

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 2, 2021

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, from taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel 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. See "Tax Exemption" herein.

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

New Issue

Rating Application Made: S&P Global Ratings

CITY OF NOWTHEN, MINNESOTA (Anoka County)

\$2,830,000* GENERAL OBLIGATION BONDS, SERIES 2021A

PROPOSAL OPENING: September 14, 2021, 10:00 A.M., C.T.

CONSIDERATION: September 14, 2021, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$2,830,000* General Obligation Bonds, Series 2021A (the "Bonds") are being issued by the City of Nowthen, Minnesota (the "City") pursuant to Minnesota Statutes, Section 412.301, and Chapters 429 and 475, to finance the acquisition of City vehicles and equipment and the construction of various assessable public improvements. 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 Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: October 7, 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	\$280,000	2027	\$300,000	2031	\$315,000
2024	290,000	2028	300,000	2032	150,000
2025	290,000	2029	305,000		
2026	295,000	2030	305,000		

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: August 1, 2022 and semiannually thereafter.

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

MINIMUM PROPOSAL: \$2,796,040.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$56,600 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Kennedy & Graven, Chartered

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 NOWTHEN CITY COUNCIL

		<u>Term Expires</u>
Jeff Pilon	Mayor	January 2023
Jason Alders	Council Member	January 2025
Lynda Blake	Council Member	January 2023
Joel Greenberg	Council Member	January 2023
Mary Rainville	Council Member	January 2025

ADMINISTRATION

Lori Streich, City Clerk/Treasurer

Ellen Lendt, Deputy Clerk

PROFESSIONAL SERVICES

Kennedy & Graven, Chartered, 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 Nowthen, Minnesota (the "City") and the issuance of its \$2,830,000* General Obligation 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 September 14, 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 October 7, 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 August 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, 2030 shall be subject to optional redemption prior to maturity on February 1, 2029 or any date thereafter, at a price of par plus accrued interest.

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

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

AUTHORITY; PURPOSE

The Bonds are being issued by the City pursuant to Minnesota Statutes, Section 412.301, and Chapters 429 and 475, to finance the acquisition of City vehicles and equipment (the "Equipment Certificates Portion") and the construction of various assessable public improvements (the "Improvement Portion").

All equipment financed with the proceeds of the Equipment Certificates Portion of the Bonds has an expected useful life at least as long as the term of the Equipment Certificates Portion of the Bonds. The par amount of the Equipment Certificates Portion of the Bonds does not exceed 0.25% of the estimated market value of the City. The estimated market value of the City for taxes collectible in 2021 is \$643,031,000. Therefore, the maximum par amount of the Equipment Certificates Portion of the Bonds cannot exceed \$1,607,578.

ESTIMATED SOURCES AND USES*

Sources	Equipment Certificates Portion	Improvement Portion	Total Bond Issue
Par Amount of Bonds	\$880,000	\$1,950,000	\$2,830,000
Prepaid Assessments	-	111,040	111,040
Prepaid Assessments (1st year Collection)	-	30,300	30,300
Total Sources	\$880,000	\$2,091,340	\$2,971,340
Uses			
Total Underwriter's Discount (1.200%)	\$10,560	\$23,400	\$33,960
Costs of Issuance	17,102	37,898	55,000
Deposit to Project Construction Fund	850,000	2,027,644	2,877,644
Rounding Amount	2,338	2,398	4,736
Total Uses	\$880,000	\$2,091,340	\$2,971,340

*Preliminary, subject to change.

Breakdown of Principal Payments*:

Payment Date	Equipment Certificates Portion	Improvement Portion	Total Bond Issue
2/01/2023	\$95,000	\$185,000	\$280,000
2/01/2024	95,000	195,000	290,000
2/01/2025	95,000	195,000	290,000
2/01/2026	95,000	200,000	295,000
2/01/2027	100,000	200,000	300,000
2/01/2028	100,000	200,000	300,000
2/01/2029	100,000	205,000	305,000
2/01/2030	100,000	205,000	305,000
2/01/2031	100,000	215,000	315,000
2/01/2032	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Total	\$880,000	\$1,950,000	\$2,830,000

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the City for which the City will pledge its full faith, credit and taxing powers.

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

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

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

RATING

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

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

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

CONTINUING DISCLOSURE

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

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

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

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

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, 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

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and decisions, interest on the Bonds is excludable from gross income of the owners thereof for purposes of federal income taxation and is excludable from taxable net income of individuals, estates and trusts for purposes of State of Minnesota income taxation, but is subject to State of Minnesota franchise taxes measured by income that are imposed upon corporations, including financial institutions.

Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income (for federal tax purposes) and taxable net income (for State of Minnesota tax purposes) of the owners thereof. 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 United States or State of Minnesota income taxation.

The Code imposes an alternative minimum tax with respect to individuals on alternative minimum taxable income.

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) shall be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable year. For purposes hereof, the applicable percentage is 5.25% divided by the highest rate in effect under Section 11(b) of the Code.

Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Under certain circumstances, interest on the Bonds may be subject to the tax on "excess net passive income" of Subchapter S corporations imposed by Section 1375 of the Code.

The above is not a comprehensive list of all federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State 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.

Legislative proposals

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status on municipal bonds. For example, legislation has been proposed that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt bonds cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any such change in law.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

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

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

Type of Property	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 \$162,000 - .75% Over \$162,000 - .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

2020/21 Economic Market Value \$736,554,250¹

	2020/21 Assessor's Estimated Market Value	2020/21 Net Tax Capacity
Real Estate	\$636,048,100	\$ 6,101,706
Personal Property	<u>6,982,900</u>	<u>139,142</u>
Total Valuation	<u><u>\$643,031,000</u></u>	<u>\$ 6,240,848</u>
Less: Fiscal Disparities Contribution ²		<u>(202,321)</u>
Taxable Net Tax Capacity		\$ 6,038,527
Plus: Fiscal Disparities Distribution ²		<u>653,304</u>
Adjusted Taxable Net Tax Capacity		<u><u>\$ 6,691,831</u></u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 89.48% 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 \$736,554,250.

² Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base since 1972 to an area pool which is then distributed among the municipalities on the basis of population, and fiscal capacity indicated market value as determined by the Minnesota Department of Revenue. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2020/21 NET TAX CAPACITY BY CLASSIFICATION

	2020/21 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$ 4,586,800	73.50%
Agricultural	715,353	11.46%
Commercial/industrial	406,600	6.52%
Railroad operating property	23,460	0.38%
Non-homestead residential	368,235	5.90%
Commercial & residential seasonal/rec.	1,258	0.02%
Personal property	139,142	2.23%
Total	<u>\$ 6,240,848</u>	<u>100.00%</u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Adjusted Taxable Net Tax Capacity²	Percent +/- in Estimated Market Value
2016/17	\$500,304,300	\$464,508,922	\$ 4,742,348	\$ 5,108,195	+ 6.86%
2017/18	522,013,000	488,639,513	4,986,207	5,397,324	+ 4.34%
2018/19	583,680,000	552,373,129	5,650,130	6,089,472	+11.81%
2019/20	622,910,400	586,266,235	6,032,523	6,473,016	+ 6.72%
2020/21	643,031,000	604,193,334	6,240,848	6,691,831	+ 3.23%

¹ Net Tax Capacity is before fiscal disparities adjustments.

² Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments.

LARGER TAXPAYERS

Taxpayer	Type of Property	2020/21 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Minnesota Pipeline Company	Utility	\$ 64,974	1.04%
Minnegasco, Inc.	Utility	59,790	0.96%
A & B Rentals, LLC	Commercial	45,366	0.73%
Connexus Energy	Utility	38,446	0.62%
Rademacher Family Partnership, LLLP	Commercial	28,290	0.45%
Perkins Real Estate, LLC	Commercial	21,385	0.34%
Majestic Custom Construction, Inc.	Commercial	19,510	0.31%
Nowthen Storage, LLC	Commercial	19,094	0.31%
B & S Properties of Nowthen, LLC	Commercial	16,020	0.26%
Name Brand Self Storage, LLC	Commercial	15,602	0.25%
Total		<u><u>\$328,477</u></u>	<u><u>5.26%</u></u>
City's Total 2020/21 Net Tax Capacity		\$6,240,848	

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes (includes the Improvement Portion of the Bonds)*	\$3,025,000
Total G.O. debt secured by taxes (includes the Equipment Certificates Portion of the Bonds)*	<u>1,005,000</u>
Total General Obligation Debt*	<u><u>\$4,030,000</u></u>

*Preliminary, subject to change.

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

City of Nowthen, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 10/07/2021)

		Improvement Bonds Series 2019A		Improvement Bonds 1) Series 2021A					
Dated Amount		07/16/2019 \$1,175,000		10/07/2021 \$1,950,000*					
Maturity		02/01		02/01					
Calendar Year Ending		Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding
2022		100,000	30,750	0	16,043	100,000	46,793	146,793	2,925,000
2023		105,000	27,675	185,000	19,183	290,000	46,858	336,858	2,635,000
2024		105,000	24,525	195,000	18,135	300,000	42,660	342,660	2,335,000
2025		120,000	21,150	195,000	16,868	315,000	38,018	353,018	2,020,000
2026		125,000	17,475	200,000	15,385	325,000	32,860	357,860	1,695,000
2027		125,000	13,725	200,000	13,585	325,000	27,310	352,310	1,370,000
2028		130,000	9,900	200,000	11,485	330,000	21,385	351,385	1,040,000
2029		130,000	6,000	205,000	9,155	335,000	15,155	350,155	705,000
2030		135,000	2,025	205,000	6,593	340,000	8,618	348,618	365,000
2031				215,000	3,755	215,000	3,755	218,755	150,000
2032				150,000	1,125	150,000	1,125	151,125	0
		1,075,000	153,225	1,950,000	131,311	3,025,000	284,536	3,309,536	

* Preliminary, subject to change.

1) This represents the \$1,950,000 Improvement Portion of the \$2,830,000 General Obligation Bonds, Series 2021A.

City of Nowthen, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 10/07/2021)

Capital Improvement Plan													
Refunding Bonds Series 2012A				Equipment Certificates Series 2013A				Equipment Certificates 1) Series 2021A					
Dated Amount	04/11/2012 \$695,000		09/05/2013 \$165,000		10/07/2021 \$880,000*								
Maturity	02/01		02/01		02/01								
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending	
2022	85,000	850	20,000	729	0	6,917	105,000	8,496	113,496	900,000	10.45%	2022	
2023			20,000	243	95,000	8,233	115,000	8,476	123,476	785,000	21.89%	2023	
2024					95,000	7,710	95,000	7,710	102,710	690,000	31.34%	2024	
2025					95,000	7,093	95,000	7,093	102,093	595,000	40.80%	2025	
2026					95,000	6,380	95,000	6,380	101,380	500,000	50.25%	2026	
2027					100,000	5,500	100,000	5,500	105,500	400,000	60.20%	2027	
2028					100,000	4,450	100,000	4,450	104,450	300,000	70.15%	2028	
2029					100,000	3,300	100,000	3,300	103,300	200,000	80.10%	2029	
2030					100,000	2,050	100,000	2,050	102,050	100,000	90.05%	2030	
2031					100,000	700	100,000	700	100,700	0	100.00%	2031	
	85,000	850	40,000	972	880,000	52,332	1,005,000	54,154	1,059,154				

* Preliminary, subject to change.

1) This represents the \$880,000 Equipment Certificates Portion of the \$2,830,000 General Obligation Bonds, Series 2021A.

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations payable wholly or partly from special assessments levied against benefitted property (includes the Improvement Portion of the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (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.

2020/21 Assessor's Estimated Market Value	\$643,031,000
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 19,290,930
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Equipment Certificates Portion of the Bonds)*	<u>(1,005,000)</u>
Unused Debt Limit*	<u><u>\$ 18,285,930</u></u>

*Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2020/21 Adjusted Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
Anoka County	\$ 453,476,406	1.4757%	\$ 49,315,000	\$ 727,741
I.S.D. No. 11 (Anoka-Hennepin Schools)	301,895,093	0.5226%	251,620,000	1,314,966
I.S.D. No. 15 (St. Francis Public Schools)	40,833,612	5.8662%	85,080,000	4,990,963
I.S.D. No. 728 (Elk River Area Schools)	100,690,423	2.7000%	302,775,000 ³	8,174,925
Anoka County Regional Railroad Authority	453,476,406	1.4757%	18,860,000	278,317
Metropolitan Council	4,884,505,255	0.1370%	193,320,000 ⁴	264,848
City's Share of Total Overlapping Debt				<u>\$15,751,761</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 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.

⁴ The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding all of which are supported entirely by revenues and have not been included in the Overlapping Debt or Debt Ratios sections.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$736,554,250)	Debt/ Current Population Estimate (4,682)
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	\$ 3,025,000		
Taxes*	<u>1,005,000</u>		
Tax Supported General Obligation Debt (includes the Bonds)*	\$ 4,030,000	0.55%	\$860.74
 City's Share of Total Overlapping Debt	 <u>\$15,751,761</u>	 <u>2.14%</u>	 <u>\$3,364.32</u>
 Total*	 <u><u>\$19,781,761</u></u>	 <u><u>2.69%</u></u>	 <u><u>\$4,225.06</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.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2016/17	\$1,351,291	\$ 1,344,257	\$ 1,351,133	99.99%
2017/18	1,450,347	1,438,232	1,449,668	99.95%
2018/19	1,479,285	1,467,780	1,477,726	99.89%
2019/20	1,561,491	1,543,252	1,559,690	99.88%
2020/21	1,639,913	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 May 31, 2021.

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

TAX CAPACITY RATES¹

	2016/17	2017/18	2018/19	2019/20	2020/21
Anoka County	36.841%	35.334%	34.473%	33.078%	31.086%
City of Nowthen	26.417%	27.151%	24.165%	24.288%	24.680%
I.S.D. No. 11 (Anoka-Hennepin Schools)	18.590%	18.392%	16.330%	16.948%	16.152%
I.S.D. No. 15 (St. Francis Public Schools)	28.893%	26.962%	24.858%	22.200%	21.957%
I.S.D. No. 728 (Elk River Area Schools)	36.659%	36.137%	32.865%	34.371%	31.717%
Metro Council	0.866%	0.841%	0.627%	0.596%	0.645%
Metro Mosquito	0.467%	0.453%	0.415%	0.398%	0.387%
Anoka County Railroad Authority	0.802%	0.738%	0.685%	0.494%	0.481%
Anoka County HRA	1.536%	1.508%	1.504%	1.513%	1.573%

Referendum Market Value Rates:

I.S.D. No. 11 (Anoka-Hennepin Schools)	0.21561%	0.25862%	0.26028%	0.24352%	0.23694%
I.S.D. No. 15 (St. Francis Public Schools)	0.10357%	0.09735%	0.10622%	0.09003%	0.08508%
I.S.D. No. 728 (Elk River Area Schools)	0.19373%	0.19422%	0.19430%	0.29961%	0.30598%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Anoka 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 2008. 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 Clerk/Treasurer and Deputy Clerk are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has four full-time, two part-time, and three 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

The City does not have any recognized and certified bargaining units.

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 July 31, 2021)

Fund	Total Cash and Investments
General	\$ 871,915
Special Revenue	2,489
Debt Service	391,430
Capital Projects	872,659
Total Funds on Hand	<u><u>\$ 2,138,493</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 2020 audited financial statements.

FISCAL YEAR ENDING DECEMBER 31					
COMBINED STATEMENT	2017 Audited	2018 Audited	2019 Audited	2020 Audited	2021 Adopted Budget 1)
Revenues					
Taxes	\$1,207,424	\$1,301,286	\$1,337,582	\$1,359,585	\$1,471,635
Fines	8,771	7,713	16,218	5,574	8,800
Licenses, permits and fees	101,021	103,321	119,267	121,128	101,605
Intergovernmental revenue	139,102	70,086	88,904	124,198	107,105
Charges for services	113,052	130,381	111,758	135,829	118,245
Interest income	1,607	10,604	26,438	13,645	5,275
Refund & other	10,518	33,602	35,077	12,222	10,500
Total Revenues	<u>\$1,581,495</u>	<u>\$1,656,993</u>	<u>\$1,735,244</u>	<u>\$1,772,181</u>	<u>\$1,823,165</u>
Expenditures					
Current:					
General government	\$458,005	\$567,855	\$547,337	\$598,123	\$639,600
Public safety	464,350	481,541	535,325	532,162	734,225
Public works	350,434	337,424	349,592	397,434	408,295
Parks and recreation	40,367	27,317	32,115	24,788	49,445
Capital outlay	100,498	10,237	0	0	0
Total Expenditures	<u>\$1,413,654</u>	<u>\$1,424,374</u>	<u>\$1,464,369</u>	<u>\$1,552,507</u>	<u>\$1,831,565</u>
Excess of revenues over (under) expenditures	\$167,841	\$232,619	\$270,875	\$219,674	(\$8,400)
Other Financing Sources (Uses)					
Operating transfers in	\$0	\$0	\$0	\$0	\$0
Operating transfers out	(196,719)	(917,709)	(353,370)	(187,500)	(107,500)
Total Other Financing Sources (Uses)	<u>(\$196,719)</u>	<u>(\$917,709)</u>	<u>(\$353,370)</u>	<u>(\$187,500)</u>	<u>(\$107,500)</u>
Net changes in Fund Balances	(\$28,878)	(\$685,090)	(\$82,495)	\$32,174	(\$115,900)
General Fund Balance January 1	\$1,448,156	\$1,419,278	\$734,188	\$651,693	\$683,867
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance December 31	<u>\$1,419,278</u>	<u>\$734,188</u>	<u>\$651,693</u>	<u>\$683,867</u>	<u>\$567,967</u>
DETAILS OF DECEMBER 31 FUND BALANCE					
Unassigned	\$1,419,278	\$734,188	\$651,693	\$683,867	\$567,967
Total	<u>\$1,419,278</u>	<u>\$734,188</u>	<u>\$651,693</u>	<u>\$683,867</u>	<u>\$567,967</u>

1) The 2020 budget was adopted as of December 8, 2020.

GENERAL INFORMATION

LOCATION

The City, with a 2010 U.S. Census population of 4,443 and a current population estimate of 4,682, and comprising an area of 36 square miles, is located approximately 30 miles north of the Minneapolis- St. Paul metropolitan area.

LARGER EMPLOYERS¹

The City is primarily a residential community with a complement of small businesses, retail establishments and restaurants. Additional employment opportunities are available in the nearby City of Elk River (approximately 7 miles away).

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 728 (Elk River Area Schools)	Elementary and secondary education	2,100
Sherburne County	County government and services	722
Cretex Company	Concrete product manufacturing	500
Wal-Mart	Retail	335
Guardian Angels of Elk River	Nursing home	250
City of Elk River	Municipal government and services	209 ²
Crystal Distribution, Inc.	Roof curb-distributors	150
Sportech, Inc.	Snowmobile, motorcycle, ATV dealers	150
Menards	Home improvement retail	140
Coborn's	Grocery store	110

Source: *Data Axle Reference Solutions, written and telephone survey (August, 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").

² The City of Elk River additionally has 38 paid on-call Firefighters, which are not included in employees total.

BUILDING PERMITS

	2017	2018	2019	2020	2021 ¹
<u>New Single Family Homes</u>					
No. of building permits	12	11	10	8	6
Valuation	\$3,835,000	\$6,857,125	\$4,590,978	\$2,889,278	\$2,400,327
<u>New Commercial/Industrial</u>					
No. of building permits	8	4	13	2	0
Valuation	\$730,600	\$1,603,000	\$2,040,534	\$903,000	\$0
<u>All Building Permits</u>					
<i>(including additions and remodelings)</i>					
No. of building permits	521	622	559	342	194
Valuation	\$8,504,449	\$5,548,679	\$8,502,380	\$6,447,192	\$7,944,167

Source: The City.

¹ As of August 31, 2021.

U.S. CENSUS DATA

Population Trend: The City

2000 U.S. Census population	3,557
2010 U.S. Census population	4,443
2019 State Demographer's Estimate	4,682
Percent of Change 2000 - 2010	+ 24.91%

Income and Age Statistics

	The City	Anoka County	State of Minnesota	United States
2019 per capita income	\$36,613	\$36,978	\$37,625	\$34,103
2019 median household income	\$107,688	\$82,175	\$71,306	\$62,843
2019 median family income	\$112,750	\$95,429	\$89,842	\$77,263
2019 median gross rent	\$1,607	\$1,118	\$977	\$1,062
2019 median value owner occupied units	\$329,600	\$232,400	\$223,900	\$217,500
2019 median age	38.7 yrs.	38.5 yrs.	38.0 yrs.	38.1 yrs.

	State of Minnesota	United States
City % of 2019 per capita income	97.31%	107.36%
City % of 2019 median family income	125.50%	145.93%

Housing Statistics

	<u>The City</u>		
	2010	2019	Percent of Change
All Housing Units	1,425	1,494	4.84%

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>	
	Anoka County	Anoka County	State of Minnesota
2017	188,873	3.3%	3.4%
2018	191,154	2.8%	3.0%
2019	192,703	3.1%	3.2%
2020	184,703	6.0%	6.2%
2021, July	195,132	3.5%	3.4%

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.

CITY OF NOWTHEN

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
DECEMBER 31, 2020

MICHAEL W. POFAHL
CERTIFIED PUBLIC ACCOUNTANT

**CITY OF NOWTHEN, MINNESOTA
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DECEMBER 31, 2020**

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INTRODUCTORY SECTION



**CITY OF NOWTHEN, MN
ELECTED AND APPOINTED OFFICIALS
Ending December 31, 2020**

<u>NAME</u>	<u>ELECTED OFFICE</u>	<u>TERM EXPIRES</u>
Jeff Pilon	Mayor	2021
Lynda Blake	Council Member	2023
Joel Greenberg	Council Member	2023
Mary Rainville	Council Member	2021
Dan Breyen	Council Member	2021

APPOINTED OFFICIALS:

Lori Streich	City Clerk/Treasurer
Ellen Lendt	Deputy Clerk
Shane Nelson	Engineer – Hakanson Anderson Associates
Kurt Glaser	Attorney – Smith & Glaser – Prosecutions
Bob Ruppe	Attorney – Couri & Ruppe – General
Elizabeth Stockman	City Planner – The Planning Company
Scott Qualle	Building Official – MNSpect, LLC



**CITY OF NOWTHEN, MN
ELECTED AND APPOINTED OFFICIALS
January 1, 2021**

<u>NAME</u>	<u>ELECTED OFFICE</u>	<u>TERM EXPIRES</u>
Jeff Pilon	Mayor	2023
Lynda Blake	Council Member	2023
Joel Greenberg	Council Member	2023
Mary Rainville	Council Member	2025
Jason Alders	Council Member	2025

APPOINTED OFFICIALS:

Lori Streich	City Clerk/Treasurer
Ellen Lendt	Deputy Clerk
Shane Nelson	Engineer – Hakanson Anderson Associates
Kurt Glaser	Attorney – Smith & Glaser – Prosecutions
Bob Ruppe	Attorney – Couri & Ruppe – General
Elizabeth Stockman	City Planner – The Planning Company
Scott Qualle	Building Official – MNSpect, LLC

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

MICHAEL W. POFAHL
Certified Public Accountant
10780 North Avenue, 14E
Chicaso City, Minnesota 55013
651-213-6632

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
City Council
City of Nowthen
Nowthen, Minnesota 55330

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Nowthen, Minnesota, as of December 31, 2020 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages iv-x and 7-9 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquires, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. In my opinion the management's discussion and analysis and the budgetary comparison are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nowthen, Minnesota's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Michael W. Pofahl
Certified Public Accountant
Chisago City, MN 55013
April 1, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS



Management's Discussion and Analysis

As management of the City of Nowthen, this section of the City's annual financial report presents a discussion and analysis of the City's activities during the fiscal year ended December 31, 2020.

Financial Highlights

- The assets of the City exceeded liabilities by \$5,662,035. Of this amount, \$2,741,456 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$949,921.
- The City's government funds reported combined ending fund balances of \$2,331,157 as of December 31, 2020. Of this amount, approximately 68% is available for spending within the City's designation and policies.
- As of December 31, 2020, unrestricted - unassigned fund balance for the General Fund was \$683,867.

Overview of the Financial Statements

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

Government-wide financial statements consist of Statement of Net Assets and the Statement of Activities, and provide information about the activities of the City as a whole and present a long-term view of the City's finances.

Fund financial statements provide information about governmental activities by showing how these services were financed in the short-term as well as what remains for future spending. These statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Notes to the financial statements provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-23 of this report.

Reporting the City as a Whole

The analysis of the City as a whole begins with the Statements of Net Assets and the Statements of Activities found on pages 1 and 2. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These statements report the City's net assets and changes in them. The City's net assets can be used as a way of measuring the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's tax base or the condition of the City's infrastructure to assess the overall health of the City.

Reporting the City's Most Significant Funds

The fund financial statements that begin on page 3 provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other revenues.

- **Governmental funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end are available for spending. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. I describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in reconciliation to each of the fund financial statements on pages 4 and 6. The basic governmental fund financial statements can be found on pages 3 and 5.

- The City uses fiduciary funds to account for resources held for the benefit of parties outside the government. These funds are reflected in the government-wide statements as cash in trust and deposits payable, because the resources of these funds are not available to support programs of the City.
- Notes to financial statements - The notes provide additional information that is essential to fully understand the data provided in government-wide and governmental fund financial statements. The notes to the financial statements can be found on pages 10 - 23 of this report.
- Other information - The combining statements referred to earlier in connection with Non-major governmental funds are presented immediately following the basic financial statements.

Financial Analysis of The City as a Whole

City of Nowthen Net Position, December 31, 2019 and 2020

	<u>2019</u>	<u>2020</u>
Assets:		
Current and other assets	\$ 3,091,103	\$ 3,358,762
Capital assets (net)	<u>3,509,783</u>	<u>4,379,579</u>
Total assets	<u>6,600,886</u>	<u>7,738,341</u>
Liabilities:		
Long-term liabilities	1,555,000	1,428,000
Other liabilities	<u>333,772</u>	<u>648,306</u>
Total liabilities	<u>1,888,772</u>	<u>2,076,306</u>
Net assets:		
Invested in capital assets, Net of related debt	1,923,783	2,920,579
Unrestricted	<u>2,788,331</u>	<u>2,741,456</u>
Total Net Position	<u>\$ 4,712,114</u>	<u>\$ 5,662,035</u>

City of Nowthen, Minnesota Changes of Net Position December 31, 2019 and 2020

	Governmental Activities	
	<u>2019</u>	<u>2020</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 252,243	\$ 256,957
Operating grants and contributions	88,670	55,103
Capital grants and contributions	355,713	945,909
General Revenues:		
Property taxes	1,480,973	1,549,789
Grants and contributions	39,526	104,811
Investment income	30,459	32,842
Bond Premium	77,131	-
Total revenues	<u>\$ 2,324,715</u>	<u>\$ 2,945,411</u>
Expenses:		
General government	\$ 575,775	\$ 649,468
Public safety	602,107	603,207
Public works	488,931	653,363
Park and recreation	51,390	43,777
Interest on long-term debt	31,285	45,675
Total expenses	<u>\$ 1,749,488</u>	<u>\$ 1,995,490</u>
Change in Net Position	575,227	949,921
Net Position, January 1	<u>4,086,887</u>	<u>4,712,114</u>
P.E.R.A. Adjustment	<u>50,000</u>	<u>-</u>
Net Position, December 31	<u><u>\$ 4,712,114</u></u>	<u><u>\$ 5,662,035</u></u>

Governmental Activities Comparing 2020 to 2019

Governmental activities increased net assets by \$949,921 which is a 20% increase.

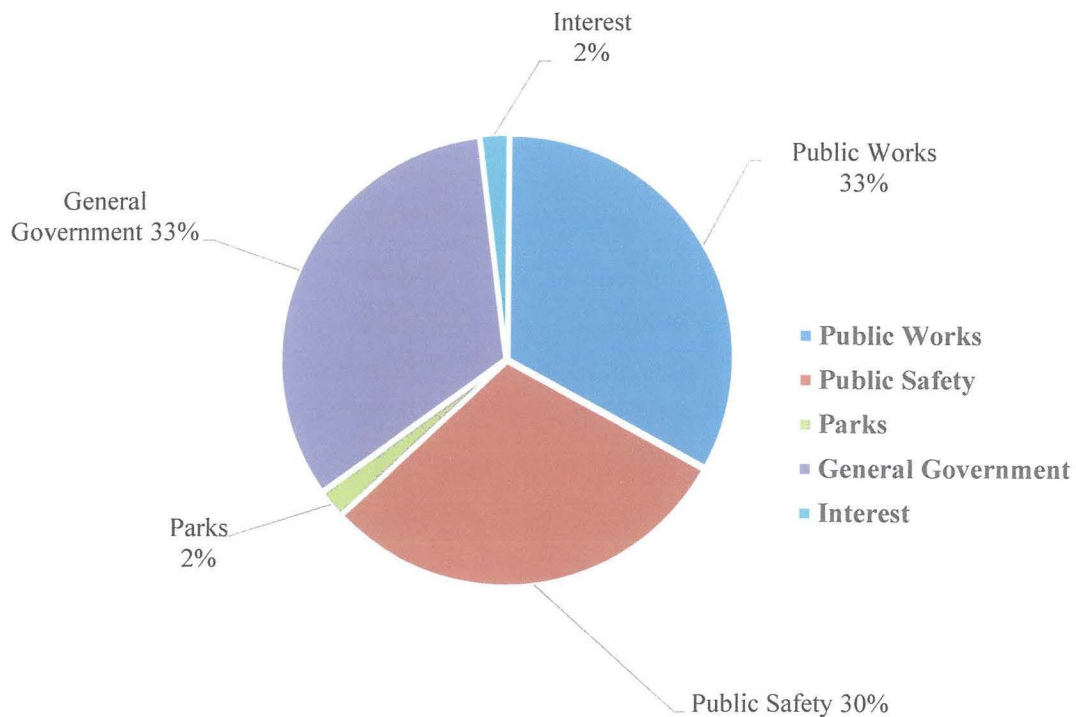
Revenues increased \$620,696 or 15%, the key elements of this change are as follows:

- Property tax revenue increased \$68,816.
- Charges for all services increased by \$4,714.
- Capital Grants increased by \$590,196. Increased Special Assessments, and Care Act Grant \$357,472.

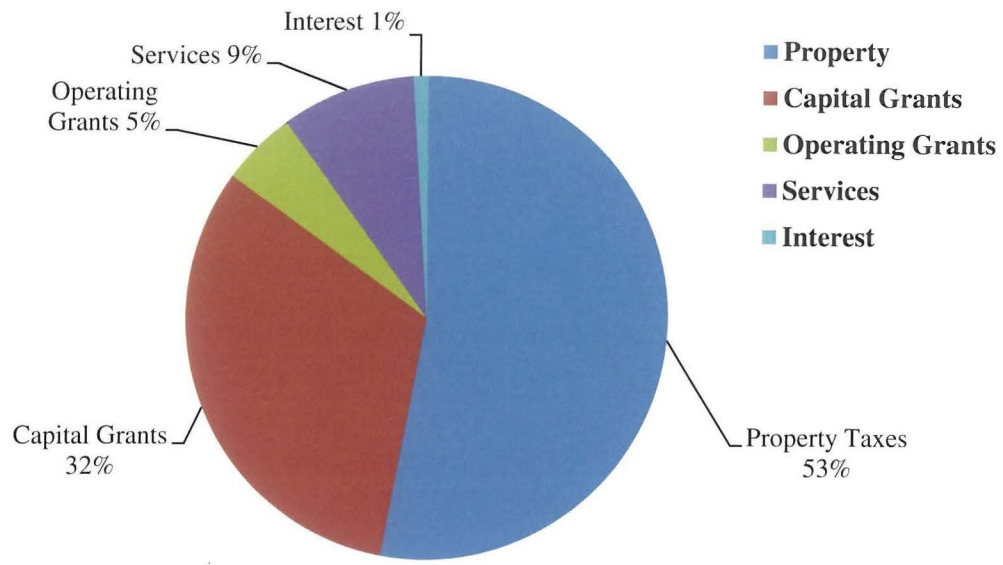
Expenses increased by \$246,002.

- Public works deprecation up \$129,376.
- Interest expense up \$14,390.
- General Government: Building repairs \$43,746 and Salaries \$32,951 - both increased.

EXPENDITURES 2020



Revenues by Source - Governmental Activities



General Fund Budgetary Highlights - 2020

\$62,500 was budgeted for Equipment, and \$125,000 was budgeted for future buildings.

Capital Assets and Debt Administration

Capital Assets

The City's investment capital assets for its governmental activities at the end of 2020 amounts to \$4,379,579 (net of accumulated depreciation). The investment in capital assets include land, buildings, park facilities, equipment and streets. The total increase in the City's net capital assets for the current fiscal year was about 25%. Depreciation for 2020 was \$318,974.

Major capital assets added during the current fiscal year included the following:

- Road Infrastructure costs - 2020 Projects \$824,950 - In Progress.
- CARE Act Improvements in process, \$351,436.

City of Nowthen - Capital Assets (net of depreciation)

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2020</u>
Infrastructure In-Process	\$ -	\$ 1,176,386
Land and improvements	137,750	137,750
Park improvements	142,475	124,323
City Center & Infrastructure	1,522,728	1,342,536
Building and improvements	1,063,919	1,033,520
Equipment	<u>642,911</u>	<u>565,064</u>
Total net capital assets	<u>\$ 3,509,783</u>	<u>\$ 4,379,579</u>

Additional information on the City's capital assets can be found on Note 4 - Capital Assets in this report.

Debt Administration

The City's total debt decreased by \$127,000, the principal payments made during 2020.

City of Nowthen Outstanding Debt

Bonds Payable December 31.

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2020</u>
2012A Refunding Bonds	\$ 245,000	\$ 165,000
2011A Certificates of Indebtedness	55,000	28,000
2013 Certificates of Indebtedness	80,000	60,000
Special Assessment Bonds	-	-
2019A G.O. Improvement Bonds	<u>1,175,000</u>	<u>1,175,000</u>
Total debt outstanding	<u>\$ 1,555,000</u>	<u>\$ 1,428,000</u>

Additional information on the City's long-term debt can be found in Note 5 of this report.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those interested in the government's finances. If you have any questions about this report or need additional information, contact the City of Nowthen.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NOWTHEN, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental <u>Activities</u>
Assets	
Equity in cash pool	\$2,609,832
Cash and investments held in trust	48,646
Accounts receivable and Accrued Interest	27,893
Taxes receivable	71,059
Special assessments receivable	585,232
Prepaid Expense	16,100
Capital assets, net of accumulated depreciation:	
Land and Improvements	137,750
Park improvements	124,323
Buildings and improvements	1,033,520
Equipment (Office, Park, Recycling, Road)	276,708
Town Center and Road Infrastructure	1,342,536
Fire Equipment	288,356
Infrastructure in-progress	<u>1,176,386</u>
 Total assets	 <u>\$ 7,738,341</u>
Liabilities	
Accrued Vacation and Payroll	\$ 28,000
Interest Payable	31,000
Accounts Payable	416,306
Pension Liability	169,000
Deferred Inflows	4,000
Noncurrent Liabilities:	-
Due within one year	228,000
Due in more than one year	<u>1,200,000</u>
 Total liabilities	 <u>\$2,076,306</u>
Net Position	
Invested in capital assets, net of related debt	\$2,920,579
Unrestricted	<u>2,741,456</u>
 Total Net Position	 <u>\$ 5,662,035</u>

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

**CITY OF NOWTHEN, MINNESOTA
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2020**

		<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Functions and programs					
Governmental activities					
General government	\$ 649,468	\$ 16,124	\$ 5,574	\$ 30,142	\$ (597,628)
Public safety	603,207	239,041	49,529	-	(314,637)
Public works	653,363	-	-	-	(653,363)
Parks and recreation	43,777	1,792	-	-	(41,985)
Interest on long-term debt	45,675	-	-	-	(45,675)
Total governmental activities	<u>\$ 1,995,490</u>	<u>\$ 256,957</u>	<u>\$ 55,103</u>	<u>\$ 30,142</u>	<u>\$ (1,653,288)</u>
General Revenues:					
Care Act Revenue					\$ 357,472
Property taxes levied for general purposes					1,549,789
Grants and contributions not restricted to specific programs					74,669
Special Assssments for Capital Outlay					588,437
Investment income					<u>32,842</u>
Total general revenues					<u>2,603,209</u>
Change in Net Position					949,921
Net Position, December 31, 2019					<u>4,712,114</u>
P.E.R.A. Position change from Prior					<u>-</u>
Net Position, December 31, 2020					<u><u>\$ 5,662,035</u></u>

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

FUND FINANCIAL STATEMENTS

CITY OF NOWTHEN, MINNESOTA

**Balance Sheet
Governmental Funds
December 31, 2020**

	Cares Act Fund	Park Acquisition Fund	General	2020 Road Improvement Funds	2019A G.O. Bonds	Capital Non-Major Funds I	Debt Service Non-Major Funds II	Total
Assets								
Equity in cash pool	\$ 85,266	\$ 218,435	\$ 688,669	\$ 695,432	\$ 393,303	\$ 401,811	\$ 126,916	\$ 2,609,832
Cash held in trust	-	-	48,646	-	-	-	-	48,646
Receivables & Accrued Interest	-	-	14,282	-	-	9,346	-	23,628
Prepaid Expense	-	-	16,100	-	-	-	-	16,100
Taxes receivable, net	-	-	62,404	-	2,851	-	5,804	71,059
Due from Other Governments	-	-	4,265	-	-	-	-	4,265
Special assessments receivable	-	-	-	224,900	321,517	28,784	10,031	585,232
Total assets	<u>85,266</u>	<u>218,435</u>	<u>834,366</u>	<u>920,332</u>	<u>717,671</u>	<u>439,941</u>	<u>142,751</u>	<u>3,358,762</u>
Liabilities and Fund Balance								
Liabilities:								
Accrued Payroll & vacation	-	-	28,000	-	-	-	-	28,000
Accounts / Contracts Payable	85,266	-	73,853	208,541	-	-	-	367,660
Deposits	-	-	48,646	-	-	-	-	48,646
Due to other governments	-	-	-	-	-	-	-	-
Deferred Inflows	-	-	-	224,900	319,793	28,575	10,031	583,299
Total liabilities	<u>85,266</u>	<u>-</u>	<u>150,499</u>	<u>433,441</u>	<u>319,793</u>	<u>28,575</u>	<u>10,031</u>	<u>1,027,605</u>
Fund Balances:								
Restricted	-	218,435	-	-	397,878	-	132,720	749,033
Unrestricted, reported in:	-	-	-	-	-	-	-	-
General Fund unassigned	-	-	683,867	-	-	-	-	683,867
Special revenue funds assigned	-	-	-	-	-	-	-	-
Capital funds assigned	-	-	-	486,891	-	435,375	-	922,266
Capital funds unassigned	-	-	-	-	-	(24,009)	-	(24,009)
Total fund balances	<u>-</u>	<u>218,435</u>	<u>683,867</u>	<u>486,891</u>	<u>397,878</u>	<u>411,366</u>	<u>132,720</u>	<u>2,331,157</u>
Total liabilities and fund balances	<u>\$ 85,266</u>	<u>\$ 218,435</u>	<u>\$ 834,366</u>	<u>\$ 920,332</u>	<u>\$ 717,671</u>	<u>\$ 439,941</u>	<u>\$ 142,751</u>	<u>\$ 3,358,762</u>

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

CITY OF NOWTHEN, MINNESOTA

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Governmental Funds
December 31, 2020**

Total fund balances - governmental funds	\$ 2,331,157
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Capital assets	7,696,391
Less accumulated depreciation	(3,316,812)

Other long-term assets not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	583,299
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Pension P.E.R.A.	(173,000)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the governmental funds.

Bonds payable	(1,428,000)
Accrued interest	<u>(31,000)</u>

Net position of Governmental activities.	<u><u>\$ 5,662,035</u></u>
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The notes to financial statements are an integral part of this statement.

CITY OF NOWTHEN, MINNESOTA
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds
For the Year Ended December 31, 2020

	CARES Act Fund	Park Acquisition Fund	General	2020 Road Improvement Funds	2019A G.O. Bonds	Capital Non-Major Funds I	Debt Service Non-Major Funds II	Total
Revenues								
Property Taxes	\$ -	\$ -	\$ 1,359,585	\$ -	\$ 64,198	\$ -	\$ 126,006	\$ 1,549,789
Special assessments	-	-	-	111,040	56,198	10,634	-	177,872
Fines	-	-	5,574	-	-	-	-	5,574
Licenses, permits and fees	-	-	121,128	-	-	-	-	121,128
Intergovernmental revenue	357,472	-	124,198	-	-	-	-	481,670
Charges for services	-	-	135,829	-	-	-	-	135,829
Interest Income	-	908	13,645	11,841	2,591	3,612	245	32,842
Refunds & Other	-	-	12,222	-	-	17,920	-	30,142
Total revenues	<u>\$ 357,472</u>	<u>\$ 908</u>	<u>\$ 1,772,181</u>	<u>\$ 122,881</u>	<u>\$ 122,987</u>	<u>\$ 32,166</u>	<u>\$ 126,251</u>	<u>\$ 2,534,846</u>
Expenditures								
Current								
General Governmental	-	-	598,123	-	-	43,746	-	641,869
Public Safety	6,036	-	532,162	-	-	14,097	-	552,295
Public Works	-	-	397,434	14,455	-	-	-	411,889
Parks and Recreation	-	-	24,788	-	-	-	-	24,788
Capital Outlay	351,436	-	-	824,950	-	12,384	-	1,188,770
Debt service:	-	-	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-	127,000	127,000
Interest and fiscal fees	-	-	-	-	37,194	-	8,481	45,675
Total expenditures	<u>357,472</u>	<u>-</u>	<u>1,552,507</u>	<u>839,405</u>	<u>37,194</u>	<u>70,227</u>	<u>135,481</u>	<u>2,992,286</u>
Excess (deficiency) revenues/expenses	<u>-</u>	<u>908</u>	<u>219,674</u>	<u>(716,524)</u>	<u>85,793</u>	<u>(38,061)</u>	<u>(9,230)</u>	<u>(457,440)</u>
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	85,900	394,084	-	479,984
Transfers out	-	-	(187,500)	-	-	292,484	-	(479,984)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(187,500)</u>	<u>-</u>	<u>85,900</u>	<u>101,600</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	908	32,174	(716,524)	171,693	63,539	(9,230)	(457,440)
Balances, December 31, 2019	<u>-</u>	<u>217,527</u>	<u>651,693</u>	<u>1,203,415</u>	<u>226,185</u>	<u>347,827</u>	<u>141,950</u>	<u>2,788,597</u>
Balances, December 31, 2020	<u>\$ -</u>	<u>\$ 218,435</u>	<u>\$ 683,867</u>	<u>\$ 486,891</u>	<u>\$ 397,878</u>	<u>\$ 411,366</u>	<u>\$ 132,720</u>	<u>\$ 2,331,157</u>

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

CITY OF NOWTHEN, MINNESOTA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2020

Net change in fund balances - total governmental funds	\$ (457,440)
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Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	1,188,770
Depreciation expense	(318,974)

Bond proceeds provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This is the amount by which debt issued was less than payments made.

Bonds issued	-
Bond principal repayments	127,000
Accrued Interest decrease	-

Revenues not reported in the funds are reported as revenues in the statement of activities	410,565
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P.E.R.A. Pension Expense (prior years adjustment)	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">-</div>
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Change in Net Position of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 949,921</div>
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The notes to financial statements are an integral part of this statement.

CITY OF NOWTHEN, MINNESOTA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
December 31, 2020

<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>
Taxes		
Property	\$ 1,380,450	\$ 1,359,585
Special Assessments	-	-
Intergovernmental:		
Local Government Aid	46,890	48,751
County Aid	-	2,548
County Recycling	36,000	49,529
State AG Aid	450	10,609
State Aid/ Sec. of State	-	2,518
Wetlands/Met Council	-	10,243
Total Intergovernmental	<u>83,340</u>	<u>124,198</u>
Licenses and Permits		
Building Permits	84,000	100,756
Other Permits	13,305	20,372
Total Licenses and Permits	<u>97,305</u>	<u>121,128</u>
Other:		
Contributions	6,000	4,531
Plan Check Fees	34,000	34,621
Recycling	15,750	14,561
Zoning	12,000	38,924
Planning Fees	28,000	29,807
Park - Rental	2,500	1,792
Interest	16,000	13,645
Rents	17,895	15,914
Public Hearings/Recording	2,390	210
Fines	8,800	5,574
Fire Calls & Contracts	1,000	-
Other Services/Refunds	5,410	7,691
Total Other	<u>149,745</u>	<u>167,270</u>
Total Revenues	<u>\$ 1,710,840</u>	<u>\$ 1,772,181</u>
<u>Expenditures</u>		
General Government:		
Salaries and Other Compensation and Fringe	\$ 209,620	\$ 220,347
Elections	16,245	11,093
Buildings:		
Electricity, Telephone, Heating, Repairs	52,350	46,148
Assessing	25,150	23,106
Total General Government	<u>303,365</u>	<u>300,694</u>
Public Works:		
Road and Bridge:		
Wage and Fringe	160,900	168,315
Road Work	159,100	115,377
Material & Supplies	43,000	31,322
Services & Other	34,350	82,420
Total Public Works	<u>397,350</u>	<u>397,434</u>

CITY OF NOWTHEN, MINNESOTA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
December 31, 2020
(continued)

<u>Expenditures (Continued)</u>	<u>Budget</u>	<u>Actual</u>
Public Safety:		
Law Enforcement	\$ 249,585	\$ 249,080
Recycling	55,000	63,664
Animal Control	700	571
Fire Calls/Contract/Operations	101,355	116,593
Building Inspector and Expense	105,075	102,254
Total Public Safety	<u>511,715</u>	<u>532,162</u>
Other Expenditures:		
Planning and Zoning & Code Enforcement	60,600	59,845
Audit	8,030	9,650
Engineering	25,000	47,225
Legal Fees	57,080	68,690
Insurance	47,600	46,343
Other Professional Fees - Consultants	26,625	45,857
Office Supplies and Expense	17,250	5,472
Printing and Publishing	4,500	3,902
Contingency	15,000	-
Park Operating	35,850	24,788
Miscellaneous	6,070	284
Water Management Operation	10,555	10,161
Total Other Expenditures	<u>\$ 314,160</u>	<u>\$ 322,217</u>
Capital Outlay	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 1,526,590</u>	<u>\$ 1,552,507</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>184,250</u>	<u>219,674</u>
<u>Other Financing Sources (Uses)</u>		
Transfers to Other Funds	(187,500)	(187,500)
Transfers from Other Funds		-
Total Other Financing Sources (Uses)	<u>(187,500)</u>	<u>(187,500)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	<u>(3,250)</u>	<u>32,174</u>
Fund Balance - December 31, 2019		<u>651,693</u>
Fund Balance - December 31, 2020		<u>\$ 683,867</u>

CITY OF NOWTHEN, MINNESOTA
General Fund Recycling Activity
Statement of Revenues, Expenditures and Changes in Fund Balance
December 31, 2020

<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>
State Aid	\$ -	\$ -
Property Taxes	-	-
County Reimbursement	36,000	49,529
Other Recycling Proceeds	15,750	14,561
Total Revenues	<u>51,750</u>	<u>64,090</u>
<u>Expenditures</u>		
Capital Outlay	-	-
Operating Expenditures	55,000	63,664
Total Expenditures	<u>55,000</u>	<u>63,664</u>
 Excess (Deficiency) of Revenues over Expenditures	 <u>(3,250)</u>	 <u>426</u>
<u>Other Financing Sources</u>		
Transfer to General Fund	<u>-</u>	<u>-</u>
 Excess (Deficiency) of Revenues and Other Sources over Expenditures	 <u>\$ (3,250)</u>	 <u>\$ 426</u>
Fund Balance - December 31, 2019		<u>\$ 30,613</u>
 Fund Balance - December 31, 2020*		 <u><u>\$ 31,039</u></u>

***Recycling** - Buildings/Equipment at December 31, 2020 were at a cost of \$219,689 with accumulated depreciation of \$91,843. The Recycling Fund does not have sufficient resources - financial or administrative to stand by itself as an enterprise fund. More than 75% of Revenue is furnished by the county of Anoka as reimbursement for Nowthen's expenditures under a grant which also provides for reimbursement for improvements.

NOTES TO FINANCIAL STATEMENTS

CITY OF NOWTHEN, MINNESOTA

Notes of Financial Statements

December 31, 2020

NOTE 1. Summary of Significant Accounting Policies

The financial statements of the City of Nowthen, Minnesota, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. Reporting Entity

The City operates under Plan A form of governmental and provides services such as public safety, public works, public health, culture, recreation, and community development, as authorized by statute,

For Financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions, and authorities and has considered all potential component units and other organizations for which the City is financially accountable or for which the nature and significance of their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability.

After applying the criteria to all potential component units, it was determined that the City has no material component units, about \$2,490 in a EDA (no activity).

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. The effect of inter-fund activity has been removed from these statements.

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

C. Measurement Focus and Basis of Accounting

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

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

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

CITY OF NOWTHEN, MINNESOTA

Notes of Financial Statements

December 31, 2020

The City reports the following major governmental funds:

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

The Cares Act Fund. Grant Accounting.

The Park Acquisition Fund. Is required by statute for accounting for funds dedicated for park improvements.

The Road and Bridge Improvement Funds. Accounts for infrastructure expenditures.

2019A Bonds Debt Service Fund. Accumulates assessments and tax levy for payment of bonds.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided. 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

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

D. Cash and Investments

Cash balances from all funds are pooled and invested to the extent available in the state 4M Fund, savings accounts and certificates of deposit. Earnings from such investments are allocated to the funds on the basis of applicable average balance participation by each of the funds to which the council and legal requirements dictate.

E. Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., streets, bridges and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. The City defines capital assets as 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 where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The City reports infrastructure for future streets financed by bond debt. These assets will be depreciated over the term of the related bonded debt.

The costs of normal maintenance and repairs that do not increase asset value or materially extend asset lives are not capitalized.

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

<u>Assets</u>	<u>Estimated Life</u>
Buildings	20 to 60 years
Building Improvements	10 to 20 years
Streets	10 years
Vehicle and Equipment	5 to 10 years
Furniture	8 years
Office Equipment	5 to 10 years

CITY OF NOWTHEN, MINNESOTA

Notes to Financial Statements

December 31, 2020

F. Property Taxes

Property tax levies are set by the City Council by December of each year and are certified to Anoka County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Property tax levies are based on property values assessed on January 2 of the preceding year. The County spreads all levies over all taxable property. Such taxes become a lien on January 1 of the current year. Property taxes are due from taxpayers in two equal installments, on May 15 and October 15. The county provides tax settlements to cities and other local governments three times a year, in July, December and January.

Revenues are accrued and recognized in the government-wide financial statements in the current period. In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes and fully offset by deferred revenue, because it is not known when they will be available to finance current expenditures.

G. Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with state statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a period of five to twenty years, depending on the type of assessment. Annual installments (including interest) for special assessments are collected by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments to the City without interest or prepayment penalties.

The City recognizes special assessment revenue in the government-wide financial statements when the assessment rolls are levied. In the fund financial statements, the City recognizes special assessment revenue when it becomes both measurable and available. Current assessments, which remain unpaid at December 31, are classified as delinquent receivables and together with deferred assessments, are fully offset by deferred revenue because it is not known when they will be available to finance current expenditures.

H. Compensated Absences

The liability for accrued compensated absences for administration includes accumulated vacation leave/sick leave and compensation time, about \$21,000 at December 31, 2020. Public works vacations are accounted for in the General Fund, \$16,000.

I. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

J. Fund Equity

In the fund financial statements, governmental fund types report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. subject to change.

K. Pensions

For purpose 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. 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.

CITY OF NOWTHEN, MINNESOTA
Notes of Financial Statements
December 31, 2020

NOTE 2. Budget, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end. Financial controls for debt service funds are achieved through bond indenture provisions. Project-length financial plans are adopted for all capital projects funds.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the capital projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. No material encumbrances existed at December 31, 2020.

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

1. The Clerk submits to the City Council a proposed operating budget, which includes proposed expenditures and the means of financing them.
2. A truth in taxation hearing is conducted annually in December to obtain taxpayer comments.
3. The preliminary property tax levy is legally enacted through passage of a resolution and certified to the county by September 15 of each year.
4. The final budget is legally adopted through the passage of a resolution by November 15 of each year.
5. Formal budgets are adopted for the General Fund and Special Revenue Funds. Budget control for Debt Service Funds is achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
6. The City Council may authorize the transfer of budgeted amounts between funds.
7. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the fund level. For management purposes, budgetary control is maintained at the department level. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where the need has been properly demonstrated, the Clerk can make an adjustment within the department budget. Therefore, there is a constant review process and expenditures are not approved until it has been determined that 1) adequate funds were appropriated, 2) the expenditure is still necessary, and 3) funds are available.

CITY OF NOWTHEN, MINNESOTA
Notes of Financial Statements
December 31, 2020

B. Excess of Expenditures Over Appropriations

General Fund expenditures exceeded appropriations (budget) for the year ended December 31, 2020 by \$25,917.

C. Deficit Fund Balances

The following funds has a deficit fund balances as of December 31, 2020.

• Pinnaker Lake Road	\$ 24,009
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The Pinnaker Lake Fund is an unbonded Special Assessment Fund.

NOTE 3. CASH AND INVESTMENTS

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council. All depositories used by the City 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 deposits not covered by insurance (140% for mortgage collateral).

Authorized collateral includes legally authorized investments, mortgage notes and certain other state and local government obligations. Minnesota Statutes require that securities pledged as collateral be held in in safekeeping by the City Treasurer or in a financial institution other than the one furnishing the collateral.

Balance at December 31, 2020:

	4M/ <u>Bank Balance</u>		<u>Carrying Account</u>
• Checking Account	\$ 185,350		\$ 161,728
• All covered by FDIC Insurance or Collateral pledge.			
• Minnesota 4M Fund	\$ 2,496,750	Dec. 31, 2020	\$ 2,496,750
Total	\$ 2,682,100		\$ 2,658,478

The Minnesota Money Market Funds are external investment pools not registered with the Securities and Exchange Commission (SEC) that follow the same regulatory rules of the SEC under 2a-7 of the Investment Company Act of 1940. The fair value of the position is the same as the value of the pool shares.

Credit Risk

The Minnesota Municipal Money Market Funds are rated AAA by Standard & Poor's.

CITY OF NOWTHEN, MINNESOTA
Notes of Financial Statements
December 31, 2020

NOTE 4. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated	\$ -	\$ -	\$ -	\$ -
Cares Act Assets in Process	-	351,436	-	351,436
Road Improvements In-Progress	-	824,950	-	824,950
Land	<u>137,750</u>	<u>-</u>	<u>-</u>	<u>137,750</u>
Total Capital Assets, Not being Depreciated	<u>\$ 137,750</u>	<u>\$ 1,176,386</u>	<u>\$ -</u>	<u>\$ 1,314,136</u>
Capital Assets Being Depreciated:				
Fire Equipment	\$ 605,972	\$ -	\$ -	\$ 605,972
Park Improvements	465,035	-	-	465,035
Infrastructure	2,205,171	12,384	-	2,217,555
Building and Improvements	1,526,129	-	-	1,526,129
General, Recycling and Park Equipment	366,320	-	-	366,320
Road and Bridge Equipment	<u>1,201,244</u>	<u>-</u>	<u>-</u>	<u>1,201,244</u>
Total Capital Assets, Being Depreciated	<u>\$ 6,369,871</u>	<u>\$ 12,384</u>	<u>\$ -</u>	<u>\$ 6,382,255</u>
Less Accumulated Depreciation				
Fire Equipment	\$ 287,115	\$ 30,501	\$ -	\$ 317,616
Park Improvements	322,560	18,152	-	340,712
Infrastructure	682,443	192,576	-	875,019
Buildings and Improvements	462,210	30,399	-	492,609
General Equipment and Park Equipment	210,693	21,698	-	232,391
Road and Bridge Equipment	<u>1,032,817</u>	<u>25,648</u>	<u>-</u>	<u>1,058,465</u>
Total Accumulated Depreciation	<u>\$ 2,997,838</u>	<u>\$ 318,974</u>	<u>\$ -</u>	<u>\$ 3,316,812</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 3,372,033</u>	<u>\$ (306,590)</u>	<u>\$ -</u>	<u>\$ 3,065,443</u>
Governmental Activities, Capital Assets, Net	<u>\$ 3,509,783</u>	<u>\$ 869,796</u>	<u>\$ -</u>	<u>\$ 4,379,579</u>
Depreciation expense was charged to City functions as follows:				
Governmental Activities:				
General Government		\$ 7,599		
Recycling		16,441		
Public Works		241,474		
Parks and Recreation		18,989		
Public Safety (Fire)		<u>34,471</u>		
Total Depreciation Expense - Governmental Activities		<u>\$ 318,974</u>		

CITY OF NOWTHEN, MINNESOTA
Notes of Financial Statements
December 31, 2020

NOTE 5. Long-Term Debt

During 2013 the City issued \$165,000 in Equipment Certificates to purchase Fire Equipment.

During 2011 the City issued \$247,000 in Equipment Certificates to Purchase a Road Grader (see Page 17)

During 2009 the City issued \$106,000 in G.O. Special Assessment Bonds (Basalt, Paid 2019).

During 2006 the City issued \$1,145,000 in general obligation bonds for the construction of the City's Road Maintenance Building. On February 11, 2012 these bonds were defeased and replaced by 2012A Refinancing Bonds (see Page 17)

2019A G.O. Improvement Bond issued in 2019 (See Page 17)

Bonds payable at December 31, 2020 are summarized as follows:

Bond Year	Maturity	Interest Rate	Outstanding Amounts
2011	2021	3.10%	\$ 28,000
2012A Refunding	2022	2.00%	165,000
2013A	2023	2.43%	60,000
2019A	2030	3.00%	\$ 1,175,000

Changes in Bonds payable during 2020 are as follows:

Bond Year	12/31/2019	Issued	Retired	12/31/2020
2019A	\$ 1,175,000		\$ -	\$ 1,175,000
2012A-Refunding	245,000	-	80,000	165,000
2011	55,000	-	27,000	28,000
2013A	60,000	-	20,000	60,000
Totals	<u>\$ 1,555,000</u>	<u>\$ -</u>	<u>\$ 127,000</u>	<u>\$ 1,428,000</u>

The following is a schedule of the City Bond Debt Service requirements as of December 31, 2020.

2013 G.O. FIRE EQUIPMENT CERTIFICATES				
2021	20,000	1,215	21,215	2.43%
2022	20,000	729	20,729	2.43%
2023	20,000	243	20,243	2.43%
Totals	<u>\$ 60,000</u>	<u>\$ 2,187</u>	<u>\$ 62,187</u>	

CITY OF NOWTHEN, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 5. Long Term Debt

2011A G.O. CERTIFICATES OF INDEBTEDNESS (GRADER)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rate</u>
2021	<u>28,000</u>	<u>868</u>	<u>28,868</u>	3.10%
	<u>\$ 28,000</u>	<u>\$ 868</u>	<u>\$ 28,868</u>	

2012A G.O. CAPITAL IMPROVEMENT PLAN REFUNDING BONDS DATED APRIL 11, 2012

These Bonds, \$695,000, were issued in advance to and for retirement of the 2006A Bonds on the call date for such bonds February 1, 2014. Proceeds of public sale were \$714,229, a premium of \$19,229. Funds placed in escrow April 11, 2012. Costs of issuance were \$43,007.

Debt Service schedule as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rate</u>
2021	<u>80,000</u>	<u>2,500</u>	<u>82,500</u>	2.00%
2022	<u>85,000</u>	<u>850</u>	<u>85,850</u>	2.00%
	<u>\$ 165,000</u>	<u>\$ 3,350</u>	<u>\$ 168,350</u>	

2019A G.O. IMPROVEMENT BONDS DATED JULY 16, 2019

\$1,175,000 of General Obligation Improvement Bonds were issued by the City on July 16, 2019. Proceeds of \$1,252,131 included a premium. \$77,131 included revenues in 2019. Bond issuance costs of \$40,460 are included in Capital Outlay.

Debt service as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rate</u>
2021	\$ 100,000	\$ 33,750	\$ 133,750	3.00%
2022	100,000	30,750	130,750	3.00%
2023	105,000	27,675	132,675	3.00%
2024	105,000	24,525	129,525	3.00%
2025	120,000	21,150	141,150	3.00%
2026	125,000	17,475	142,475	3.00%
2027	125,000	13,725	138,725	3.00%
2028	130,000	9,900	139,900	3.00%
2029	130,000	6,000	136,000	3.00%
2030	<u>135,000</u>	<u>2,025</u>	<u>137,025</u>	3.00%
	<u>\$ 1,175,000</u>	<u>\$ 186,975</u>	<u>\$ 1,361,975</u>	

CITY OF NOWTHEN, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 6. RESERVED AND DESIGNATED FUND BALANCE

Fund balances have been restricted or assigned at December 31, 2020 as follows:

<u>Capital Project - Assigned for</u>		
<u>Capital Outlay</u>	\$	922,266
<u>Restricted</u>		
Debt Service	\$	530,598
Park Acquisition		218,435
	\$	<u>749,033</u>

NOTE 7. Defined Benefit Pension Plans

A. PLAN DESCRIPTION

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

General Employees Retirement Fund (GERF)

Full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

CITY OF NOWTHEN, MINNESOTA
Notes for Financial Statement
December 31, 2020

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 services.

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1 the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year 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 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.

B. Contributions

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

General Employees Fund Contributions

Coordinated Plan members are required to contribute 6.5% of their annual covered salary in calendar year 2020. The City was required to contribute 7.5% for Coordinated Plan members. The City contributions to the GERF for the year ended December 31, 2020 (Thru June 30, 2020) were \$18,000. The City's contributions were equal to the required contributions for each year as set by state statutes.

CITY OF NOWTHEN, MINNESOTA
Notes to Financial Statments
December 31, 2020

C. Pension Costs

General Employees Fund Pension Cost

At December 31, 2020, the City reported a liability of \$204,000 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing city and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled about \$5,000. The net pension liability determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. As of June 30, 2020 the City's proportion was .00003 percent which was about the same as 2019.

For the year ended December 31, 2020, the city recognized pension expense of \$18,000 for its proportionate share of the General Employees Plan's pension expense.

At December 31, 2020, the City reported its proportion share for GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,000
Changes in actuarial assumptions	\$ -	\$ 3,000
Difference between projected and actual investment earnings	\$ 20,000	\$ -
Changes in proportion and differences between contributions made and City's proportionate share of contributions (second part to be determined by the City)	\$ 33,000	\$ -
City's contributions to GERF subsequent to the measurement date.	\$ -	\$ -
Total	\$ 53,000	\$ 4,000

The City nets deferred outflows against the gross pension liability on the statement of net position.

CITY OF NOWTHEN, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

Year ended June 30	Pension Expense Amount
2021	(\$15,000)
2022	(\$16,000)
2023	(\$19,000)

E. Actuarial Assumptions

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

Inflation	2.5% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increased were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan and Correctional Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: one percent per year for all future years for the General Employees Plan and Police and Fire Plan, and 2.5 percent for all years for the Correctional Plan.

Actuarial assumptions, used in the June 30, 2020 valuation, were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

General Employee Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were appealed.
- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost Of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to the Rule of 90 retirees, disability recipients or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

CITY OF NOWTHEN, MINNESOTA
Notes to Financial Statements
December 31, 2020

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Cash	2%	0.00%
Total	100%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.5%.

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

G. Pension Liability Sensitivity

The following table presents the City's proportionate share of the net pension liability for all plans it participates in, calculate using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
PERA Discount Rate			
City's proportionate share of the GERF net pension	327,000	204,000	103,000

H. Pension Plan Fiduciary Net Position

Detailed information about PERA's pension funds' fiduciary net position is available in separately-issued PERA financial report. That report may be obtained on the internet at www.mnpera.or; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota 55103-2088.

CITY OF NOWTHEN, MINNESOTA
Notes to Financial Statements
December 31, 2020

NOTE 7. EMPLOYEE PENSION PLANS - STATEWIDE (continued)

Note 7. Defined Contribution Plan

Four City Council members are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to plan plus investment earnings, less administrative expenses. Minn. Stat. 353D.03 specifies plan provision, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary, which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each members account annually.

Total contributions made by the City during fiscal year 2020 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$780	\$780	5%	5%	5%

NOTE 8. CONTINGENCIES/CONTINGENT ASSETS/SUBSEQUENT EVENTS

Delinquent taxes at December 31, 2020 were about \$40,000.

The City has an extended medical leave benefit. The maximum exposure of this plan at December 31, 2020 was estimated at about \$49,643.

The City has available funds in the Anoka County H.R.A. In order to receive these funds, qualified projects must exist. The most recent amount reported by the H.R.A. is about \$855,000 of which \$200,000 is to be used on a qualified project in 2021.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF NOWTHEN, MINNESOTA
Annual Financial Report
December 31, 2020

Non-Major Funds I

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

The **Road and Bridge Capital Equipment Fund** was used to account for revenues, primarily taxes, to be used for road equipment. Closed to Equipment Replacement Fund.

The **Nowthen Center Fund** was used to account for resources, primarily sale of land and Special assessments to be used for roads and other improvements to the Nowthen Town Center Area. Closed to Building Fund.

The **Fire Equipment Capital Fund** was originated to provide resources to purchase Fire Equipment. Closed to Equipment Replacement Fund.

The **Fire Turnout Gear Fund** was originated to accumulate resources to purchase Turnout Gear. Closed to Equipment Replacement Fund.

The **Park Equipment Capital Fund** was originated to accumulate resources to purchase Park Equipment. Closed to Equipment Replacement Fund.

The **Building Capital Fund** was originated to accumulate resources to improve and repair any City Buildings.

The **Pinnaker Lake Road Project Fund** was established to account for special assessments levied and collected used for a Road Improvement Project named "Pinnaker Lake".

The **Equipment Replacement Fund** was established to consolidate all other Equipment Funds.

CITY OF NOWTHEN, MINNESOTA
Non-Major Funds I
Capital Projects Funds
Combining Balance Sheet
December 31, 2020

	Pinnaker Lake Road Fund	Building Fund	Equipment Replacement Fund	Road & Bridge Equipment Fund	Fire Turnout Gear & Equipment Capital Fund	2020 Combined
<u>Assets</u>						
Cash	\$ -	\$ 168,922	\$ 257,107	\$ -	\$ -	\$ 426,029
Special Assessments	28,784	-	-	-	-	28,784
Due From Contractor	-	9,346	-	-	-	9,346
Total Assets	\$ 28,784	\$ 178,268	\$ 257,107	\$ -	\$ -	\$ 464,159
<u>Liabilities and Fund Balance</u>						
Liabilities						
Cash Deficit	\$ 24,218	\$ -	\$ -	\$ -	\$ -	\$ 24,218
Accounts Payable	-	-	-	-	-	-
Contracts Payable	-	-	-	-	-	-
Deferred Inflows	28,575	-	-	-	-	28,575
Total Liabilities	\$ 52,793	\$ -	\$ -	\$ -	\$ -	\$ 52,793
Fund Balance						
Unassigned	\$ (24,009)	\$ -	\$ -	\$ -	\$ -	\$ (24,009)
Assigned	-	178,268	257,107	-	-	435,375
Total	\$ (24,009)	\$ 178,268	\$ 257,107	\$ -	\$ -	\$ 411,366
<u>Total Liabilities and Fund Balance</u>	\$ 28,784	\$ 178,268	\$ 257,107	\$ -	\$ -	\$ 464,159

CITY OF NOWTHEN, MINNESOTA
Non-Major Funds I
Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
December 31, 2020

	2019	Pinnaker	Park	Equipment	Equipment	Road & Bridge	Fire Turnout Gear	2020
	Road Construction	Lake Road	Equipment	Replacement	Equipment	& Equipment	& Equipment	Combined
	<u>Fund</u>	<u>Fund</u>	<u>and Building</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Capital Fund</u>	
<u>Revenues</u>								
Sale of Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	10,634	-	-	-	-	-	10,634
Interest	1,046	-	446	2,120	-	-	-	3,612
Contributions Building	-	-	17,920	-	-	-	-	17,920
Total Revenues	\$ 1,046	\$ 10,634	\$ 18,366	\$ 2,120	\$ -	\$ -	\$ -	\$ 32,166
<u>Expenditures</u>								
Services/Repairs	\$ -	\$ -	\$ 43,746	\$ -	\$ -	\$ -	\$ -	\$ 43,746
Equipment	-	-	-	14,097	-	-	-	14,097
Engineering	-	-	-	-	-	-	-	-
Construction - Roads	12,384	-	-	-	-	-	-	12,384
Total Expenditures	\$ 12,384	\$ -	\$ 43,746	\$ 14,097	\$ -	\$ -	\$ -	\$ 70,227
<u>Other Financing</u>								
Transfers In	\$ -	\$ -	\$ 125,000	\$ 269,084	\$ -	\$ -	\$ -	\$ 394,084
Transfers Out	(85,900)	-	Park (27,500)	-	(98,316)	(80,768)	(80,768)	(292,484)
Total Other Financing Sources	\$ (85,900)	\$ -	\$ 97,500	\$ 269,084	\$ (98,316)	\$ (80,768)	\$ (80,768)	\$ 101,600
<u>Excess (Deficiency) of</u>								
<u>Revenues Over Expenditures</u>	\$ (97,238)	\$ 10,634	\$ 72,120	\$ 257,107	\$ (98,316)	\$ (80,768)	\$ (80,768)	\$ 63,539
Fund Balance - January 1	\$ 97,238	\$ (34,643)	\$ 106,148	\$ -	\$ 98,316	\$ 80,768	\$ 80,768	\$ 347,827
Fund Balance - December 31	\$ -	\$ (24,009)	\$ 178,268	\$ 257,107	\$ -	\$ -	\$ -	\$ 411,366

CITY OF NOWTHEN, MINNESOTA
Annual Financial Report
December 31, 2020

Non-Major Funds II

DEBT SERVICE FUNDS

Debt Service Funds are established according to Minnesota Statutes. They are used to account for the accumulation of resources for, and the payment of General Long Term Debt: principal, interest, and related costs.

CITY OF NOWTHEN, MINNESOTA
Debt Service Funds
Balance Sheet
December 31, 2020

Non-Major Funds II

	2009 Balsalt St. <u>Fund</u>	2013 Fire Certs <u>Fund</u>	2012A Refunding <u>Fund</u>	2011 Grader Certs <u>Fund</u>	2020 <u>Totals</u>
<u>ASSETS</u>					
Cash	\$ 1,066	\$ 23,899	\$ 99,009	\$ 2,942	\$ 126,916
Accrued Interest	-	-	-	-	-
Taxes Receivable - Net	-	956	3,642	1,206	5,804
Special Assessment Receivable	-	-	-	-	-
Unremitted	-	-	-	-	-
Delinquent	-	-	-	-	-
Deferred	-	-	-	-	-
Green Acres Deferred	<u>10,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,031</u>
 Total Assets	 <u><u>\$ 11,097</u></u>	 <u><u>\$ 24,855</u></u>	 <u><u>\$ 102,651</u></u>	 <u><u>\$ 4,148</u></u>	 <u><u>\$ 142,751</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>					
<u>Liabilities</u>					
Cash Deficit	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Contracts Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Liabilities	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Deferred Inflows	 <u>\$ 10,031</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>\$ 10,031</u>
 <u>Fund Balance</u>					
Restricted	<u>\$ 1,066</u>	<u>\$ 24,855</u>	<u>\$ 102,651</u>	<u>\$ 4,148</u>	<u>\$ 132,720</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 11,097</u></u>	 <u><u>\$ 24,855</u></u>	 <u><u>\$ 102,651</u></u>	 <u><u>\$ 4,148</u></u>	 <u><u>\$ 142,751</u></u>

CITY OF NOWTHEN, MINNESOTA
Debt Service Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
December 31, 2020

Non-Major Funds II

	2009 Balsalt St. Fund	2013 Fire Certs Fund	2012A Refunding Fund	2011 Grader Certs Fund	2020 Totals
<u>REVENUES</u>					
Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Property Taxes	-	20,754	79,063	26,189	126,006
State Aid	-	-	-	-	-
Interest on Investments	10	66	143	26	245
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 10	\$ 20,820	\$ 79,206	\$ 26,215	\$ 126,251
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>					
Contract Services and Other	-	-	975	-	975
Bond Principal	-	20,000	80,000	27,000	127,000
Interest on Bonds	-	1,701	4,100	1,705	7,506
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	-	21,701	85,075	28,705	135,481
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Excess (Deficiency) of Revenues</u>					
<u>Over Expenditures</u>	10	(881)	(5,869)	(2,490)	(9,230)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Other Financing Source(Uses)</u>					
Transfers from Other Funds	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Excess (Deficiency) of Revenues</u>					
<u>Over Expenditures and</u>					
<u>Other Sources (Uses)</u>	10	(881)	(5,869)	(2,490)	(9,230)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - December 31, 2019	1,056	25,736	108,520	6,638	141,950
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - December 31, 2020	\$ 1,066	\$ 24,855	\$ 102,651	\$ 4,148	\$ 132,720
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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**Report on Compliance with Minnesota Legal
Compliance Audit Guide for Local Government**

To the Honorable Mayor and
Members of the City Council
City of Nowthen, Minnesota


I have audited the financial statements of the City of Nowthen, Minnesota, as of and for the year ended December 31, 2020, and have issued my report thereon dated April 1, 2021.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and Provisions of the Minnesota Legal Compliance Audit Guide for Local Government promulgated by State Auditor pursuant to Minnesota Statutes Section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The Minnesota Legal compliance Audit Guide for Local Government covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment districts. My study included all of the listed categories except tax increment districts. The City of Nowthen, Minnesota has a no tax increment districts.

The results of my tests indicate that for the items tested, the City of Nowthen, Minnesota complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the City of Nowthen, Minnesota and is not intended to be and should not be used by anyone other than these specified parties.


Michael W. Pofahl, C.P.A.
April 1, 2021

MICHAEL W. POFAHL
Certified Public Accountant
10780 North Avenue, 14E
Chisago City, Minnesota 55013
651-213-6632

Report on Internal Control Over Financial Reporting and on Compliance

To the Honorable Mayor and
Members of the City Council
City of Nowthen, Minnesota

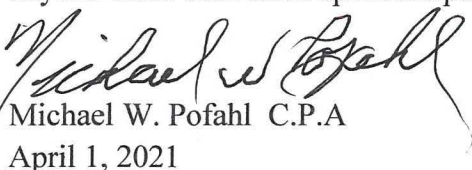
I have audited the financial statements of the governmental activities and each major fund of the City of Nowthen, Minnesota, as of and for the year ended December 31, 2020, which collectively comprise the City of Nowthen's basic financial statements as listed in the table of contents. I conducted my audit in accordance with auditing standards generally accepted in the United States of America.

In planning and performing my audit, I considered the City of Nowthen, Minnesota's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Nowthen, Minnesota's internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of the City of Nowthen, Minnesota's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. I identified no deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

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

This report is intended solely for the information and use of management, members of the board, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.


Michael W. Pofahl C.P.A.
April 1, 2021

FORM OF LEGAL OPINION

(See following pages)



Offices in
Minneapolis
Saint Paul
St. Cloud

Fifth Street Towers
150 South Fifth Street, Suite 700
Minneapolis, MN 55402
(612) 337-9300 telephone
(612) 337-9310 fax
kennedy-graven.com
Affirmative Action, Equal Opportunity Employer

\$ _____
City of Nowthen, Minnesota
General Obligation Bonds
Series 2021A

We have acted as bond counsel to the City of Nowthen, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its General Obligation Bonds, Series 2021A (the “Bonds”), originally dated October 7, 2021, and issued in the original aggregate principal amount of \$ _____. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable from special assessments levied or to be levied on property specially benefited by local improvements and ad valorem taxes, but if necessary for the payment thereof additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. However, such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is 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, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. 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 generally and by equitable principles, whether considered at law or in equity.

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

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated October __, 2021 at Minneapolis, Minnesota.

BOOK-ENTRY-ONLY SYSTEM

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

\$ _____
City of Nowthen, Minnesota
General Obligation Bonds
Series 2021A

CONTINUING DISCLOSURE CERTIFICATE

October __, 2021

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Nowthen, Minnesota (the “Issuer”) in connection with the issuance of its General Obligation Bonds, Series 2021A (the “Bonds”), in the original aggregate principal amount of \$ _____. The Bonds are being issued pursuant to resolutions adopted by the City Council of the Issuer (the “Resolutions”). The Bonds are being delivered to _____ (the “Purchaser”) on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as defined herein) of the Bonds in order to assist the Participating Underwriters (as defined herein) in complying with SEC Rule 15c2-12(b)(5) (the “Rule”). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

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

“Annual Report” means the Issuer’s Audited Financial Statements.

“Audited Financial Statements” means the financial statements of the Issuer, audited annually by an independent certified public accounting firm, and prepared in accordance with GAAP as prescribed by GASB or as otherwise required by Minnesota law for the preceding Fiscal Year, including a balance sheet and statement of revenues, expenditures and changes in fund balances.

“Bonds” means the General Obligation Bonds, Series 2021A, issued by the Issuer in the original aggregate principal amount of \$ _____.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB as the primary portal for complying with the continuing disclosure requirements of the Rule.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the Issuer.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

“Holder” means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

“Issuer” means the City of Nowthen, Minnesota, which is the obligated person with respect to the Bonds.

“Material Event” means any of the events listed in Section 4(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

“Purchaser” means _____.

“Repository” means EMMA.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means Securities and Exchange Commission.

Section 3. Provision of Annual Report. To the extent such information is customarily prepared by the Issuer and is publicly available, the Issuer shall provide the Annual Report to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends December 31, 2021. The Annual Report may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

The Annual Report may be submitted as a single document or as separate documents comprising a package.

Section 4. Reporting of Material Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events if material 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 security, or other material events affecting the tax status of the security;
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 securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
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.

(b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 5. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of the Bonds or payment in full of the Bonds.

Section 7. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolutions and this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. This Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository, an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require the Resolutions and this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the Issuer to the Repository, of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of the Resolutions and this Disclosure Certificate and by the Issuer with the Rule.

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

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Bonds 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 under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

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

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

CITY OF NOWTHEN, MINNESOTA

Mayor

City Clerk/Treasurer

APPENDIX E

TERMS OF PROPOSAL

\$2,830,000* GENERAL OBLIGATION BONDS, SERIES 2021A CITY OF NOWTHEN, MINNESOTA

Proposals for the purchase of \$2,830,000* General Obligation Bonds, Series 2021A (the "Bonds") of the City of Nowthen, 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 September 14, 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 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued by the City pursuant to Minnesota Statutes, Section 412.301, and Chapters 429 and 475, to finance the acquisition of City vehicles and equipment and the construction of various assessable public improvements. 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 October 7, 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	\$280,000	2027	\$300,000	2031	\$315,000
2024	290,000	2028	300,000	2032	150,000
2025	290,000	2029	305,000		
2026	295,000	2030	305,000		

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

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

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

DELIVERY

On or about October 7, 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 Kennedy & Graven, Chartered, 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 \$2,796,040 plus accrued interest on the principal sum of \$2,830,000 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 \$56,600 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 Nowthen, Minnesota

PROPOSAL FORM

The City Council
City of Nowthen, Minnesota (the "City")

September 14, 2021

RE: \$2,830,000* General Obligation Bonds, Series 2021A (the "Bonds")
DATED: October 7, 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 \$2,796,040) 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	2027	_____ % due	2031
_____ % due	2024	_____ % due	2028	_____ % due	2032
_____ % due	2025	_____ % due	2029		
_____ % due	2026	_____ % due	2030		

* 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 \$56,600 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 October 7, 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 October 7, 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 Nowthen, Minnesota, on September 14, 2021.

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