Rivers Community Action, Inc.	Human services organizations	40

Source: *Data Axle Reference Solutions, written and telephone survey (March 2021), and the Minnesota Department of Employment and Economic Development.*

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

BUILDING PERMITS

	2017	2018	2019	2020	2021 ¹
<u>New Single Family Homes</u>					
No. of building permits	24	33	38	29	5
Valuation	\$5,506,740	\$6,271,000	\$7,075,490	\$6,561,612	\$1,105,000
<u>New Commercial/Industrial</u>					
No. of building permits	8	5	9	17	0
Valuation	\$1,480,794	\$3,222,523	\$2,507,175	\$51,368,418	\$0
<u>All Building Permits</u>					
<i>(including additions and remodelings)</i>					
No. of building permits	99	117	129	139	21
Valuation	\$7,511,672	\$10,050,106	\$9,939,651	\$58,944,157	\$1,462,850

Source: The City.

¹ As of March 11, 2021.

U.S. CENSUS DATA

Population Trend: The City

2000 U.S. Census population	2,795
2010 U.S. Census population	3,252
2019 State Demographer's Estimate	3,426
Percent of Change 2000 - 2010	+ 16.35%

Income and Age Statistics

	The City	Goodhue County	State of Minnesota	United States
2019 per capita income	\$30,672	\$34,803	\$37,625	\$34,103
2019 median household income	\$60,260	\$66,800	\$71,306	\$62,843
2019 median family income	\$99,125	\$87,116	\$89,842	\$77,263
2019 median gross rent	\$713	\$862	\$977	\$1,062
2019 median value owner occupied units	\$184,600	\$204,100	\$223,900	\$217,500
2019 median age	39.9 yrs.	42.2 yrs.	38.0 yrs.	38.1 yrs.

	State of Minnesota	United States
City % of 2019 per capita income	81.52%	89.94%
City % of 2019 median family income	110.33%	128.30%

Housing Statistics

	<u>The City</u>		
	2010	2019	Percent of Change
All Housing Units	1,198	1,437	19.95%

Source: 2000 and 2010 Census of Population and Housing, and 2019 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>) and 2019 Population Estimates, Metropolitan Council (<https://metro council.org/>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>	<u>Average Unemployment</u>	
	Goodhue County	Goodhue County	State of Minnesota
2017	25,997	3.2%	3.4%
2018	26,086	2.7%	2.9%
2019	26,446	3.1%	3.2%
2020	25,562	5.4%	6.2%
2021, January	24,513	5.1%	5.1%

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

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.

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
Members of the City Council
City of Zumbrota
Zumbrota, Minnesota

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 Zumbrota, Minnesota, as of and for the year ended December 31, 2019, 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 of 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of these financial statements.

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

Opinion

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

Other Matters

The City has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on pages 34 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards 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 Zumbrota, Minnesota's basic financial statements. The combining nonmajor fund financial statements are presented for additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Scanlon, Murch & Associates, LLC

June 1, 2020

CITY OF ZUMBROTA
ORGANIZATION

Elected

Mayor

Bradley Drenckhahn

Council Members

Sara Durfman
Kristine Hostager
Todd Hammel
Chris Horvath

Appointed

City Administrator

Neil Jensen

ZUMBROTA, MINNESOTA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

CITY OF ZUMBROTA
Statement of Net Position
December 31, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 3,931,811	\$ 2,588,447	\$ 6,520,258
Receivables			
Accounts receivable	17,955	263,923	281,878
Tax abatements	111,446	-	111,446
Interest receivable	2,403	3,015	5,418
Taxes receivable	16,192	-	16,192
Loans receivable	309,264	-	309,264
Special assessments	188,931	477	189,408
Due from other funds	183,271	250,781	434,052
Due from other governments	46,030	-	46,030
Land available for sale	154,163	-	154,163
Inventories	-	1,333	1,333
Capital assets			
Land	1,251,949	153,512	1,405,461
Buildings	3,830,721	5,994,150	9,824,871
Improvements other than buildings	455,620	3,613,704	4,069,324
Machinery and equipment	1,989,913	11,945,968	13,945,881
Infrastructure	10,009,955	-	10,009,955
Accumulated depreciation	(10,392,214)	(10,722,040)	(21,114,254)
Total assets	12,117,410	14,093,270	26,210,680

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows from pension activity	59,528	13,067	72,595
Total Assets and Deferred Outflows of Resources	\$ 12,176,938	\$ 14,106,337	\$ 26,283,275

LIABILITIES

Accounts payable	\$ 558,292	\$ 32,268	\$ 590,560
Bond interest payable	-	2,333	2,333
Due to other funds	381,202	52,850	434,052
Salaries payable	40,318	10,814	51,132
Compensated absences	148,528	60,815	210,341
Non-current liabilities			
Due within one year	140,000	-	140,000
Due in more than one year	455,000	-	455,000
Net pension liability	466,961	102,504	569,465
Total liabilities	2,191,299	261,584	2,452,883

DEFERRED INFLOWS OF RESOURCES

Deferred inflows from pension activity	89,394	19,623	109,017
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NET POSITION

Invested in capital assets, net of related debt	6,560,944	10,885,294	17,546,238
Restricted for:			
Debt service	242,351	-	242,351
Revolving loan	369,999	-	369,999
Unrestricted	2,722,951	2,839,836	5,562,787
Total net position	9,896,245	13,825,130	23,721,375

Total Liabilities, Deferred Inflows of Resources and Net Position

	\$ 12,176,938	\$ 14,106,337	\$ 26,283,275
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See accompanying notes to financial statements

CITY OF ZUMBROTA
Statement of Activities
For the Year Ended December 31, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs						
Governmental activities:						
General government	\$ 348,803	\$ 80,227	\$ -	\$ (268,576)	\$ -	\$ (268,576)
Public safety	875,335	135,213	-	(740,122)	-	(740,122)
Public works	778,038	35,374	-	(741,664)	-	(741,664)
Culture, park and recreation	540,754	-	-	(540,754)	-	(540,754)
Urban and economic development	207,789	69,283	-	(138,506)	-	(138,506)
Interest on long-term debt	20,698	-	-	(20,698)	-	(20,698)
Unallocated	150,233	-	-	(150,233)	-	(150,233)
Total governmental activities	2,921,650	321,097	-	(2,600,553)	-	(2,600,553)
Business-type activities:						
Water	488,558	610,288	-	-	121,728	121,728
Sewer	815,599	1,115,990	-	-	297,391	297,391
Total business-type activities	1,307,157	1,726,278	-	-	419,119	419,119
Total government	\$ 4,228,807	\$ 2,047,373	\$ -	(2,600,553)	419,119	(2,181,434)

Property taxes	1,947,838	-	1,947,838
Special assessments	127,724	-	127,724
Infrastructure fees	113,300	-	113,300
State aid	880,253	-	880,253
Unrestricted investment earnings	44,861	31,757	76,618
Other income	95,625	3,987	99,612
Changes in deferred items	36,482	-	36,482
Transfers	(714,240)	714,240	-
Total general revenues and transfers	2,632,642	749,984	3,282,626
Change in net position	(67,911)	1,169,103	1,101,192
Net position - beginning	9,964,156	12,656,027	22,620,183
Net position - ending	\$ 9,896,245	\$ 13,825,130	\$ 23,721,375

See accompanying notes to financial statements

CITY OF ZUMBROTA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	Special Revenue			Major Funds			Normal			Total
	General	Library	Other	Capital Projects	General	Grants	Capital	Other	Commutal	
	2019	2019	2019	2019	2019	2019	2019	2019	2019	
	Revenue	Expend	Revenue	Expend	Revenue	Expend	Revenue	Expend	Revenue	
REVENUES										
Property taxes	\$ 161,250	\$ -	\$ -	\$ 92,487	\$ -	\$ -	\$ 114,232	\$ -	\$ 161,837	
Intergovernmental	198,375	-	-	-	-	-	-	-	138,213	
Fees and permits	683,876	-	-	-	-	-	-	-	252,810	
Grants	31,183	-	-	-	-	-	-	-	33,374	
Fines and forfeitures	5,181	-	-	-	-	-	-	-	25,042	
Interest	13,600	-	-	141	-	-	1,246	-	18,627	
Other	1,328	-	-	-	-	-	-	-	1,328	
Total revenues	2,292,435	382,224	97	92,628	-	-	115,478	-	3,317,467	
EXPENDITURES										
General government	462,189	-	-	-	-	-	-	-	462,794	
Public safety	895,035	-	-	-	-	-	-	-	1,546,831	
Health	522,039	-	-	-	-	-	-	-	320,761	
Library	370,781	289,334	-	179,417	181,093	194,222	-	-	207,743	
Parks and recreation	6,004	-	-	-	-	-	-	-	207,743	
Intergovernmental	147,108	-	-	-	-	-	-	-	35,325	
Unallocated	-	-	-	-	-	-	-	-	202,323	
Capital projects	-	-	-	-	-	-	-	-	46	
Debt service	-	-	-	-	-	-	-	-	-	
Principal payment	-	-	-	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	-	-	-	
Total expenditures	2,292,235	370,381	385,334	179,417	181,093	229,112	184,232	165,635	2,618,385	
Excess (deficiency) of revenues over expenditures	\$69,114	1,743	(289,237)	(86,789)	(279,112)	(236,412)	(184,232)	(44,159)	(168,918)	
OTHER FINANCING SOURCES (USES)										
Transfers in	565,714	-	-	751,120	148,000	2,922	881,405	38,850	3,000,334	
Transfers in - non-exchange	13,507	-	-	-	-	-	-	-	349,375	
Transfers out	(1,807,033)	(6,000)	-	(709,090)	-	-	(932,000)	-	(3,717,747)	
Total other financing	(1,227,812)	(6,000)	415,366	501,120	516,002	2,922	(608,595)	38,850	(682,032)	
Net increase or decrease	(729,729)	6,749	(193,868)	514,331	(263,093)	(227,090)	(206,246)	(6,310)	(888,353)	
Net resources - beginning	2,168,565	117,488	(151,131)	(151,131)	(151,131)	(151,131)	(248,672)	(248,672)	4,734,091	
Net resources - ending	\$ 1,438,836	\$ 254,181	\$ (6,762)	\$ (68,655)	\$ 338,137	\$ (237,159)	\$ (209,216)	\$ 242,331	\$ 3,735,738	

See accompanying notes to financial statements

CITY OF ZUMBROTA
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 For the Year Ended December 31, 2019

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

Net change in fund balances - total governmental funds	\$ (966,353)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	330,788
Revenues deferred in governmental funds are not deferred in statement of activities	36,482
Debt service principal payments are in governmental funds however do not affect Net Assets	140,000
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.	391,172
Change in Net Position of governmental activities	<u>\$ (67,911)</u>

Change in Net Position of governmental activities

See accompanying notes to financial statements

CITY OF ZUMBROTA
 Statement of Net Position
 Proprietary Funds
 December 31, 2019

	Water	Sewer	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 207,595	\$ 161,236	\$ 368,831
Interest receivable	1,802	1,213	3,015
Due from other funds	250,781	-	250,781
Due from other governments	-	-	-
Accounts receivable:			
Unbilled	19,482	59,451	78,933
Billed	51,289	133,701	184,990
Inventories-at cost	1,333	-	1,333
Total current assets	532,282	355,601	887,883
Noncurrent assets			
Restricted cash and cash equivalents	1,278,135	941,481	2,219,616
Capital assets:			
Land	17,506	136,006	153,512
Buildings and structures	1,452,105	4,542,045	5,994,150
Machinery and equipment	164,041	3,449,663	3,613,704
Distribution and collection system	6,787,018	5,158,950	11,945,968
Less: allowance for depreciation	(3,465,821)	(7,256,419)	(10,722,040)
Total noncurrent assets	6,233,861	6,971,726	13,205,387
Total assets	6,765,943	7,327,327	14,093,270
Deferred outflows of resources	6,534	6,533	13,067
Deferred outflows from pension activities			
Total assets and deferred outflows of resources	6,772,477	7,333,860	14,106,337
Liabilities			
Current liabilities:			
Accounts payable	15,426	15,882	31,308
Sales tax payable	960	-	960
Accrued interest payable	1,110	1,223	2,333
Salaries payable	4,454	6,360	10,814
Total current liabilities	21,950	23,465	45,415
Noncurrent liabilities			
Compensated absences payable	34,558	26,257	60,815
Due to other funds	-	52,850	52,850
Net pension liability	51,252	51,252	102,504
Total noncurrent liabilities	85,810	130,359	216,169
Total liabilities	107,760	153,824	261,584
Deferred inflows of resources			
Deferred inflows from pension activities	10,564	9,059	19,623
Net position			
Invested in capital assets, net of related debt	4,955,049	6,030,245	10,985,294
Unrestricted	1,699,104	1,140,732	2,839,836
Total net position	6,654,153	7,170,977	13,825,130
Total liabilities, deferred inflows of resources and net position	\$ 6,772,477	\$ 7,333,860	\$ 14,106,337

See accompanying notes to financial statements

CITY OF ZUMBROTA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Water	Sewer	Total
Operating revenues			
Charges for services	\$ 610,286	\$ 1,115,990	\$ 1,726,276
Operating expenses			
Personal services	108,797	140,221	247,018
Depreciation	175,280	400,318	575,598
Chemicals	13,460	840	14,300
Utilities	34,923	87,040	121,963
Insurance	12,263	29,505	41,768
Contractual services	-	32,266	32,266
Miscellaneous	40,382	5,666	46,048
Repairs and maintenance	77,929	38,188	116,117
Other supplies and postage	26,858	21,537	48,395
Administrative fees	-	56,489	56,489
Total operating expenses	487,892	817,865	1,305,757
Operating income	122,394	298,125	420,519
Nonoperating revenues (expenses)			
Investment income	17,532	14,225	31,757
Interest expense	(666)	(734)	(1,400)
Fiscal agent fees	-	-	-
Gain/ (Loss) on disposal of assets	-	-	-
Other income	3,497	490	3,987
Total nonoperating revenues (expenses)	20,363	13,981	34,344
Income before contributions and transfers	142,757	312,106	454,863
Transfers			
Transfers from other funds	1,439,931	765,485	2,205,416
Transfers to other funds	(156,578)	(1,334,598)	(1,491,176)
Total transfers	1,283,353	(569,113)	714,240
Change in Net Position	1,426,110	(257,007)	1,169,103
Net Position-Beginning	5,228,043	7,427,984	12,656,027
Net Position-ending	\$ 6,654,153	\$ 7,170,977	\$ 13,825,130

See accompanying notes to financial statements

CITY OF ZUMBROTA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Water	Sewer	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 601,170	\$ 1,142,202	\$ 1,743,372
Payment to suppliers	(202,080)	(281,862)	(483,942)
Payment to employees	(106,112)	(138,878)	(244,990)
Net cash flows provided by operating activities	292,978	721,462	1,014,440
Transfers in			
Transfers out	1,439,931	765,485	2,205,416
Net cash flows provided by noncapital financing activities	(156,578)	(1,334,598)	(1,491,176)
Cash flows from capital and related financing activities:			
Acquisition of capital assets	1,074,352	(569,113)	505,239
Principal paid on bonds	(1,409,912)	(426,991)	(1,836,903)
Interest paid on bonds	-	(41,936)	(41,936)
Interest paid on bonds	(666)	(734)	(1,400)
Net cash flows (used) by capital and related financing activities	(1,410,578)	(469,661)	(1,880,239)
Cash flows from investing activities:			
Other receipts	3,497	490	3,987
Investment income	17,532	14,225	31,757
Net increase (decrease) in cash and cash equivalents	(22,219)	(302,597)	(324,816)
Cash and cash equivalents - Beginning	1,507,949	1,405,314	2,913,263
Cash and cash equivalents - Ending	\$ 1,485,730	\$ 1,102,717	\$ 2,588,447
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 122,394	\$ 298,125	\$ 420,519
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation and amortization	175,280	400,318	575,598
Pension plan expense	-	-	-
Changes in assets and liabilities:			
Decrease (increase) in receivables	(9,116)	26,212	17,096
(Decrease) increase in payables	4,420	(3,193)	1,227
Total adjustments	170,584	423,337	593,921
Net cash provided (used) by operating activities	\$ 292,978	\$ 721,462	\$ 1,014,440

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Zumbrota is a municipal corporation governed by an elected mayor and four-member council. Zumbrota became an incorporated village in 1877. Pursuant to the provisions of Minn. Laws 1973 chapter 123, all villages in Minnesota were reclassified as cities on January 1, 1974. The accompanying financial statements present the primary government. There are no component units.

B. Government-wide and fund financial statements

The government-wide financial statements are the statement of net assets and the statement of changes in net assets. These financial statements report information on all the nonfiduciary activities of the primary government. 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 each function is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. There are no fiduciary 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 funds. 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financial sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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

The City reports the following major governmental funds in 2019:

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

The Library Fund, a special revenue fund, accounts for activities of the library.

East Avenue Fund, a fund to account for capital projects related to the East Avenue.

2019 Street Improvement Fund, a fund to account for capital projects related to street improvements.

Covered Bridge Fund, a fund to account for capital projects related to the Historic Covered Bridge.

County 6 Fund, a fund to account for capital projects related to County Road 6.

Grit Building Fund, a fund to account for the capital projects related to the Grit processing.

The General Obligation Refinancing Fund of 2010B, is a debt service fund account for the revenues and retirement of these bonds.

The City reports the following major proprietary funds:

The water fund is to account for water services provided to residents of the city who have water services available.

The sewer fund is to account for sanitary sewer services provided to residents of the city who have sanitary sewer services.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1988, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Amounts reported as program revenues include 1) charges to customer or applicants for goods, services, or privileges provided and, 2) operating grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 enterprise and of the sewer enterprise fund are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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.

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City'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. State statutes authorize the City to invest in obligations of the U.S. Treasury commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables consist of interest, delinquent taxes, water and sewer billings, special assessments, and due from other governments.

Property tax levies are set by the City Council prior to December 31 of each year, and are certified to Goodhue County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. The County provides tax settlements to cities three times a year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, and net assets or equity (continued)

The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Revenue is accrued and recognized in the year collectible. Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. Revenue from property taxes which is not collected within 60 days of year-end is deferred since it is not available to meet obligations of the current year.

3. Inventories and prepaid items

Inventories of the Proprietary Funds are stated at the lower of cost or market on the first-in first-out basis. Payments made to vendors for service that will benefit periods beyond December 31, 2018, are recorded as prepaid items.

4. Restricted Assets

Certain resources are set aside for repayment of bonds or for equipment repairs and replacement. A summary of these restricted assets and liabilities of December 31, 2019 is as follows:

	Water	Sewer	Total
Enterprise Funds			
Restricted Assets			
Restricted for equipment repairs/replacement	\$ 1,278,135	\$ 941,481	\$ 2,219,616
Total Restricted Assets	\$ 1,278,135	\$ 941,481	\$ 2,219,616
Restricted Liabilities			
Accrued interest payable	\$ 1,110	\$ 1,223	\$ 2,333
Total Restricted Liabilities	\$ 1,110	\$ 1,223	\$ 2,333

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, which include roads, bridges, sidewalks, and similar items, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City to be assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, and net assets or equity (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Assets	Years	
	Land	Non-Depreciable
Land	15-30	
Land improvements	20-80	
Infrastructure	30-60	
Buildings	5-10	
Furniture and office equipment	5-10	
Vehicles	5-10	
Other equipment	4-20	

6. Compensated absences

The City's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability for accumulated sick leave is determined as follows when an employee leaves in good standing: 30% in 3 to 5 years, 40% in 6 to 10 years, 50% in 11 to 15 years and 60% over 16 years. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for vacation is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements. The City has established a Paid Time Off Policy (PTO). Generally, existing vacation and sick leave balances shall be converted to the PTO program, while existing sick leave at the time of the new plan may be banked at the option of the employee and be paid out at termination as described above. PTO will be paid at the employee's hourly rate times 100% of the balance up to 1,200 hours in excess of \$500. 100% shall be transferred to the Minnesota State Retirement Health Care Savings Plan, or 75% of the value of the employee's sick leave bank in excess of \$500 will be transferred into the Minnesota State Retirement Health Care Savings Plan, the remaining 25% of the sick leave bank, calculated per the City of Zumbrota Personnel Manual, will be paid directly to the employee.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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,

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities, and net assets or equity (continued)

whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund balance policies

Fund balance of governmental funds is reported in various categories base on the nature of any limitations requiring the use of resource for specific purposes. The government itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The restricted fund balance classification includes amounts that are constrained by outside parties (grants, bond agreements, etc.) or imposed by law through constitutional provisions or enabling legislation

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amount in the assigned fund balance classification are intended to be used by government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the assignment of fund balance. The council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, and additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either the removal or revise a commitment.

9. Pension Plan Measurement

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

NOTE 2 – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Cash balances from all funds are pooled and invested to the extent available in certificates of deposit and other investments authorized by Minnesota State Statutes. Each fund's portion of this pool is shown on the financial statements as "cash and investments". Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Deposits

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

Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged).

Authorized collateral includes the legal investments described below in A-E, as well as notes secured by first mortgages, loans guaranteed by the Small Business Administration, or loans or obligations secured or guaranteed by the United States that meet statutory conditions and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping at a restricted account at the federal reserve bank or an account at a commercial bank or financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Deposits consist of checking accounts, savings accounts and certificates of deposit held in a bank or savings institution.

At year-end the carrying amount of the City's deposits was \$6,520,258 and the balance on the bank records was \$6,541,613. As of December 31, 2019, all deposits of the City were insured or collateralized by securities held by the City or by its agent in the City's name.

Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose shares are registered under the Federal Securities Act of 1933.
- Bankers acceptances of United States Banks eligible for purchase by the Federal Reserve System.
- Commercial paper of the highest quality issued by United States corporations or their Canadian subsidiaries and maturing in 270 days or less.
- Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York or certain Minnesota securities broker-dealers.

NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and investments (continued)

F. State or local obligations of any state, such as (1) general obligation rated "A" or better; (2) revenue obligation rated "AA" or better; and (3) Minnesota Housing Finance Agency general obligation which is a moral obligation of the state and rated "A" or better.

G. Guaranteed investment contracts of the top two highest categories that are issued or guaranteed by a United States commercial bank, domestic branches of a foreign bank, a United States insurance company or its Canadian subsidiaries.

The City's investments are categorized as either (1) insured or registered or for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the City's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

At December 31, 2018 and during the year then ended, the City held no investments as described above. The City has not adopted formal policies for credit and interest rate risk.

Financial Statement Presentation

Carrying amount of deposits and investments per financial statements was \$6,250,258.

B. Receivables

The carrying value of all receivables approximates fair market value.

	General	Library	Special Revenue	Capital Projects	2019 Salary	Debt Service	Normal and Other	Total
Receivables:								
Interest	\$ 710	\$ 107		95	140	41	1,310	2,403
Accounts	352						17,603	17,955
Taxes	13,547					948	1,666	16,162
Tax delinquencies							111,446	111,446
Special assessments	188,931							188,931
Gross receivables	203,640	107		95	140	990	132,055	338,927
Less: allowance for uncollectibles								
Net total receivables	\$ 203,640	\$ 107				\$ 990	\$ 132,055	\$ 338,827

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. The corresponding revenue from the delinquent (unremitted) and deferred (certified but not yet levied) special assessments receivable is deferred until the year in which it becomes available (collected within 60 days of year-end).

NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Delinquent Taxes	Special Assessments Receivable	Accounts and Loans Receivable	Total
General	\$ 13,547	\$ 188,931	\$ 352	\$ 202,830
Debt service	949	-	-	949
Nonmajor other	1,696	-	17,603	19,299
Total	\$ 16,192	\$ 188,931	\$ 17,955	\$ 223,078

C. Loans receivable

The City through its Economic Development Authority (EDA) Fund issued a loan receivable in the amount of \$200,000 to the Zumbrota Sales, LLC on August 1, 2018. The term of the loan is ten years with an interest rate of 3.00% with monthly payments of \$1,931.21 including interest. The balance of this loan at December 31, 2019 was \$176,666.

The City through its Economic Development Authority (EDA) Fund issued a loan receivable in the amount of \$42,000 to Main Street Rentals, LLC on July 28, 2017. The term of the loan is 10 years with an interest rate of 3.00% with monthly payments of \$405.56. The balance of the loan at December 31, 2019 was \$6,936.

The City through its Economic Development Authority (EDA) Fund issued a loan receivable in the amount of \$10,000 to 218 Main, LLC on October 1, 2018. The term of the loan is 10 years with an interest rate of 3.00% with monthly payments of \$96.65. The balance of the loan at December 31, 2018 was \$9,653.26.

D. Tax abatement programs

The City has entered into an agreement with Zumbrota Golf Club dated August 7, 2003 whereby the city will provide \$570,000 toward the development of the golf course and surrounding residential area. Initial contributions are being provided by the Sewer Fund. The City has authorized abatement of the city share of the property taxes on this property with interest at 4.25% over 15 years to provide reimbursement of the city's contribution. The City has contributed \$570,000 as of December 31, 2005. Tax abatements receivable were \$17,150 at December 31, 2019.

NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Advances to and from other funds

The Water Fund has advanced \$400,000 to Special Revenue, EDA Fund, for the purpose of reimbursing Grover Auto Company for site improvements. The advance will be repaid to the Water Fund over a 10 year period through the Tax Abatement Program. The activity to manage the abatement receivable and repayment to Water Fund is reported in the Tax Abatement Grover Fund.

F. Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,251,949	\$ -	\$ -	\$ 1,251,949
Total capital assets, not being depreciated	1,251,949	-	-	1,251,949
Capital assets, being depreciated:				
Buildings	3,808,711	24,010	-	3,830,721
Improvements other than buildings	455,620	-	-	455,620
Machinery and equipment	1,838,492	267,486	106,065	1,899,913
Infrastructure	9,394,332	622,812	7,189	10,009,955
Total capital assets being depreciated	15,495,155	914,308	113,254	16,296,209
Less accumulated depreciation for:				
Buildings	2,224,875	89,093	-	2,313,968
Improvements other than buildings	108,783	11,265	-	120,048
Machinery and equipment	1,580,751	95,937	97,864	1,578,824
Infrastructure	6,050,482	328,892	-	6,379,374
Total accumulated depreciation	9,964,891	525,187	97,864	10,392,214
Total capital assets, being depreciated, net	5,530,264	389,121	15,390	5,903,995
Governmental activities capital assets, net	\$ 6,782,213	\$ 389,121	\$ 15,390	\$ 7,155,944

CITY OF ZUMBROTA
Notes to the Financial Statements
December 31, 2019

NOTE 2 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Capital assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 153,512	\$ -	\$ -	\$ 153,512
Total capital assets, not being depreciated	153,512	-	-	153,512
Capital assets, being depreciated:				
Buildings and system	5,953,494	40,656	-	5,994,150
Improvements other than buildings	10,288,529	1,692,005	34,566	11,945,968
Machinery and equipment	3,613,704	-	-	3,613,704
Total capital assets being depreciated	19,855,727	1,732,661	34,566	21,553,822
Less accumulated depreciation for:				
Buildings and system	3,990,955	118,106	-	4,109,061
Improvements other than buildings	4,111,743	246,698	-	4,358,441
Machinery and equipment	2,043,745	210,793	-	2,254,538
Total accumulated depreciation	10,146,443	575,597	-	10,722,040
Total capital assets, being depreciated, net	9,709,284	1,157,064	34,566	10,831,782
Business-type activities capital assets, net	\$ 9,862,796	\$ 1,157,064	\$ 34,566	\$ 10,985,294

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

Governmental activities	
General government	\$ 31,489
Public safety	35,147
Public works	400,742
Recreation	57,809
Total depreciation expense - governmental activities	\$ 525,187
Business-type activities	
Water	\$ 175,280
Sewer	400,318
Total depreciation expense - business-type activities	\$ 575,598

CITY OF ZUMBROTA
Notes to the Financial Statements
December 31, 2019

NOTE 2 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Interfund receivables, payables, and transfers

	Transfers In	Transfers Out	Due from other funds	Due to other funds
General Fund	\$ 526,717	\$ 1,807,033	\$ 41,345	\$ 50,422
Library Fund	-	5,000	-	-
East Avenue	415,366	-	-	77,000
2019 Street Imp	751,120	700,966	-	132,000
Covered Bridge	148,000	-	-	-
County 6	2,022	-	-	-
Grit Building	891,045	932,009	-	-
GO Ref 2010B	38,850	-	-	-
Nonmajor Funds	287,414	329,736	141,926	121,780
Proprietary Funds	2,205,416	1,491,176	250,781	52,850
	\$ 5,265,950	\$ 5,265,950	\$ 434,052	\$ 434,052

CITY OF ZUMBROTA
Notes to the Financial Statements
December 31, 2019

NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long-term debt

The City issued \$1,410,000 General Obligation Crossover Refunding Bonds, Series 2010B in the year 2010. The proceeds were used to retire the 2006B General Obligation Street Reconstruction and Utility Revenue Bonds. The net proceeds of \$1,400,490 (after payment of \$11,985 in underwriter fees and accrued interest of \$2,475) were placed in escrow to provide for future debt service payments on the 2006B Bonds. As a result the 2006B Series bonds are considered to be defeased and the liability for those bonds has been removed from the government wide statements of net assets. The City completed the advance refunding to reduce its total debt service payment over the next 13 years by \$52,628 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$43,829.

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

Governmental activities:

\$1,410,000 General Obligation Refunding Bonds Series 2010B, due in semi-annual installments, with principal payments ranging from \$90,000 to \$155,000 annually through February 1, 2023; interest at .80 to 3.30 percent.	\$ 595,000
Total General Obligation Bonds reported for governmental activities	\$ 595,000

Business-type activities:

\$1,510,000 General Obligation Water/Sewer Utility Revenue Bonds, Series 2009A due in semi-annual installments, with principal payments ranging from \$80,000 to \$200,000 annually through February 1, 2019; interest at 2.00% to 3.50%

Total Revenue Bonds Reported for business-type activities

\$	-
\$	-

CITY OF ZUMBROTA
Notes to the Financial Statements
December 31, 2019

H. Long-term debt (continued)

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

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	140,000	16,457	-	-
2021	145,000	12,286	-	-
2022	155,000	7,595	-	-
2023	155,000	2,558	-	-
Thereafter	-	-	-	-
Total	\$ 595,000	\$ 38,896	\$ -	\$ -

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

	Balance 12/31/2018	Issued	Retired	Balance 12/31/2019	Due Within One Year
Governmental activities					
Refunding 2010B	\$ 735,000	\$ -	\$ 140,000	\$ 595,000	\$ 140,000
Total bonds payable	870,000	-	140,000	595,000	140,000
Compensated absences:					
Governmental activities	198,040	-	48,514	149,526	-
long-term liabilities	\$ 1,222,103	\$ -	\$ 188,514	\$ 744,526	\$ 140,000
Business-type activities					
2009 Utility	\$ 80,000	\$ -	\$ 80,000	\$ -	\$ -
Total bonds payable	\$ 80,000	\$ -	\$ 80,000	\$ -	\$ -

NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Fund Balances

Restricted Fund Balances

Certain portions of fund balance are restricted to provide for funding on long-term liabilities or as required by other outside parties. The following is a summary of the restricted fund balances for the governmental funds.

1. **Restricted for Debt Service**
This restricted fund balance represents accumulated resources available for the payment of future principal and interest on the City's bonded debt based on debt agreements.
2. **Restricted for Revolving Loan**
This restricted fund balance represents accumulated resources available for the payment of future expenditures for the use of economic development projects.

Committed Fund Balances

Certain portions of fund balances are committed by high-level formal action prior to the close of the fiscal period to place constraints on spending that the City imposes upon itself to provide for the future operation of certain City provided services. The following is a summary of the committed fund balances for the governmental units.

1. **Committed for Highway and Streets**
This committed fund balance represents accumulated resources available for the future operations of Highways and Streets.
2. **Committed for Compensated Absences**
This committed fund balance represents accumulated resources available for future expenditures for compensated absences.
3. **Committed for Police Equipment**
This committed fund balance represents accumulated resources available for future expenditures for police equipment.
4. **Committed for Cash Flows**
This committed fund balance represents accumulated resources available for future expenditures.

NOTE 2 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Assigned Fund Balances

Certain portions of fund balances are assigned based on City Council action. The following is a summary of the assigned fund balances for the governmental funds.

1. **Assigned for the Library**
This assigned fund balance represents an assignment of fund balance for the future operations of the Library.
2. **Assigned for the EDA**
This assigned fund balance represents an assignment of fund balance for the future operations of the EDA.
3. **Assigned for the Golf Course Abatement Fund**
This assigned fund balance represents an assignment of fund balance for the future operations of the Golf Course Abatement Fund.
4. **Assignment for the Grover Auto Abatement Fund**
This assigned fund balance represents an assignment of fund balance for the future operations of the Grover Auto Abatement Fund.
5. **Assignment for Capital Projects**
This assigned fund balance represents an assignment of fund balance for the payment of costs associated with the City's various ongoing capital projects.
6. **Assignment for Other Nonmajor Funds**
This assigned fund balance represents an assignment of fund balance for the future operations of other nonmajor funds.

NOTE 3 – DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

NOTE 3 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

1. **General Employees Retirement Plan**
All full-time and certain part-time employees of the City of Zumbrota are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.
2. **Public Employees Police and Fire Plan**
The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

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

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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.

Benefit increases are provided to benefit recipients each January. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost of living adjustment announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of 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 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 3 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. 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.

Benefit increases are provided to benefit recipients each January. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of 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 June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City of Zumbrota was required to contribute 7.50 percent for Coordinated Plan members. The City of Zumbrota's contributions to the General Employees Fund for the year ended December 31, 2019, were \$51,863. The City of Zumbrota's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 11.30 percent of their annual covered salary and the City of Zumbrota was required to contribute 16.95 percent of pay for members in fiscal year 2019. The City of Zumbrota's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$64,425. The City of Zumbrota's contributions were equal to the required contributions as set by state statute.

NOTE 3 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2019, the City of Zumbrota reported a liability of \$571,402 for its proportionate share of the General Employees Fund's net pension liability. The City of Zumbrota'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 of Zumbrota totaled \$17,666. 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 of Zumbrota's proportionate share of the net pension liability was based on the City of Zumbrota'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 of Zumbrota's proportionate share was 0.0103% percent which was a decrease of 0.0009% percent from its proportionate share measured as of June 30, 2018.

City of Zumbrota's proportionate share of the net pension liability	\$ 569,464
State of Minnesota's proportionate share of the net pension liability associated with the City of Zumbrota	17,666
Total	<u>\$ 587,130</u>

For the year ended December 31, 2019, the City of Zumbrota recognized pension expense of \$38,209 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Zumbrota recognized a decrease of \$12,482 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 3 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

At December 31, 2019, the City of Zumbrota 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	Deferred Inflows
Differences between expected and actual economic experience	\$ -	\$ 11,035
Changes in actuarial assumptions	-	-
Net collective difference between projected and actual investment earnings	3,671	-
Changes in proportion	-	97,870
Contributions paid to PERA subsequent to the measurement date	36,033	-
Totals	<u>\$ 39,704</u>	<u>\$ 108,905</u>

\$29,175 reported as deferred outflows of resources related to pensions resulting from City of Zumbrota's 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:

Pension Expense	Amount
2020	\$ 53,470
2021	\$ 53,470
2022	\$ 53,470
2023	\$ 53,470

NOTE 3 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

2. Police and Fire Fund Pension Costs

At December 31, 2019, the City of Zumbrota reported a liability of \$369,417 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 of Zumbrota's proportionate share of the net pension liability was based on the City of Zumbrota'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 of Zumbrota's proportionate share was 0.0347%, percent which was an increase of 0.0027% percent from its proportionate share measured as of June 30, 2017. The City of Zumbrota also recognized \$1,151 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2018, the City of Zumbrota recognized pension expense of \$61,898 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City of Zumbrota 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:

	Outflows of Resources	Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 5,866
Changes in actuarial assumptions	-	-
Net collective difference between projected and actual investment earnings	-	-
Changes in proportion	-	(5,754)
Contributions paid to PERA subsequent to the measurement date	32,891	-
Totals	\$ 32,891	\$ 112

\$32,891 reported as deferred outflows of resources related to pensions resulting from City of Zumbrota contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 3 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense Amount	
2020 \$	12,409
2021 \$	12,409
2022 \$	12,409
2023 \$	12,400

Total Pension Expense

The total pension expense for all plans recognized by the City of Zumbrota for the year ended December 31, 2019, was \$105,415.

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 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disableds 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 percent per year for the General Employees Plan, 1.0 percent 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 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

NOTE 3 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Change 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 \$24.0 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-2016 to MP-2017.

Changes in Plan Provisions:

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	36%	5.10%
Private Markets	25%	5.90%
Fixed Income	20%	0.75%
International Equity	17%	5.90%
Cash	2%	0.00%
Total	100%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, 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.

NOTE 3 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

G. Pension Liability Sensitivity

The following presents the City of Zumbrota'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 of Zumbrota's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis				
Net Pension Liability (Asset) at Different Discount Rates				
	General Employees Fund	Police and Fire Fund		
1% Lower	6.50% \$1,009,741	6.50% \$731,312		
Current Discount Rate	7.50% \$621,330	7.50% \$341,087		
1% Higher	8.50% \$300,708	8.50% \$18,378		

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.mmpera.org.

NOTE 4 – OTHER INFORMATION

B. Risk management

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City manages these various risks of loss through commercial insurance coverage.

C. Joint Ventures

Zumbrota Fire Board

The City of Zumbrota along with five townships entered into an agreement with Zumbrota Fire Board under the joint powers laws of the State of Minnesota. The City's annual assessment for the year 2019 for fire services was \$91,564. The City has an ongoing responsibility to contribute the annual

NOTE 4 – OTHER INFORMATION (CONTINUED)

assessment as determined annually by the Fire Board in order to receive the services. The City does own the Fire Hall. The City has no financial interest in the assets or equity of the Fire Board. Zumbrota Fire Board financial statements may be obtained at 1500 Jefferson Drive, PO Box 206, Zumbrota, MN 55992.

Zumbrota Area Ambulance Association

The City of Zumbrota along with several other cities and townships has entered into an agreement with Zumbrota Area Ambulance Association under the joint powers laws of the State of Minnesota. The City's annual assessment for the year 2019 for ambulance services was \$34,260. The City has no financial interest in the assets or equity of the Association. Zumbrota Area Ambulance Association financial statements may be obtained at 1439 South Main Street, Zumbrota, MN 55992.

C. Interfund Receivables and Payables and Transfers In and Out

The City budgets for certain transfers in and out that represent current year financing for operations and for debt service. Certain projects initially accounted for in capital projects funds for enterprise funds were treated as transfers in and out in 2019.

Transactions related to tax abatements are initially accounted for in special revenue funds however are due from or to other funds at December 31, 2019.

D. Fund Balance Deficits

At December 31, 2019 The East Avenue, 2019 Street Improvement, County Road 6 Sewer, Grit Building and Grover Abatement funds had fund balance deficits.

E. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 1, 2020, the date the financial statements were available to be issued

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ZUMBROTA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2019

	Budget	Actual	Variance
Revenues			
Taxes			
General Property	\$ 1,567,948	\$ 1,550,483	\$ (17,465)
Mobile homes	6,000	4,683	(1,317)
Total taxes	1,573,948	1,555,166	(18,782)
Licenses and permits			
Business	14,175	12,805	(1,370)
Non-business	86,750	122,408	35,658
Total licenses and permits	100,925	135,213	34,288
Intergovernmental			
State grants and aids	603,800	607,133	3,333
Local government aid	33,000	46,561	13,561
Police state aid	31,000	30,184	(816)
Fire state aid	667,800	683,878	16,078
Total intergovernmental			
Charges for services	78,650	80,227	1,577
General government	78,650	80,227	1,577
Total charges for services			
Fines	16,000	31,193	15,193
Miscellaneous			
Special assessments	-	35,227	35,227
Interest	6,950	13,800	6,850
Contributions	531	1,733	1,202
Refunds and reimbursements	5,000	57,016	52,016
Total miscellaneous	12,481	107,776	95,295
Total revenues	2,449,804	2,593,453	143,649

See Accompanying Note to Required Supplementary Information

CITY OF ZUMBROTA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Continued
General Fund
For the Year Ended December 31, 2019

	Budget	Actual	Variance
Expenditures			
General government			
Legislative			
Council	7,200	7,200	-
Salaries	465	464	1
Retirement and insurance contributions	500	3,424	(2,924)
Travel	3,700	3,872	(172)
Dues and subscriptions	75	-	75
Operating Supplies	11,940	14,960	(3,020)
Total legislative			
Judicial			
Municipal court	14,500	12,920	1,580
Professional services			
Legal fees			
Executive			
Mayor	2,520	2,520	-
Salaries	162	163	(1)
Retirement and insurance contributions	200	198	2
Travel	30	30	-
Dues	2,912	2,911	1
Total executive			
Elections			
Operating supplies	2,000	6,871	(4,871)
Judges	3,500	-	3,500
Training and travel	200	-	200
Publishing	200	-	200
Total Elections	5,900	6,871	(971)

See Accompanying Note to Required Supplementary Information

CITY OF ZUMBROTA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Continued
General Fund
For the Year Ended December 31, 2019

	Budget	Actual	Variance
Expenditures (Continued)			
General government (continued)			
Financial administration			
Accounting	209,023	249,532	(40,509)
Salaries	15,774	15,193	581
Social security and medicare taxes	15,210	16,475	(1,265)
Public Employees Retirement Association	71,051	54,400	16,651
Employer's insurance contribution	1,600	1,700	(100)
Office supplies	2,500	2,142	358
Operating supplies	1,200	-	1,200
Repair and maintenance supplies	4,800	5,430	(630)
Communication	1,500	1,588	(88)
Travel	5,200	5,293	(93)
Printing and publishing	-	1,278	(1,278)
Department services	1,000	339	661
Dues and subscriptions	3,200	2,027	1,173
Other	332,058	355,397	(23,339)
Total accounting			
Auditing	20,000	19,700	300
Professional services			
Total financial administration	352,058	375,097	(23,039)
Law			
Operating	4,500	5,226	(726)
Total law	4,500	5,226	(726)
Engineer			
Professional services	4,000	7,967	(3,967)
Total Engineering	4,000	7,967	(3,967)
Other general government			
Data processing	8,000	5,979	2,021
Professional services and equipment	500	-	500
Operating supplies	8,500	5,979	2,521
Total data processing			

See Accompanying Note to Required Supplementary Information

CITY OF ZUMBROTA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Continued
General Fund
For the Year Ended December 31, 2019

	Budget	Actual	Variance
Expenditures (Continued)			
General government (continued)			
Other general government (continued)			
City hall building	179	161	18
Social security and medicare taxes	-	158	(158)
Public Employees Retirement Association	1,700	4,048	(2,348)
Operating supplies	6,000	2,167	3,833
Cleaning services	11,575	10,438	1,137
Utility services	8,000	2,091	5,909
Repair and maintenance	-	244	(244)
Capital outlay	27,454	19,307	8,287
Total city hall building			
Maintenance garage	5,850	6,503	(653)
Utility services	2,500	4,448	(1,948)
Repair and maintenance	8,350	10,951	(2,601)
Total maintenance garage			
Total general government buildings	35,804	30,258	5,546
Total general government	440,114	462,189	(22,075)

See Accompanying Note to Required Supplementary Information

CITY OF ZUMBROTA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Continued
General Fund
For the Year Ended December 31, 2019

Expenditures (Continued)	Budget	Actual	Variance
Public safety			
Police protection			
Salaries	386,274	422,024	(35,750)
Retirement and pension contributions			
Public Employees Retirement Association	61,793	66,229	(4,436)
Social Security and Medicare	6,158	7,978	(1,820)
Employer's group insurance	92,698	91,313	1,385
Office supplies	500	60	440
Operating supplies	26,200	29,173	(2,973)
Computer	5,800	7,484	(1,684)
Communication	5,300	5,520	(220)
National night out		919	(919)
Training and travel	4,700	6,054	(1,354)
Dues and subscriptions	1,000	1,058	(58)
Department services			
Special operations		697	(697)
Motor vehicles	20,000	44,528	(24,528)
Miscellaneous	1,700	4,531	(2,831)
Total police protection	612,123	687,568	(75,445)
Ambulance			
Annual contribution	16,000	34,260	(18,260)
Fire protection			
Reimbursement to Zumbrota Fire Board for fire protection assessment	92,000	91,564	436
Total fire protection	92,000	91,564	436
Planning and Zoning			
Operating	48,220	24,387	23,833
Inspection fees	28,000	56,593	(28,593)
Strategic Planning			
Total building inspector	76,220	80,980	(4,760)
Animal control			
Contracted services	500	863	(163)
Total public safety	796,843	895,035	(98,192)

See Accompanying Note to Required Supplementary Information

CITY OF ZUMBROTA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Continued
General Fund
For the Year Ended December 31, 2019

Expenditures (Continued)	Budget	Actual	Variance
Public works			
Highways and streets			
Street and alley			
Salaries	116,862	117,601	(739)
Retirement and pension contributions:			
Social security and medicare taxes	8,940	8,417	523
Public Employees Retirement Association	3,765	3,964	(199)
Employer's insurance contribution	27,086	19,263	7,823
Operating supplies	103,000	151,300	(48,300)
Repair and maintenance supplies	64,500	64,166	334
Professional services	250	-	250
Communication	1,200	1,174	26
Travel	200	-	200
Department services	2,000	715	1,285
Machinery and equipment	11,000	-	11,000
Total street and alley	338,803	366,600	(27,797)
Storm drainage			
Improvements	16,200	3,717	12,483
Snow and ice removal			
Contracted services	25,000	55,162	(30,162)
Street lighting			
Utilities	77,000	91,079	(14,079)
Operating supplies	-	5,445	(5,445)
Total street lighting	77,000	96,524	(19,524)
Total highways and streets	457,003	522,003	(65,000)
Total public works	457,003	522,003	(65,000)

See Accompanying Note to Required Supplementary Information

CITY OF ZUMBROTA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Continued
General Fund
For the Year Ended December 31, 2019

	Budget	Actual	Variance
Expenditures (Continued)			
Recreation			
Participant recreation			
Appropriations			
Bridge and trail maintenance	40,000	627	39,373
Community band allocation	3,500	3,527	(27)
Senior citizens recreation			
Building rent	1,850	1,850	-
Total recreation	45,350	6,004	39,346
Miscellaneous			
Unallocated general			
Insurance	62,500	76,551	(14,051)
Employee safety program	10,700	11,754	(1,054)
Community public safety	1,575	19,524	(17,949)
Food self-building rental	1,200	1,850	(650)
Tree removal/replacement	5,700	4,407	1,293
Miscellaneous projects	35,000	20,890	20,890
Contingencies		12,132	22,868
Total miscellaneous	116,675	147,108	(30,433)
Total expenditures	1,855,985	2,032,339	(176,354)
Excess of revenues over (under) expenditures	593,819	561,114	320,003
Other Financing Sources (Uses)			
Transfers in	495,000	526,717	(31,717)
Refunds & reimbursements	(13,000)	(13,557)	557
Transfers out	(673,319)	(1,807,033)	1,133,714
Total other financing sources (uses)	(191,319)	(1,293,873)	1,102,554
Excess of revenues and other sources over (under) expenditures and other uses	402,500	(732,759)	(1,135,259)
Fund Balance - beginning	2,186,650	2,186,650	-
Fund Balance - ending	\$ 2,589,150	\$ 1,453,891	\$ (1,135,259)

See Accompanying Note to Required Supplementary Information

CITY OF ZUMBROTA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Library Special Revenue Fund
For the Year Ended December 31, 2019

	Budget	Actual	Variance
Revenues			
Taxes			
General property	\$ 161,250	\$ 161,250	\$ -
Total taxes	161,250	161,250	-
Intergovernmental			
Grants from local governments	36,277	36,277	-
Wabasha County	160,098	160,098	-
Goodhue County	196,375	196,375	-
Total intergovernmental			
Charges for services			
Library use fees	4,100	3,499	4
Photocopies	7,000	7,054	(54)
Professional services	1,350	1,500	150
Room rent	12,450	12,057	(393)
Total charges for services			
Fines			
Library fines and lost books	7,025	5,181	(1,844)
Total fines	7,025	5,181	(1,844)
Miscellaneous			
Interest	700	1,323	623
Refunds and reimbursements	1,500	502	(998)
Contributions	1,000	3,482	2,482
Sales tax collected	350	312	(38)
Sale of publications	1,600	2,042	442
Total miscellaneous	5,150	7,661	2,511
Total revenues	382,250	382,524	274

See Accompanying Note to Required Supplementary Information

CITY OF ZUMBROTA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Library Special Revenue Fund
For the Year Ended December 31, 2019

Expenditures	Budget	Actual	Variance
Library			
Salaries and wages	191,279	174,240	17,039
Retirement and pension contributions			
Social security taxes	11,859	10,258	1,601
Public Employees Retirement Association	13,526	12,280	1,246
Medicare	2,774	2,399	375
Insurance	37,641	21,696	15,945
Operating supplies	4,100	4,283	(183)
Repair and maintenance supplies	13,800	9,972	3,828
Computer	14,794	14,842	(48)
Communication	1,980	1,998	(18)
Training and travel	1,000	363	637
Utility services	650	645	5
Liability insurance	15,310	15,939	(629)
Copier	8,800	10,690	(1,890)
Books and subscriptions	950	1,340	(390)
Contingencies	55,250	52,005	3,245
Children's programs	5,987	30,998	(25,011)
Sales tax remittance	2,000	1,890	110
Computer Upgrades	350	343	7
	3,700	4,600	(900)
Total expenditures	385,750	370,781	14,969
Excess of revenues over (under) expenditures	(3,500)	11,743	15,243
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	(5,000)	5,000
Total other financing sources (uses)	-	(5,000)	5,000
Excess of revenues and other sources over (under) expenditures and other uses	(3,500)	6,743	10,243
Fund Balance - beginning	197,448	197,448	-
Fund Balance - ending	\$ 193,948	\$ 204,191	\$ 10,243

See Accompanying Note to Required Supplementary Information

CITY OF ZUMBROTA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
EDA Special Revenue Fund
for the Year Ended December 31, 2019

	Budget	Actual	Variance
Miscellaneous			
Interest	400	797	397
Intergovernmental/Miscellaneous	18,000	30,034	12,034
Total miscellaneous	18,400	30,831	12,431
Total revenues	18,400	30,831	12,431
Expenditures			
Economic development			
Salaries	37,457	47,463	(10,006)
Social security and medicare tax	2,789	2,748	41
Public Employees Retirement Association	2,734	2,702	32
Employer's group insurance	5,945	5,128	817
Operating supplies	400	644	(244)
Travel	300	-	300
Promotional	1,700	1,700	-
Development projects	4,500	692	3,808
Insurance	500	464	36
Principal on loan	40,000	-	40,000
Publishing	200	133	67
Interest on advance from water fund	-	-	-
Miscellaneous	2,450	6,423	(3,973)
Festival and centennial	18,000	21,665	(3,665)
Total expenditures	121,225	90,662	30,563
Excess of revenues over (under) expenditures	(102,825)	(59,831)	(42,994)
Other financing sources (uses)			
Transfers in	102,825	102,825	-
Transfers out	-	-	-
Total other financing sources (uses)	102,825	102,825	-
Excess of revenues over (under) expenditures and other financing uses	-	42,994	42,994
Fund balance - beginning	74,323	74,323	-
Fund balance - ending	\$ 74,323	\$ 117,317	\$ 42,994

See Accompanying Note to Required Supplementary Information

NOTE 1 – NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the major funds which are the general, library and EDA funds. Annual appropriations lapse at the end of the year. The City Council may approve carryover of specific amounts.

The appropriate budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e. purchase orders, contracts and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under executor contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for revenue derived from specific revenue sources that are restricted to expenditures for specific purposes.

Park Fund

This fund is established to account for the operations and maintenance of city parks. Financing is to be provided from general fund transfers, a property tax levy, contributions and fees.

Swimming Pool

This fund is established to account for operations and maintenance of the City's swimming pool. Financing is to be provided by a property tax levy, contributions and fees.

Revolving Loan Fund

This fund is established to account for state grants received for the purpose of providing loans to Small Business.

EDA Revolving Loan Fund

This fund was established to account for loans to Small Business under the direction of the City's Economic Development Authority.

Infrastructure Fund

This fund was established to account for infrastructure fees collected to be used for capital improvements or debt retirement.

EDA Land Sale Fund

This fund was established to account for transactions related to land purchased by the City in the Business Park in 2008 and available for sale.

Golf Course Abatement Fund

This fund was established to account for the golf course abatement activity.

Grover Abatement Fund

This fund was established to account for the Grover abatement activity.

Veterinary Clinic Abatement Fund

This fund was established to account for the Veterinary Clinic abatement activity

EDA Fund

This fund was established to account for transactions related to Economic Development activity.

Capital Projects Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and improvements.

Capital Equipment Fund

This fund was established to account for major capital projects.

Capital Restricted Fund

This fund was established to account for resources restricted for the purpose of capital projects.

EDA Sales Tax Fund

This fund was established to account for capital projects related to the Rochester Sales Tax.

Capital Improvements Fund

This fund was established to account for capital projects improvements

Digester Project Funds

This fund was established to account for major sewer upgrades.

CITY OF ZUMBROTA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2019

ASSETS	Special Revenue	Capital Projects	Total
Cash and investments	\$ 877,439	\$ 535,905	\$ 1,413,344
Receivables			
Accounts	17,603	-	17,603
Abatements	111,446	-	111,446
Taxes	1,696	-	1,696
Interest	641	669	1,310
Loans	224,569	84,685	309,254
Due from other funds	131,926	10,000	141,926
Due from other governments	2,989	-	2,989
Land available for sale	154,163	-	154,163
Total Assets	\$ 1,522,472	\$ 631,269	\$ 2,153,741

LIABILITIES, DEFERRED INFLOWS
OF RESOURCES AND FUND
BALANCE

Liabilities:	\$ 7,917	\$ -	\$ 7,917
Accounts payable	121,780	-	121,780
Due to other funds			
Total Liabilities	129,697	-	129,697
Deferred Inflows of Resources			
Accounts receivable	17,603	-	17,603
Property taxes	1,696	-	1,696
Total Deferred Inflows of Resources	19,299	-	19,299
Fund Balance:			
Restricted for:			
Revolving loan	369,999	-	369,999
Assigned for:			
Special Revenue Funds	1,003,477	-	1,003,477
Capital Projects	-	631,269	631,269
Total Fund Balance	1,373,476	631,269	2,004,745
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,522,472	\$ 631,269	\$ 2,153,741

CITY OF ZUMBROTA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental funds
For the Year Ended December 31, 2019

	Special Revenue	Capital Projects	Total
REVENUES	\$ 117,958	\$ -	\$ 117,958
Property taxes			
Interest Income	20,530	7,512	28,042
Charges for services	170,526	-	170,526
Refunds and reimbursements	10	-	10
Miscellaneous	30,528	-	30,528
Total Revenues	339,552	7,512	347,064
EXPENDITURES			
Current:			
Refunds & reimbursements	535	-	535
Contingencies	3,125	-	3,125
Parks and recreation	130,170	-	130,170
Urban and economic development	207,743	-	207,743
Capital Projects	-	202,320	202,320
Forgivable Loans	-	46	46
Total Expenditures	341,573	202,366	543,939
Excess (deficiency) of revenues over (under) expenditures	(2,021)	(194,854)	(196,875)
OTHER FINANCING SOURCES (USES)			
Transfers in	231,914	55,500	287,414
Transfers out	(243,850)	(85,886)	(329,736)
Total other financing sources and uses	(11,936)	(30,386)	(42,322)
Net change in fund balances	(13,957)	(225,240)	(239,197)
Fund balances - beginning	1,387,433	856,509	2,243,942
Fund balances - ending	\$ 1,373,476	\$ 631,269	\$ 2,004,745

CITY OF ZIMMEROTA
Comprehensive Annual Financial Report
Hemlock Special Revenue Funds
December 31, 2019

	Park	Swimming Pool	Recycling Loan	EDA Revolving Loan	EDA Land	Library Restricted	Ints. Structure Fund	Gift Course Abatement Fund	Owner Abatement Fund	Net Clinic Abatement Fund	Total
Assets											
Due from other government units	\$ 285,110	\$ 285,118	\$ 58,554	\$ 68,823	\$ 61,409	\$ 55,457	\$ 53,738	\$ 1	\$ -	\$ -	\$ 877,439
Accounts receivable	409	570	-	-	-	-	717	-	-	-	1,696
Due from other government units	-	600	-	-	-	-	17,023	-	-	-	17,623
Accrued interest receivable	-	-	-	-	-	-	-	17,191	24,225	70,000	111,446
Accrued interest receivable	200	205	31	22	49	54	-	-	-	-	51
Due from other government units	1,217	1,772	-	-	-	-	-	52,800	9,018	-	131,528
Loan receivable	-	-	94,003	132,088	-	-	-	-	-	-	226,091
Due from other government units	-	-	-	-	-	-	-	-	-	-	2,889
Total assets	\$ 287,742	\$ 287,742	\$ 152,645	\$ 207,411	\$ 114,933	\$ 55,457	\$ 53,738	\$ 70,000	\$ 33,217	\$ 70,000	\$ 1,025,425
Liabilities											
Accounts payable	\$ 361	\$ 795	\$ -	\$ -	\$ -	\$ 3,125	\$ -	\$ -	\$ -	\$ -	\$ 7,917
Due to other funds	391	-	-	-	-	-	-	38,479	70,000	33,201	142,670
Total liabilities	\$ 752	\$ 795	\$ -	\$ -	\$ -	\$ 3,125	\$ -	\$ 38,479	\$ 70,000	\$ 33,201	\$ 150,587
Deferred portion of Resources	409	600	-	-	-	-	17,023	-	-	-	17,623
Property taxes	-	-	-	-	-	-	217	-	-	-	217
Total deferred portion of Resources	409	600	-	-	-	-	17,240	-	-	-	17,840
Fund Balance											
Restricted	\$ 187	\$ 285,118	\$ 152,645	\$ 207,411	\$ 114,933	\$ 55,457	\$ 53,738	\$ 70,000	\$ 33,217	\$ 70,000	\$ 1,025,425
Unrestricted	200	205	31	22	49	54	-	-	-	-	51
Total fund balance	\$ 387	\$ 285,323	\$ 152,676	\$ 207,433	\$ 114,982	\$ 55,511	\$ 53,738	\$ 70,000	\$ 33,217	\$ 70,000	\$ 1,025,476
Total liabilities and fund balance	\$ 752	\$ 795	\$ -	\$ -	\$ -	\$ 3,125	\$ -	\$ 38,479	\$ 70,000	\$ 33,201	\$ 150,587

CITY OF ZIMMEROTA
Comprehensive Annual Financial Report
Hemlock Special Revenue Funds
December 31, 2019

	Park	Swimming Pool	Recycling Loan	EDA Revolving Loan	EDA Land	Library Restricted	Ints. Structure Fund	Gift Course Abatement Fund	Owner Abatement Fund	Net Clinic Abatement Fund	Total
Revenues											
Due from other government units	\$ 47,845	\$ 56,510	\$ 8,880	\$ 4,970	\$ -	\$ 609	\$ 285	\$ -	\$ -	\$ -	\$ 117,868
Accounts receivable	2,815	4,288	-	-	-	-	113,309	-	-	-	120,412
Due from other government units	15,900	41,288	-	-	-	-	-	-	-	-	57,188
Accrued interest receivable	-	-	-	-	-	-	-	-	-	-	-
Due from other government units	69,241	113,590	8,880	4,970	653	609	113,309	-	-	-	359,522
Total revenues	\$ 135,001	\$ 215,676	\$ 197,760	\$ 9,940	\$ 653	\$ 1,218	\$ 113,613	\$ -	\$ -	\$ -	\$ 568,110
Expenditures											
Accounts payable	-	535	-	-	-	-	-	-	-	-	\$ 535
Due to other funds	44,390	66,900	-	-	-	5,127	-	-	-	-	\$ 116,417
Due from other government units	-	-	-	-	-	-	-	-	-	-	-
Due from other government units	44,390	66,900	-	-	-	5,127	-	-	-	-	\$ 116,417
Total expenditures	\$ 44,390	\$ 67,435	\$ -	\$ -	\$ -	\$ 5,127	\$ -	\$ -	\$ -	\$ -	\$ 116,417
Excess of revenues over expenditures	\$ 90,611	\$ 148,241	\$ 197,760	\$ 9,940	\$ 653	\$ 705	\$ 113,613	\$ -	\$ -	\$ -	\$ 451,693
Other financing sources (uses)											
Accounts receivable	21,751	27,535	8,880	4,970	653	609	113,309	-	-	-	\$ 187,027
Due from other government units	16,000	-	-	-	-	-	-	-	-	-	\$ 16,000
Due from other government units	(13,000)	-	-	-	-	-	-	-	-	-	\$ (13,000)
Total other financing	\$ 24,751	\$ 27,535	\$ 8,880	\$ 4,970	\$ 653	\$ 609	\$ 113,309	\$ -	\$ -	\$ -	\$ 188,027
Net change in fund balance	\$ 165,860	\$ 170,706	\$ 206,640	\$ 14,910	\$ 1,306	\$ 1,314	\$ 113,309	\$ -	\$ -	\$ -	\$ 469,720
Fund balance - beginning	\$ 221,841	\$ 232,825	\$ 145,790	\$ 212,441	\$ 253,998	\$ 46,912	\$ 58,314	\$ 70,000	\$ (5,101)	\$ -	\$ 1,025,476
Fund balance - ending	\$ 387,701	\$ 403,531	\$ 352,430	\$ 367,351	\$ 255,304	\$ 48,226	\$ 171,623	\$ 70,000	\$ (10,201)	\$ -	\$ 1,494,902

CITY OF ZUMBROTA
Combining Balance Sheet
Normal Capital Projects Funds
December 31, 2019

ASSETS	Capital Equipment	Capital Restricted	EDA Sales Tax	Capital Improvements	WWTP Digester Project	Total
Cash and investments	\$ 48,681	\$ 282,089	\$ 204,390	\$ 746	-	\$ 535,905
Interest receivable	1	454	214	-	-	669
Loans receivable	-	-	84,695	-	-	84,695
Due from other funds	-	-	-	10,000	-	10,000
Total Assets	\$ 48,681	\$ 282,543	\$ 289,299	\$ 10,746	-	\$ 631,269
LIABILITIES AND FUND BALANCES						
Fund Balance						
Assigned	\$ 48,681	\$ 282,543	\$ 289,299	\$ 10,746	-	\$ 631,269
Total Fund Balances	48,681	282,543	289,299	10,746	-	631,269
Total Liabilities and Fund Balances	\$ 48,681	\$ 282,543	\$ 289,299	\$ 10,746	-	\$ 631,269

CITY OF ZUMBROTA
Combining Schedule of Revenues, Expenses and Changes in Fund Balances
Normal Capital Projects Funds
For the Year Ended December 31, 2019

REVENUES	Capital Equipment	Capital Restricted	EDA Sales Tax	Capital Improvements	WWTP Digester Project	Total
Interest Income	\$ 1,986	\$ 3,189	\$ 2,005	\$ 6	\$ 326	\$ 7,512
Refunds and reimbursements	-	-	-	-	-	-
Intergovernmental/Miscellaneous	-	-	-	-	-	-
Total Revenues	1,986	3,189	2,005	6	326	7,512
EXPENDITURES						
Current:						
Public works	202,320	-	-	-	-	202,320
Loans	-	-	46	-	-	46
Total Expenditures	202,320	-	46	-	-	202,366
Excess (deficiency) of revenues over (under) expenditures	(200,334)	3,189	1,959	6	326	(194,854)
OTHER FINANCING SOURCES (USES)						
Transfers in	46,000	9,500	-	-	-	55,500
Transfers out	-	(31,717)	-	-	(54,169)	(85,886)
Total other financing sources and uses	46,000	(22,217)	-	-	(54,169)	(30,386)
Net change in fund balances	(164,334)	(19,028)	1,959	6	(53,843)	(225,240)
Fund balances - beginning	203,015	301,571	287,340	10,740	53,843	856,509
Fund balances - ending	\$ 48,681	\$ 282,543	\$ 289,299	\$ 10,746	-	\$ 631,269

CITY OF ZUMBROTA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Park Special Revenue Fund
For the Year Ended December 31, 2019

	Budget	Actual	Variance
Revenues			
Taxes			
General property	\$ 48,700	\$ 47,492	\$ 1,208
Mobile homes	200	157	43
Total taxes	48,900	47,649	1,251
Charges for services			
Camping fees	13,000	13,980	980
Shelter fees	3,000	1,950	(1,050)
Total charges for services	16,000	15,930	(70)
Miscellaneous			
Interest	1,050	2,615	1,565
Contributions and donations	100	-	(100)
Refunds and reimbursements	200	147	(53)
Total miscellaneous	1,350	2,762	1,412
Total revenues	66,250	66,341	2,593
Expenditures			
Recreation			
Operating supplies	1,000	4,173	(3,173)
Motor fuel	500	-	500
Professional fees	200	200	-
Printing and publishing	100	230	(130)
Insurance	10,000	6,477	3,523
Utility services	6,100	7,235	(1,135)
Repairs and maintenance	2,000	305	1,695
Dues and subscriptions	300	165	135
Department services	18,000	19,365	(1,365)
Park improvements	12,000	375	11,625
Sales tax remittance	800	858	(58)
Other equipment	2,000	5,157	(3,157)
Refunds & Reimbursements	-	250	(250)
Total expenditures	53,000	44,590	8,410
Excess of revenues over expenditures	13,250	21,751	8,501
Other financing uses			
Transfers in	10,000	10,000	-
Transfers out	(13,000)	(13,000)	-
Total other financing uses	(3,000)	(3,000)	-
Net change in fund balance	10,250	18,751	8,501
Fund Balance - beginning	268,421	268,421	-
Fund Balance - ending	\$ 278,671	\$ 287,172	\$ 8,501

CITY OF ZUMBROTA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Pool Special Revenue Fund
For the Year Ended December 31, 2019

	Budget	Actual	Variance
Revenues			
Taxes			
General property	\$ 70,586	\$ 69,286	\$ (1,300)
Mobile homes	-	224	224
Total taxes	70,586	69,510	(1,076)
Charges for services			
Memberships	12,000	10,621	(1,379)
Vending sales	1,800	1,311	(489)
Lessons	17,000	21,121	4,121
Daily fees	9,000	8,243	(757)
Total charges for services	39,800	41,296	1,496
Miscellaneous			
Contributions	-	258	258
Interest	1,000	2,487	1,487
Refunds and reimbursements	1,200	99	(1,101)
Total miscellaneous	2,200	2,844	644
Total revenues	112,586	113,650	1,064
Expenditures			
Recreation			
Parttime and seasonal employees	66,640	48,172	18,468
City share social security	4,131	2,980	1,151
City share medicare	1,115	705	410
Operating supplies	3,000	5,316	(2,316)
Soft drinks	1,000	1,168	(168)
Telephone	200	191	9
Training and travel	1,000	-	1,000
Printing and publishing	500	169	331
Insurance	5,000	5,409	(409)
Utility services	9,000	13,518	(4,518)
Repairs and maintenance	17,700	5,345	12,355
Dues, subscriptions & licenses	1,500	1,690	(190)
Sales tax	1,800	918	882
Total expenditures	112,586	85,580	27,006
Excess of revenues over (under) expenditures	-	28,070	28,070
Other financing uses			
Transfers out	-	-	-
Refunds and reimbursements	-	(535)	535
Total other financing uses	-	(535)	535
Net change in fund balance	-	27,535	27,535
Fund Balance - beginning	232,825	232,825	-
Fund Balance - ending	\$ 232,825	\$ 260,360	\$ 27,535

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF LEGAL OPINION

§ _____
GENERAL OBLIGATION STREET RECONSTRUCTION BONDS, SERIES 2021A
CITY OF ZUMBROTA
GOODHUE COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Zumbrota, Goodhue County, Minnesota (the "Issuer"), of its \$ _____ General Obligation Street Reconstruction Bonds, Series 2021A, bearing a date of original issue of May 6, 2021 (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 imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

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

TAFT STETTINIUS & HOLLISTER LLP

BOOK-ENTRY-ONLY SYSTEM

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(See following pages)

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Zumbrota, Minnesota (the "Issuer"), in connection with the issuance of its \$3,125,000* General Obligation Street Reconstruction Bonds, Series 2021A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on April 22, 2021 (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 4 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated _____, 2021, 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, at least annually to the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, its Audited Financial Statements for the most recent Fiscal Year, which is the only financial information or operating data which is customarily prepared by the Issuer and publicly available, 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 its Audited Financial Statements 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. Reporting of Significant Events. This Section 4 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.

SECTION 5. 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 6. 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 7. 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 8. 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 9. 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 10. 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 11. 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 7 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: May 6, 2021.

CITY OF ZUMBROTA, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

APPENDIX E

TERMS OF PROPOSAL

\$3,120,000* GENERAL OBLIGATION STREET RECONSTRUCTION BONDS, SERIES 2021A CITY OF ZUMBROTA, MINNESOTA

Proposals for the purchase of \$3,120,000* General Obligation Street Reconstruction Bonds, Series 2021A (the "Bonds") of the City of Zumbrota, 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 April 22, 2021, 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 6:00 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, Chapter 475 and Section 475.58, subdivision 3b, as amended, by the City to finance the cost of street reconstruction projects as described in the City's approved Five-Year Street Reconstruction & Overlay Plan dated March 18, 2021. 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 May 6, 2021, 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>
2023	\$140,000	2030	\$150,000	2037	\$165,000
2024	140,000	2031	150,000	2038	170,000
2025	140,000	2032	150,000	2039	170,000
2026	145,000	2033	155,000	2040	175,000
2027	145,000	2034	155,000	2041	180,000
2028	145,000	2035	160,000	2042	180,000
2029	145,000	2036	160,000		

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, 2022, 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 2023 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, 2031 shall be subject to optional redemption prior to maturity on February 1, 2030 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 May 6, 2021, 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 \$3,082,560 plus accrued interest on the principal sum of \$3,120,000 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 \$62,400 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 Zumbrota, Minnesota

PROPOSAL FORM

The City Council
City of Zumbrota, Minnesota

April 22, 2021

RE: \$3,120,000* General Obligation Street Reconstruction Bonds, Series 2021A (the "Bonds")
DATED: May 6, 2021

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 \$3,082,560) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % 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	_____ % due	2042
_____ % due	2029	_____ % due	2036		

* 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 2023 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 \$62,400 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 May 6, 2021.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

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

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: _____ NO: _____.

If the competitive sale requirements are not met, we elect to use either the: _____ 10% test, or the _____ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from May 6, 2021 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 Zumbrota, Minnesota, on April 22, 2021.

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