

PRELIMINARY OFFICIAL STATEMENT DATED MAY 25, 2023

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "TAX EXEMPTION" 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 MONTEVIDEO, MINNESOTA (Chippewa County)

\$1,590,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2023A

PROPOSAL OPENING: June 5, 2023, 10:00 A.M., C.T.

CONSIDERATION: June 5, 2023, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$1,590,000* General Obligation Improvement Bonds, Series 2023A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, by the City of Montevideo, Minnesota (the "City"), for the purpose of financing various public improvements within the City. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota.

DATE OF BONDS:

June 22, 2023

MATURITY:

February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2025	\$120,000	2030	\$135,000	2035	\$40,000
2026	130,000	2031	145,000	2036	40,000
2027	135,000	2032	145,000	2037	40,000
2028	135,000	2033	145,000	2038	45,000
2029	135,000	2034	155,000	2039	45,000

**MATURITY
ADJUSTMENTS:**

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

TERM BONDS:

See "Term Bond Option" herein.

INTEREST:

February 1, 2024 and semiannually thereafter.

OPTIONAL

REDEMPTION:

Bonds maturing on February 1, 2032 and thereafter are subject to call for prior optional redemption on February 1, 2031 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL: \$1,569,330.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$31,800 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT:

Bond Trust Services Corporation

BOND COUNSEL:

Taft Stettinius & Hollister LLP

MUNICIPAL ADVISOR:

Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY:

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

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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CITY OF MONTEVIDEO CITY COUNCIL

		<u>Term Expires</u>
Erich Winter	Mayor	January 2025
Nathan Schmidt	President, Council Member	January 2025
Bryce Curtiss	Council Member	January 2027
Beverly Olson	Council Member	January 2025
Dan Sanborn	Council Member	January 2027
Steve Sulflow	Council Member	January 2027

ADMINISTRATION

Robert Wolfington, City Manager

Jill Strand, Finance Director

Glennis Lauritsen, City Clerk

PROFESSIONAL SERVICES

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Montevideo, Minnesota (the "City") and the issuance of its \$1,590,000* General Obligation Improvement Bonds, Series 2023A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on June 5, 2023.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of June 22, 2023. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2024, 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 2025 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, 2032 shall be subject to optional redemption prior to maturity on February 1, 2031 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, by the City for the purpose of financing the City's 2023 street and utility projects.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	<u>\$1,590,000</u>	
Total Sources		\$1,590,000
Uses		
Total Underwriter's Discount (1.300%)	\$20,670	
Costs of Issuance	55,000	
Deposit to Capitalized Interest (CIF) Fund	21,401	
Deposit to Project Construction Fund	1,492,588	
Rounding Amount	<u>341</u>	
Total Uses		\$1,590,000

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Bonds and from ad valorem property taxes. Receipt of special assessments and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

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 any, reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

CONTINUING DISCLOSURE

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

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

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

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), 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.

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

STATEMENT REGARDING BOND COUNSEL PARTICIPATION

Bond Counsel has neither been engaged nor undertaken to prepare or independently verify the accuracy of any portion of the Official Statement, including the financial or operational information of the Issuer and risks associated with the purchase of the Bonds, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "APPENDIX B – FORM OF LEGAL OPINION."

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions are subject to the condition that the City complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

Other Federal and State Tax Considerations

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisers.

Original Issue Discount

Some of the Bonds ("the OID Bonds") may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds are sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holders' tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2021 have been audited by Dana F. Cole & Company, LLP, Montevideo, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (special assessments) 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.

Levy Limits: The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. 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.

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: 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.

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	2020/21	2021/22	2022/23
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,880,000 - 0.50% ² Over \$1,880,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,890,000 - 0.50% ² Over \$1,890,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$162,000 - .75% Over \$162,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$174,000 - .75% Over \$174,000 - .25%	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 \$100,000 - .75% Over \$100,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$100,000 - 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

2021/22 Economic Market Value¹ \$301,305,065²

2022/23 Assessor's Estimated Market Value

Real Estate	\$321,421,400
Personal Property	<u>3,291,800</u>
Total Valuation	<u>\$324,713,200</u>

2022/23 Net Tax Capacity

Real Estate	\$3,399,687
Personal Property	<u>64,436</u>
Net Tax Capacity	<u>\$3,464,123</u>

2022/23 NET TAX CAPACITY BY CLASSIFICATION

	2022/23 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$1,613,588	46.58%
Agricultural	33,248	0.96%
Commercial/industrial	1,118,091	32.28%
Public utility	57,076	1.65%
Railroad operating property	18,808	0.54%
Non-homestead residential	555,847	16.05%
Commercial & residential seasonal/rec.	3,029	0.09%
Personal property	<u>64,436</u>	<u>1.86%</u>
Total	<u>\$3,464,123</u>	<u>100.00%</u>

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

² According to the Minnesota Department of Revenue, the 2021/22 Assessor's Estimated Market Value (the "AEMV") for the City was about 96.81% of the actual selling prices of property sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in a 2021/22 Economic Market Value ("EMV") for the City of \$301,305,065.

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Taxable Net Tax Capacity ²	Percent Increase/Decrease in Estimated Market Value
2018/19	\$247,095,600	\$208,483,763	\$2,655,042	\$2,639,984	2.39%
2019/20	258,509,600	219,813,728	2,772,206	2,757,149	4.62%
2020/21	279,016,000	240,287,806	2,954,164	2,954,164	7.93%
2021/22	291,316,400	252,407,925	3,093,814	3,093,814	4.41%
2022/23	324,713,200	286,445,162	3,464,123	3,464,123	11.46%

LARGER TAXPAYERS

Taxpayer	Type of Property	2022/23 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Wal-Mart	Commercial	\$141,604	4.09%
Fairmont Homes, LLC	Industrial	77,103	2.23%
Farmers Union Oil Co	Commercial	74,776	2.16%
Xcel Energy	Utility	73,694	2.13%
Montana Dakota Utilities	Utility	57,378	1.66%
Individual	Commercial	52,080	1.50%
Gibson Hospitality, LLC	Commercial	46,334	1.34%
Double D Development of Montevideo	Commercial	41,601	1.20%
Montevideo Multi Family, LLC	Commercial	39,784	1.15%
Co-op Credit Union of Montevideo	Commercial	<u>37,740</u>	<u>1.09%</u>
Total		\$642,094	18.54%

City's Total 2022/23 Net Tax Capacity \$3,464,123

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

¹ Net Tax Capacity includes tax increment values.

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes (includes the Bonds)*	\$4,865,000
Total G.O. debt secured by special assessments and utility revenues	525,000
Total G.O. debt secured by taxes	5,935,000
Total G.O. debt secured by utility revenues	5,694,000
Total G.O. debt secured by Housing Revenues (EDA)	250,000
Total General Obligation Debt*	<u>\$17,269,000</u>

Lease Purchase Obligations (see schedule following)

Total EDA lease purchase obligations paid by annual appropriations ²	<u>\$4,700,000</u>
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*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 tentative plans to issue approximately \$1,000,000 street reconstruction and utility improvement bonds in 2024.

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

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

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property (includes the 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 to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay judgments against the City; and other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2022/23 Assessor's Estimated Market Value	\$324,713,200
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$9,741,396
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes ¹	<u>(5,745,000)</u>
Unused Debt Limit	<u><u>\$3,996,396</u></u>

¹ Does not include the Storm Sewer portion of the City's \$725,000 General Obligation Bonds, Series 2017A (\$75,000 current principal outstanding) and the Utility Bonds portion of the City's \$660,000 General Obligation Bonds, Series 2010A (\$115,000 current principal outstanding) as they are not subject to the debt limit.

City of Montevideo, Minnesota

**Improvement Bonds
Series 2016A**

--Continued on next page

City of Montevideo, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 06/22/2023)

Fiscal Year Ending	Improvement Bonds 1) Series 2017A		Improvement Bonds 2) Series 2018A		Improvement Bonds 3) Series 2020A		Improvement Bonds 4) Series 2022A		Improvement Bonds Series 2023A		Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity	Dated Amount	Maturity				
2023	0	02/01	0	02/01	0	02/01	0	02/01	0	02/01	48,968	4,865,000	.00%	2023
2024	60,000	02/01	50,000	02/01	50,000	02/01	65,000	02/01	0	02/01	150,096	4,235,000	12.95%	2024
2025	60,000	02/01	50,000	02/01	50,000	02/01	65,000	02/01	120,000	02/01	127,331	3,605,000	25.90%	2025
2026	60,000	02/01	50,000	02/01	55,000	02/01	65,000	02/01	130,000	02/01	680,683	3,035,000	37.62%	2026
2027	60,000	02/01	50,000	02/01	55,000	02/01	65,000	02/01	135,000	02/01	95,589	2,545,000	47.69%	2027
2028	60,000	02/01	50,000	02/01	55,000	02/01	70,000	02/01	135,000	02/01	81,961	2,130,000	56.22%	2028
2029	60,000	02/01	55,000	02/01	55,000	02/01	70,000	02/01	135,000	02/01	496,961	1,770,000	63.62%	2029
2030			55,000	02/01	55,000	02/01	70,000	02/01	135,000	02/01	429,775	1,465,000	69.89%	2030
2031					55,000	02/01	70,000	02/01	145,000	02/01	364,188	1,170,000	75.95%	2031
2032							70,000	02/01	145,000	02/01	344,506	955,000	80.37%	2032
2033							70,000	02/01	145,000	02/01	255,875	740,000	84.79%	2033
2034							75,000	02/01	155,000	02/01	248,073	510,000	89.52%	2034
2035							70,000	02/01	140,000	02/01	254,884	400,000	91.78%	2035
2036							75,000	02/01	140,000	02/01	128,493	285,000	94.14%	2036
2037							75,000	02/01	140,000	02/01	129,073	170,000	96.51%	2037
2038							80,000	02/01	140,000	02/01	124,443	45,000	99.08%	2038
2039									45,000	02/01	129,525	0	100.00%	2039
	300,000		305,000		430,000		1,055,000		1,590,000		45,979	4,865,000		
											939,438			
											5,804,438			

* Preliminary, subject to change.

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

City of Montevideo, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Utility Revenues
(As of 06/22/2023)

Utility Revenue Bonds 1)
Series 2020A

Fiscal Year Ending	Dated Amount	Maturity	07/07/2020 \$595,000		02/01		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest	Principal	Interest						
2023			0	6,175	0	6,175	0	6,175	6,175	525,000	.00%	2023
2024			35,000	11,825	35,000	11,825	35,000	11,825	46,825	490,000	6.67%	2024
2025			35,000	10,775	35,000	10,775	35,000	10,775	45,775	455,000	13.33%	2025
2026			35,000	9,725	35,000	9,725	35,000	9,725	44,725	420,000	20.00%	2026
2027			40,000	8,600	40,000	8,600	40,000	8,600	48,600	380,000	27.62%	2027
2028			40,000	7,400	40,000	7,400	40,000	7,400	47,400	340,000	35.24%	2028
2029			40,000	6,400	40,000	6,400	40,000	6,400	46,400	300,000	42.86%	2029
2030			40,000	5,600	40,000	5,600	40,000	5,600	45,600	260,000	50.48%	2030
2031			40,000	4,800	40,000	4,800	40,000	4,800	44,800	220,000	58.10%	2031
2032			40,000	4,000	40,000	4,000	40,000	4,000	44,000	180,000	65.71%	2032
2033			45,000	3,150	45,000	3,150	45,000	3,150	48,150	135,000	74.29%	2033
2034			45,000	2,250	45,000	2,250	45,000	2,250	47,250	90,000	82.86%	2034
2035			45,000	1,350	45,000	1,350	45,000	1,350	46,350	45,000	91.43%	2035
2036			45,000	450	45,000	450	45,000	450	45,450	0	100.00%	2036
			525,000	82,500	525,000	82,500	525,000	82,500	607,500			

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

City of Montevideo, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 06/22/2023)

Capital Improvement Plan Bonds 1)				Sewer Bonds 2)				Utility Bonds 3)				Capital Improvement Plan Bonds 4)				Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
Series 2014A				Series 2017A				Series 2018A				Series 2020A							
Dated	Amount	Maturity		Dated	Amount	Maturity		Dated	Amount	Maturity		Dated	Amount	Maturity					
2023			0	31,113			0	769			0	42,313			0	75,919	5,935,000	.00%	2023
2024			140,000	60,300			15,000	1,406			15,000	82,075			170,000	147,006	5,595,000	5.73%	2024
2025			145,000	56,381			15,000	1,125			20,000	76,900			175,000	137,106	5,240,000	11.71%	2025
2026			145,000	52,213			15,000	825			20,000	71,575			180,000	126,713	4,880,000	17.78%	2026
2027			150,000	47,788			15,000	506			20,000	66,100			185,000	115,894	4,510,000	24.01%	2027
2028			155,000	43,213			15,000	169			20,000	60,475			190,000	104,756	4,130,000	30.41%	2028
2029			160,000	38,488			15,000	300			20,000	55,675			195,000	94,463	3,755,000	36.73%	2029
2030			165,000	33,448			165,000	51,725			200,000	85,173			365,000	450,173	3,390,000	42.88%	2030
2031			170,000	28,088			170,000	47,675			205,000	75,763			375,000	450,763	3,015,000	49.20%	2031
2032			175,000	22,436			175,000	66,011			205,000	66,011			380,000	446,011	2,635,000	55.60%	2032
2033			180,000	16,490			180,000	55,915			210,000	55,915			390,000	445,915	2,245,000	62.17%	2033
2034			190,000	10,150			190,000	35,175			215,000	45,325			405,000	450,325	1,840,000	69.00%	2034
2035			195,000	3,413			195,000	30,825			220,000	34,238			415,000	449,238	1,425,000	75.99%	2035
2036								26,375			225,000	26,375			225,000	251,375	1,200,000	79.78%	2036
2037								21,825			230,000	21,825			230,000	251,825	970,000	83.66%	2037
2038								17,175			235,000	17,175			235,000	252,175	735,000	87.62%	2038
2039								12,425			240,000	12,425			240,000	252,425	495,000	91.66%	2039
2040								7,575			245,000	7,575			245,000	252,575	250,000	95.79%	2040
2041								2,563			250,000	2,563			250,000	252,563	0	100.00%	2041
			1,970,000	443,518			75,000	4,800			115,000	12,450			3,775,000	1,252,218	5,935,000		
																7,187,218			

1) This issue does not count towards the 0.16% annual CIP limit.

2) This represents the \$150,000 Storm Sewer portion of the \$725,000 General Obligation Bonds, Series 2017A. This portion is not subject to the debt limit.

3) This represents the \$175,000 Utility portion of the \$660,000 General Obligation Bonds, Series 2018A. This issue is not subject to the debt limit.

4) This represents the \$4,100,000 Capital Improvement Plan portion of the \$5,225,000 General Obligation Bonds, Series 2020A.

City of Montevideo, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 06/22/2023)

Dated Amount	Sewer Revenue Note of 2009		Sewer Revenue Note of 2012		Water Revenue Note of 2015		Utility Revenue Bonds Series 2016B		Utility Revenue Bonds Series 2022A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest						
2023	478,000	52,757	9,000	622	58,000	4,005	0	4,045	0	15,200	545,000	76,629	621,629	5,149,000	9.57%	2023
2024	492,000	91,700	9,000	1,107	59,000	7,430	0	7,625	40,000	29,600	660,000	137,462	797,462	4,489,000	21.16%	2024
2025	506,000	77,481	9,000	971	59,000	6,840	60,000	6,635	40,000	28,000	674,000	119,927	793,927	3,815,000	33.00%	2025
2026	521,000	62,858	9,000	834	60,000	6,250	60,000	5,585	40,000	26,400	690,000	101,927	791,927	3,125,000	45.12%	2026
2027	536,000	47,801	9,000	698	61,000	5,650	40,000	4,600	45,000	24,700	690,000	83,444	773,448	2,435,000	57.24%	2027
2028	551,000	32,310	9,000	561	61,000	5,050	45,000	3,623	45,000	22,900	711,000	64,444	775,444	1,724,000	69.72%	2028
2029	567,000	16,386	9,000	425	62,000	4,440	45,000	2,588	45,000	21,100	728,000	44,939	772,939	996,000	82.51%	2029
2030			9,000	288	62,000	3,820	45,000	1,553	50,000	19,200	166,000	24,861	190,861	830,000	85.42%	2030
2031			10,000	152	63,000	3,200	45,000	518	55,000	17,200	168,000	21,069	189,069	662,000	88.37%	2031
2032					63,000	2,570			55,000	15,100	118,000	17,670	135,670	544,000	90.45%	2032
2033					64,000	1,940			55,000	12,900	119,000	14,840	133,840	425,000	92.54%	2033
2034					65,000	1,300			55,000	10,700	120,000	12,000	132,000	305,000	94.64%	2034
2035					65,000	650			60,000	8,400	125,000	9,050	134,050	180,000	96.84%	2035
2036									60,000	6,000	60,000	6,000	66,000	120,000	97.89%	2036
2037									60,000	3,600	60,000	3,600	63,600	60,000	98.95%	2037
2038									60,000	1,200	60,000	1,200	61,200	0	100.00%	2038
	3,651,000	381,292	82,000	5,658	801,000	53,145	400,000	36,770	760,000	262,200	5,694,000	739,066	6,433,066			

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

Montevideo Economic Development Authority, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Housing Revenues
(As of 06/22/2023)

Housing Development Rev
 Refunding Bonds
 Series 2007A

Dated Amount	Maturity	12/27/2007 \$620,000 02/01		Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending	
		Fiscal Year Ending										
2023			0	5,609	0	5,609	5,609	5,609	250,000	.00%	2023	
2024			35,000	10,448	35,000	10,448	45,448	45,448	215,000	14.00%	2024	
2025			35,000	8,908	35,000	8,908	43,908	43,908	180,000	28.00%	2025	
2026			35,000	7,368	35,000	7,368	42,368	42,368	145,000	42.00%	2026	
2027			40,000	5,688	40,000	5,688	45,688	45,688	105,000	58.00%	2027	
2028			40,000	3,868	40,000	3,868	43,868	43,868	65,000	74.00%	2028	
2029			40,000	2,048	40,000	2,048	42,048	42,048	25,000	90.00%	2029	
2030			25,000	569	25,000	569	25,569	25,569	0	100.00%	2030	
			250,000	44,503	250,000	44,503	294,503	294,503				

Montevideo Economic Development Authority, Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 06/22/2023)

Lease Revenue Refunding Bonds
Series 2020A

Dated Amount	09/23/2020 \$5,295,000								
Maturity	02/01								
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending	
2023	0	42,300	0	42,300	42,300	4,700,000	.00%	2023	
2024	225,000	82,575	225,000	82,575	307,575	4,475,000	4.79%	2024	
2025	230,000	78,480	230,000	78,480	308,480	4,245,000	9.68%	2025	
2026	235,000	74,295	235,000	74,295	309,295	4,010,000	14.68%	2026	
2027	235,000	70,065	235,000	70,065	305,065	3,775,000	19.68%	2027	
2028	240,000	65,790	240,000	65,790	305,790	3,535,000	24.79%	2028	
2029	3,535,000	31,815	3,535,000	31,815	3,566,815	0	100.00%	2029	
	4,700,000	445,320	4,700,000	445,320	5,145,320				

OVERLAPPING DEBT¹

Taxing District	2022/23 Taxable Net Tax Capacity	% In City	Total G.O. Debt ²	City's Proportionate Share
I.S.D. No. 129 (Montevideo Public Schools)	\$10,175,906	34.0424%	\$2,215,000 ³	<u>\$754,039</u>
City's Share of Total Overlapping Debt				<u><u>\$754,039</u></u>

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

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

³ Minnesota School Districts may qualify for aid from the State of Minnesota through the Debt Service Equalization Formula, School Building Bond Agricultural Credit and Long Term Facilities Maintenance Revenue programs. While some of the districts listed may receive these aids, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aids for the purposes of the Bonds.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$301,305,065	Debt/ Per Capita 5,359¹
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	4,865,000		
Special Assessments & Utility Revenues	525,000		
Taxes	5,935,000		
Utility Revenues	5,694,000		
Housing Revenues (EDA)	250,000		
Total General Obligation Debt*	<u>\$17,269,000</u>		
Less: G.O. Debt Paid Entirely from Revenues ²	<u>(5,944,000)</u>		
Tax Supported General Obligation Debt*	\$11,325,000	3.76%	\$2,113.27
City's Share of Total Overlapping Debt	<u>\$754,039</u>	<u>0.25%</u>	<u>\$140.71</u>
Total*	<u><u>\$12,079,039</u></u>	<u><u>4.01%</u></u>	<u><u>\$2,253.97</u></u>

*Preliminary, subject to change.

¹ Estimated 2021 population.

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

TAX LEVIES, COLLECTIONS AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date	% Collected
2018/19	\$2,342,712	\$2,303,039	\$2,340,322	99.90%
2019/20	2,410,558	2,356,196	2,403,810	99.72%
2020/21	2,530,888	2,485,679	2,517,254	99.46%
2021/22	2,666,557	2,628,166	2,628,166	98.56%
2022/23	2,978,801	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.² 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.

TAX CAPACITY RATES³

	2018/19	2019/20	2020/21	2021/22	2022/23
Chippewa County	43.696%	45.138%	45.451%	48.817%	45.446%
City of Montevideo	88.785%	87.487%	86.151%	86.207%	86.021%
I.S.D. No. 129 (Montevideo Public Schools)	21.122%	22.157%	21.631%	20.027%	19.441%
Region 6W	0.316%	0.317%	0.315%	0.335%	0.294%
EDA	1.200%	1.207%	1.225%	1.257%	1.283%

Referendum Market Value Rates:

I.S.D. No. 129 (Montevideo Public Schools)	0.22492%	0.20795%	0.20688%	0.19097%	0.18029%
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Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Chippewa County.

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

² Second half tax payments on agricultural property are due on November 15th of each year.

³ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

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

EMPLOYEES; PENSIONS; UNIONS

The City currently has 38 full-time, 24 part-time, and 27 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Law Enforcement Labor Services	December 31, 2024
AFSCME	December 31, 2024

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent actuarial study shows a total OPEB liability of \$1,203,449 as of December 31, 2023. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent actuarial study.

FUNDS ON HAND (As of March 31, 2023)

Fund	Total Cash and Investments
General	\$953,174
Special Revenue	1,424,571
Debt Service	863,570
Capital Projects	2,243,470
Enterprise Funds	4,778,662
Total Funds on Hand	<u>\$10,263,447</u>

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, Section 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.

ENTERPRISE FUNDS

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

	2019	2020	2021
Municipal Liquor Store			
Total Operating Revenues	\$579,053	\$724,508	\$685,472
Less: Operating Expenses	(391,397)	(465,393)	(472,230)
Operating Income	\$187,656	\$259,115	\$213,242
Plus: Depreciation	4,281	4,814	6,493
Revenues Available for Debt Service	<u>\$191,937</u>	<u>\$263,929</u>	<u>\$219,735</u>
Utility			
Total Operating Revenues	\$2,592,701	\$2,684,241	\$2,855,741
Less: Operating Expenses	(2,133,836)	(2,032,672)	(2,083,324)
Operating Income	\$458,865	\$651,569	\$772,417
Plus: Depreciation	911,781	930,041	929,524
Revenues Available for Debt Service	<u>\$1,370,646</u>	<u>\$1,581,610</u>	<u>\$1,701,941</u>

Continued on next page

ENTERPRISE FUNDS *Continued-*

	2019	2020	2021
Refuse			
Total Operating Revenues	\$728,803	\$733,081	\$760,362
Less: Operating Expenses	<u>9,727,938</u>	<u>(733,081)</u>	<u>(760,362)</u>
Operating Income	\$10,456,741	\$0	\$0
Plus: Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Revenues Available for Debt Service	<u><u>\$10,456,741</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
Building Inspection			
Total Operating Revenues	\$66,361	\$53,153	\$67,288
Less: Operating Expenses	<u>(126,753)</u>	<u>(121,195)</u>	<u>(122,411)</u>
Operating Income	(\$60,392)	(\$68,042)	(\$55,123)
Plus: Depreciation	<u>85</u>	<u>0</u>	<u>0</u>
Revenues Available for Debt Service	<u><u>(\$60,307)</u></u>	<u><u>(\$68,042)</u></u>	<u><u>(\$55,123)</u></u>
Economic Development			
Total Operating Revenues	\$612,188	\$582,928	\$508,307
Less: Operating Expenses	<u>(254,789)</u>	<u>(302,848)</u>	<u>(313,372)</u>
Operating Income	\$357,399	\$280,080	\$194,935
Plus: Depreciation	<u>96,994</u>	<u>198,269</u>	<u>198,272</u>
Revenues Available for Debt Service	<u><u>\$454,393</u></u>	<u><u>\$478,349</u></u>	<u><u>\$393,207</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 2021 audited financial statements.

FISCAL YEAR ENDING DECEMBER 31					
COMBINED STATEMENT	2019 Audited	2020 Audited	2021 Audited	2022 Unaudited ¹⁾	2023 Adopted Budget ²⁾
Revenues					
Taxes	\$1,590,676	\$1,760,926	\$1,824,851	\$1,923,592	\$2,158,450
Licenses and permits	18,729	6,563	19,550	21,965	21,200
Intergovernmental revenue	2,397,643	2,732,888	2,490,644	2,519,713	2,540,833
Fine and forfeits	40,799	39,694	51,635	36,805	33,800
Interest on investments	15,764	10,084	6,756	10,048	10,000
Donations	1,000	0	1,645	0	0
Charges for services	326,413	325,306	356,688	369,391	353,700
Net change in fair value of investments ³⁾	199,690	97,774	(171,174)	(599,496)	0
Miscellaneous	4,888	11,045	46,042	29,057	10,000
Total Revenues	\$4,595,602	\$4,984,280	\$4,626,637	\$4,311,075	\$5,127,983
Expenditures					
Current:					
General government	\$855,414	\$912,718	\$968,203	\$954,094	\$1,053,695
Public safety	1,490,797	1,819,432	1,763,058	1,818,731	1,870,495
Public works	965,219	928,656	1,287,296	1,318,977	1,352,650
Housing and economic development	85,385	82,187	84,819	83,596	134,960
Parks, culture and recreation	633,532	598,263	225,209	235,476	247,990
Capital outlay	29,208	27,267	37,343	34,260	40,000
Total Expenditures	\$4,059,555	\$4,368,523	\$4,365,928	\$4,445,134	\$4,699,790
Excess of revenues over (under) expenditures	\$536,047	\$615,757	\$260,709	(\$134,059)	\$428,193
Other Financing Sources (Uses)					
Transfers in	\$0	\$0	\$145,306	\$0	\$0
Transfers (out)	(490,750)	(569,655)	(358,767)	(138,951)	(418,180)
Total Other Financing Sources (Uses)	(490,750)	(569,655)	(213,461)	(138,951)	(418,180)
Net changes in Fund Balances	\$45,297	\$46,102	\$47,248	(\$273,010)	\$10,013
General Fund Balance January 1	\$1,509,211	\$1,554,508	\$1,600,610	\$1,647,858	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	\$1,554,508	\$1,600,610	\$1,647,858	\$1,374,848	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$149,491	\$73,813	\$87,041	\$52,281	
Restricted	3,319	6,723	15,286	14,686	
Assigned	1,401,698	1,520,074	1,545,531	1,307,881	
Total	\$1,554,508	\$1,600,610	\$1,647,858	\$1,374,848	

1) The unaudited data is as of December 31, 2022.

2) The 2023 budget was adopted on December 5, 2022.

3) The City's intent is to hold investments until maturity.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 5,398 and a 2021 population estimate of 5,359, and comprising an area of 4.7 square miles, is located approximately 145 miles west of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Walmart	Retail Department Store	350
I.S.D. No. 129 (Montevideo Public Schools)	Elementary and secondary education	320
Chippewa County-Montevideo Hospital	Health care	315
Jennie-O-Foods, Inc.	Poultry processing plant	270
Luther Haven Nursing Home	Nursing and convalescent home	160
Ice Castle Fish Houses	Ice house manufacturer	150
Friendship Homes of Minnesota	Mobile home manufacturer	130
Chippewa County	County government and services	129
AMETEK Engineered Medical Components ²	Surgical & medical instrument manufacturing	125
Avenues for Care	Home health care services	100

Source: Data Axle Reference Solutions, written and telephone survey, 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.

² Previously listed as Avicenna Tech.

BUILDING PERMITS

	2019	2020	2021	2022	2023 ¹
<u>New Single Family Homes</u>					
No. of building permits	3	11	13	2	0
Valuation	\$1,010,198	\$318,879	\$630,000	\$850,000	\$0
<u>New Multiple Family Buildings</u>					
No. of building permits	0	0	1	0	0
Valuation	\$0	\$0	\$4,150,289	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	2	3	2	1	0
Valuation	\$513,962	\$3,573,938	\$730,000	\$7,098,000	\$0
<u>All Building Permits</u>					
<i>(including additions and remodelings)</i>					
No. of building permits	416	429	427	917	74
Valuation	\$8,561,277	\$6,841,399	\$8,995,386	\$26,853,655	\$1,380,480

Source: The City.

¹ As of April 25, 2023.

U.S. CENSUS DATA

Population Trend: The City

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

2021 State Demographer Population Estimate	5,359
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Income and Age Statistics

	The City	Chippewa County	State of Minnesota	United States
2021 per capita income	\$29,646	\$30,781	\$41,204	\$37,638
2021 median household income	\$53,410	\$59,051	\$77,706	\$69,021
2021 median family income	\$67,574	\$74,627	\$98,356	\$85,028
2021 median gross rent	\$732	\$741	\$1,081	\$1,163
2021 median value owner occupied units	\$103,100	\$121,900	\$250,200	\$244,900
2021 median age	42.7 yrs.	41.6 yrs.	38.2 yrs.	38.4 yrs.

	State of Minnesota	United States
City % of 2021 per capita income	71.95%	78.77%
City % of 2021 median family income	68.70%	79.47%

Housing Statistics

	<u>The City</u>		
	2010	2021	Percent of Change
All Housing Units	2,510	2,435	-2.99%

Source: 2010 and 2020 Census of Population and Housing, and 2021 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov/cedsci>) and Minnesota State Demographer (<https://mn.gov/admin/demography/data-by-topic/population-data/our-estimates/>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	<u>Average Employment</u>		<u>Average Unemployment</u>
Year	Chippewa County	Chippewa County	State of Minnesota
2019	6,687	4.1%	3.3%
2020	6,443	5.3%	6.3%
2021	6,271	3.0%	3.8%
2022	6,322	2.4%	2.7%
2023, March	6,206	3.2%	3.1%

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

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

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

CITY OF MONTEVIDEO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2021



CITY OF MONTEVIDEO, MINNESOTA
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CITY OF MONTEVIDEO, MINNESOTA
ELECTED AND APPOINTED OFFICIALS

For the Year 2021	Term Expires December 31
Mayor Erich Winters	2022
COUNCIL	
Nathan Schmidt - President	2024
Beverly Olson	2024
Bryce Curtiss	2022
Dan Sanborn	2022
Steven Sulflow	2022
City Manager – Robert Woffington, III	Appointed
Clerk/Treasurer - Glennis A. Lauritsen	Appointed
Attorney - Janice Nelson	Appointed
Engineer - Rodeberg & Berryman, Inc.	Appointed

INTRODUCTORY SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Montevideo, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montevideo, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and, the aggregate remaining fund information of the City of Montevideo, Minnesota, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Montevideo, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

1

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Montevideo, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Montevideo, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Montevideo, Minnesota's ability to continue as a going concern for a reasonable period time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

2

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Montevideo, Minnesota's basic financial statements. The introductory section, combining governmental fund financial statement, combining nonmajor fund financial statements, and statistical schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the introductory section, combining governmental fund financial statement, the combining nonmajor fund financial statements and statistical schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Montevideo, Minnesota's basic financial statements for the year ended December 31, 2020, which are not presented with the accompanying financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Montevideo, Minnesota's basic financial statements as a whole. The supplementary information on pages 97-118 related to the December 31, 2020 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and

other records used to prepare the 2020 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2020 supplementary information on pages 97-118 are fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2022, on our consideration of the City of Montevideo, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Montevideo, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Montevideo, Minnesota's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the City's financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of and for the year ended December 31, 2020, and, in our report dated June 22, 2021, we expressed unmodified opinions on the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent in all material respects, with the audited financial statements from which it has been derived.

Montevideo, Minnesota
June 16, 2022

Dawn L. Cole & Company, LLP

CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the City of Montevideo, Minnesota, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2021. Please read it in conjunction with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2021 are as follows:

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$55,852,243 (net position). Of this amount, \$7,055,547 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$2,887,099 mainly due to payment of escrow funds in 2021 to the State for the VA Home construction.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,264,821, a decrease of \$4,977,067 in comparison with the prior year. Approximately 60 percent of this total amount, \$4,388,794, is available for spending at the City's discretion (committed, assigned and unassigned fund balances).
- At the end of the current fiscal year, the assigned fund balance for the general fund was \$1,545,531 or 32 percent of budgeted 2021 expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) budgetary comparison schedules, and 4) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the city's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between these two reported as *net position*. Over time, increases or decreases to net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, parks, recreation & culture, economic development, transportation and debt service. The business-type activities of the City include liquor, utilities, refuse, building inspection, and economic development housing.

The government-wide financial statements include not only the City itself (known as the *primary government*) but also an Economic Development Authority, the Convention & Visitors' Bureau and the Montevideo Community Development Corporation, for which the City is financially accountable. Financial information for these component units is blended in the financial information presented for the primary government. The government-wide financial statements can be found on pages 13-18 of this report.

Fund Financial Statements

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The City maintains 37 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Capital Equipment & Facilities Fund. Other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 17-21 of this report.

Proprietary fund. The City maintains one type of proprietary fund, *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements, only in more detail. The City uses enterprise funds to account for its liquor, utilities, refuse, building inspection, and economic development-housing activities. The basic proprietary fund financial statements can be found on pages 22-30 of this report.

Budgetary Comparison Statements

The budgetary comparison statement presents detailed budgetary comparisons for the General Fund, to demonstrate compliance with the budget. This statement can be found on page 31 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-88 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, for other post-employment benefits (OPEB) and defined benefit pension plans. The schedules of funding progress, City contributions, City's proportionate share of net pension liability, and schedule of changes in Net Pension Asset can be found on pages 89-96 of this report. The combining statements and other statistical schedules are presented immediately following the required supplementary information, and can be found on pages 97-128 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$55,852,243 as of December 31, 2021.

Net Position

By far, the largest portion of the City's net position (82 percent) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Condensed Statement of Net Position						
	Governmental Activities			Business-Type Activities			Total
	2021	2020		2021	2020	2021	2020
Current & other assets	8,243,926	17,454,066		6,106,641	6,220,922	14,402,567	23,674,988
Capital assets	44,688,993	41,405,544		23,281,505	23,470,327	67,970,498	64,875,871
Total assets	52,932,919	58,859,610		29,440,146	29,691,249	82,373,065	88,550,859
Deferred outflows of resources	1,543,494	633,784		323,378	52,085	1,866,872	685,859
Other liabilities	1,119,753	2,462,264		1,274,301	1,271,033	2,394,054	3,732,297
Long-term liabilities outstanding	11,397,742	12,758,738		12,083,906	13,171,008	23,451,648	25,929,746
Total outstanding	12,517,495	15,221,002		13,328,207	14,442,041	25,845,702	29,663,043
Deferred inflows of resources	2,128,836	802,843		413,156	31,500	2,541,992	834,343
Net investment in capital assets	35,081,984	30,891,530		10,946,978	10,162,379	46,008,960	41,053,909
Restricted	2,787,736	10,860,839				2,787,736	10,860,839
Unrestricted	1,980,362	1,717,180		5,075,185	5,107,414	7,055,547	6,824,594
Total net position	39,830,082	43,469,549		16,022,161	15,269,793	55,852,243	56,735,342

As of December 31, 2021, the City is able to report positive balances in net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Change in Net Position. Governmental activities decreased the City's net position by \$3,639,467. Business-type activities increased the city's net position by \$752,368. Key elements of these changes are as follows:

	Changes in Net Position			
	Governmental Activities		Business-Type Activities	
	2021	2020	2021	2020
Revenues				
Program revenues				
Charges for services	579,674	460,453	6,816,664	6,865,603
Operating grants/contributions	561,275	657,882		7,396,338
Capital grants/contributions	4,443,929	3,459,910	25,832	561,275
General revenues	2,727,460	2,597,932	103,929	657,882
Property taxes			4,469,761	3,563,839
Aid/grants/contributions not restricted for			2,727,460	2,597,932
specific programs	2,303,670	2,247,527	1,117	
Unrestricted investment earnings	(121,347)	197,973	1,674	2,304,767
Transfers	145,800	184,300	54,652	(79,048)
Gain (loss) on sale of capital assets	(125,886)	35,034	(184,300)	252,625
TOTAL REVENUES	10,514,575	9,841,011	6,740,112	17,254,657
			(125,886)	35,034
				16,692,566
Expenses				
General government	1,027,994	972,482	1,027,994	972,482
Public safety	1,843,918	2,308,977	1,843,918	2,308,977
Public works	2,235,444	1,847,103	2,235,444	1,847,103
Parks, recreation, culture	449,614	810,908	449,614	810,908
Economic development	7,980,527	226,594	7,980,527	226,594
Transportation	356,804	352,174	356,804	352,174
Interest & fiscal charges	259,741	262,014	259,741	262,014
Liquor				
Water & sewer utilities	2,561,902	2,532,347	2,561,902	2,532,347
Refuse	2,266,874	2,234,178	2,266,874	2,234,178
Building inspection	760,362	733,081	760,362	733,081
Economic development			122,411	121,195
Housing				
			446,195	446,195
TOTAL EXPENSES	14,154,042	6,780,342	6,256,854	13,037,196
Increase in net position	(3,639,467)	3,060,669	584,704	(2,887,099)
Net position, beginning	43,469,549	40,408,880	15,269,793	55,739,342
Net position, ending	39,830,082	43,469,549	15,854,497	58,739,342

CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of December 31, 2021, the City's governmental funds reported combined ending fund balances of \$7,264,821, a decrease of \$8,140,674 from 2020. Sixty percent (60%) of this total amount (\$4,388,794) constitutes *unrestricted fund balances* (committed, assigned, or unassigned), which are available for spending at the City's discretion. The remainder of fund balance is *restricted* or *nonspendable* to indicate that it is not available for new spending because it has already been restricted for other purposes, by sources outside of the City.

General Fund: The general fund is the chief operating fund of the City. As of December 31, 2021, the assigned fund balance of the general fund was \$1,545,531. As a measure of the general fund's liquidity, it may be useful to compare *unrestricted* (committed, assigned and unassigned) fund balances to total fund expenditures. These fund balances represent 32% and 31% of total general fund budgeted expenditures for 2021 and 2020, respectively.

The fund balance of the City's general fund increased by \$47,248 during the current fiscal year.

Capital Equipment & Facilities Fund: The Capital Equipment & Facilities Fund accounts for the revenues and expenses associated with purchasing major capital equipment and facility improvements and in 2021, accounted for the remittance to the State of Minnesota, of donations received over the years for the construction of the VA Home. Expenditures from this fund are made in conjunction with a 10-year Capital Improvement Plan.

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

Liquor Fund: The liquor fund had unrestricted net position of \$234,703. Total net position increased by \$11,336 in 2021 and increased by \$8,670 in 2020. The liquor fund transferred \$100,000 to the general fund in both 2021 and 2020, and \$104,500 and \$155,000 to the Capital Equipment and Facilities Fund in 2021 and 2020, respectively.

Utilities Fund: The utilities fund had unrestricted net position of \$4,028,662. Total net position increased by \$673,633 in 2021 and increased by \$623,275 in 2020.

CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Economic Development Housing Fund: The economic development housing fund had unrestricted net position of \$670,385. Total net position increased by \$63,684 in 2021 and decreased by \$50,096 in 2020. In 2020, the City refunded the school building bonds, which reduced their interest expense in 2021.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the General Fund budget was not amended. At year end, budgeted revenue and other financing sources exceeded actual revenues and other financing sources by \$23,857 and budgeted expenditures and other financing uses exceeded actual expenditures and other financing uses by \$71,005, resulting in an increase in the excess of revenues over expenditures from budget to actual of \$47,148.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of December 31, 2021 amounts to \$67,970,498 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Total depreciation expense for the year was \$2,637,196. (More detailed information about capital assets can be found in Note 6 to the financial statements).

LONG-TERM OBLIGATIONS

Long-term debt: At the end of the current fiscal year, the City had total debt outstanding of \$22,289,027, net of premium. This includes \$3,080,000 of special assessment debt at par value for which the City is liable in the event of default by the property owners subject to the assessment.

	Governmental Activities		Business-Type Activities	
	2021	2020	2021	2020
G.O. Improvement Bonds	6,340,000	6,470,000		
G.O. Special Assessment Bonds	3,287,009	4,044,014		
G.O. Revenue Bonds			2,431,529	2,433,948
Public Facilities Authority Loans			5,063,000	5,579,000
Revenue Bonds			5,140,000	5,295,000
Employee Benefits	196,489	193,583	131,000	132,200
Total	9,823,498	10,707,597	12,465,529	13,440,148

CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS

LONG-TERM OBLIGATIONS (Continued)

The City's total debt decreased by \$1,858,718 during the current fiscal year, as compared to an increase of \$3,791,876 in 2020. During 2021, no new debt was issued and scheduled debt payments were made. During 2020, the City issued \$4.1M of G.O. Bonds for the construction of a public works building, issued \$1,125,000 in GO bonds, and made \$1,900,000 in bond payments.

CURRENT FINANCIAL ISSUES AND CONCERNS

- LGA makes up 47.4% of the 2022 budgeted general fund revenues and 48.1% of the 2021 actual general fund revenues.
- The 2022 general fund budgeted expenditures have been increased \$200,175, or 4.6% from the 2021 general fund actual expenditures.
- The City's property tax levy for 2022 increased by \$135,000, or 5.34%.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2020)

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash on hand	328	2,100	2,428
Equity in pooled and non pooled cash and investments			2,428
Cash restricted - current operations	6,586,778	3,852,266	10,439,044
Cash in escrow account		305,524	305,524
Accounts receivable & unbilled utility charges	158,765	562,921	721,686
Accrued interest receivable	9,770		9,770
Delinquent taxes receivable	120,610	744	121,354
Special assessments receivable	20,911	12,388	33,299
Due from other governmental units	336,727		336,727
Internal balances	55,773	(65,773)	
Inventory		276,900	276,900
Prepaid items	88,291	11,119	99,410
Total current assets	7,377,953	4,668,189	12,046,142
NON CURRENT ASSETS			
Cash restricted/assigned		1,325,466	1,325,466
Special assessments - deferred	525,641	84,422	610,063
Notes receivable	354,032	52,800	406,832
Less allowance for doubtful accounts	(13,700)		(13,700)
Land held for resale		27,764	27,764
Total non current assets	865,973	1,490,452	2,356,425
TOTAL ASSETS			
Nondepreciable assets	25,226,248	1,142,510	26,368,758
Property and equipment	47,286,671	39,328,280	86,614,951
Less: accumulated depreciation	(27,823,926)	(17,189,285)	(45,013,211)
Total capital assets, net of depreciation	44,688,993	23,281,505	67,970,498
TOTAL ASSETS	52,932,919	29,440,146	82,373,065
DEFERRED OUTFLOWS OF RESOURCES			
Deferred OPEB resources	66,818	13,924	80,742
Deferred pension resources	1,476,676	309,454	1,786,130
Total deferred outflows	1,543,494	323,378	1,866,872
			685,869

See accompanying notes to financial statements. 13

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2020)

	Governmental Activities	Business-type Activities	Totals
LIABILITIES			
Accrued salaries, payroll taxes & other expenses	137,181	125,284	262,465
Accounts and contracts payable	107,552	148,718	256,270
Due to other governments	20	36,299	36,319
Current portion of long term debt	875,000	964,000	1,839,000
Total current liabilities	1,119,753	1,274,301	2,394,054
NON CURRENT LIABILITIES			
Security deposit payable		19,325	19,325
Notes payable		5,063,000	5,063,000
Bonds payable, net of unamortized discount/refunding deferral	9,627,009	7,271,529	16,898,538
Less current portion	(875,000)	(964,000)	(1,839,000)
Net OPEB liability	1,280,109	124,042	1,404,151
Net pension liability - PERA	1,169,135	409,010	1,578,145
Other long-term debt	196,489	131,000	327,489
Total long-term liabilities	11,397,742	12,053,906	23,451,648
TOTAL LIABILITIES	12,517,495	13,328,207	25,845,702
DEFERRED INFLOWS OF RESOURCES			
Unearned grants	225,998		225,998
Deferred pension resources	1,902,838	413,156	2,315,994
Total deferred inflows	2,128,836	413,156	2,541,992
NET POSITION			
Net investment in capital assets	35,061,984	10,946,976	46,008,960
Restricted for:			
Public safety	18,138		18,138
Capital projects	159,085		159,085
Debt service	1,695,079		1,695,079
Economic development/ revolving loans	686,315		686,315
Housing development loans	171,465		171,465
Other projects	57,654		57,654
Unrestricted	1,980,362	5,075,185	7,055,547
TOTAL NET POSITION	39,830,082	16,022,161	55,852,243
			58,739,342

See accompanying notes to financial statements. 14

CITY OF MONTICELLO, MINNESOTA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

Functional/programs	2021										Net (Expense) Revenue and Changes in Net Position	
	Primary Government										2020	
	Expenses	Charges for Services	Program Revenues	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	Expenses	Charges for Services	Program Revenues	Capital Grants and Contributions	Totals
Primary government												
General fund activities												
General government	1,027,994	82,504	15,050		(930,440)		(930,440)	1,843,918	176,864	178,320	77,629	(1,411,095)
Public safety	1,843,918	176,864			(1,411,095)		(1,411,095)	1,608,852	1,608,852			1,608,852
Public works	2,255,444	198,950	24,714	3,620,632			3,620,632	65,295	57,000			(327,319)
Parks, culture and recreation	449,614				(327,319)		(327,319)	7,960,327	24,414	214,572	677,385	(7,064,156)
Economic development					(203,028)		(203,028)	356,604	31,647	53,846		(241,578)
Transportation								259,741		17,763		(241,578)
Interest and fiscal charges								14,154,042	579,674	561,275	4,443,929	(8,569,164)
Total governmental activities								2,391,002	2,605,144			213,242
Business-type activities								2,266,674	2,875,593			634,521
Liquor								163,362				(65,123)
Utilities								446,195				(82,112)
Refuse								508,397				854,752
Building inspection												
EDA - rental												
Total business-type activities								20,141,786	7,396,335	561,275	4,469,761	(8,569,164)
Total primary government								20,141,786	7,396,335	561,275	4,469,761	(8,569,164)

See accompanying notes to financial statements.

CITY OF MONTICELLO, MINNESOTA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

Functional/programs	2021										Net (Expense) Revenue and Changes in Net Position	
	Primary Government										2020	
	Expenses	Charges for Services	Program Revenues	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	Expenses	Charges for Services	Program Revenues	Capital Grants and Contributions	Totals
General fund activities												
General government												
Public safety												
Public works												
Parks, culture and recreation												
Economic development												
Transportation												
Interest and fiscal charges												
Total governmental activities												
Business-type activities												
Liquor												
Utilities												
Refuse												
Building inspection												
EDA - rental												
Total business-type activities												
Total primary government												

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2020)

	General	Capital Equipment & Facilities	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash on hand	328			328
Equity in pooled cash/investments	1,280,122	2,091,217	3,215,439	6,586,778
Cash in escrow account	9,770			9,770
Accrued interest receivable	77,718	1,548	41,344	120,610
Taxes receivable - delinquent	44,051	3,637	105,427	153,115
Accounts receivable	5,650			5,650
Unbilled accounts receivable	306,230			306,230
Due from other funds				134,046
Notes receivable			354,032	354,032
Special assessments - delinquent		6,489	14,422	20,911
Special assessments - deferred		120,031	405,610	525,641
Due from other governments		164,824	171,903	336,727
Prepaid expenses	87,041		1,250	88,291
TOTAL ASSETS	1,810,910	2,387,746	4,309,427	8,508,083
				17,565,695
LIABILITIES				
Accounts/contracts payable	76,381	15	31,156	107,552
Due to other governments			20	20
Due to other funds			250,457	250,457
Accrued liabilities	39,843			39,843
Total liabilities	116,224	15	281,633	397,872
				1,556,948
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - grants			225,998	225,998
Unearned revenue - delinquent taxes	46,828	1,524	24,488	72,840
Unearned revenue - assessments		126,520	420,032	546,552
Total deferred inflows of resources	46,828	128,044	670,518	845,390
				797,278
FUND BALANCE				
Nonspendable	87,041		1,250	88,291
Restricted	15,266		2,772,450	2,787,736
Committed			236,926	236,926
Assigned	1,545,531	2,259,687	380,338	4,185,556
Unassigned			(33,688)	(33,688)
Total fund balances	1,647,858	2,259,687	3,357,276	7,264,821
				15,211,469
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
	1,810,910	2,387,746	4,309,427	8,508,083
				17,565,695

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET AND
THE GOVERNMENT - WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2021
(WITH COMPARATIVE INFORMATION AS OF DECEMBER 31, 2020)

	2021	2020
Total fund balances - governmental funds	7,264,821	15,211,469
Amounts reported for governmental activities in the statement of net position are different because:		
Allowance for doubtful notes receivable is not required and therefore not reported as a contra asset in governmental funds.	(13,700)	(20,700)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	72,512,919	67,938,999
Less: accumulated depreciation	(27,823,926)	(26,533,455)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bond principal payable (net of bond discount) and capital and lease payable	(9,627,009)	(10,514,014)
Severance and vacation payable	(196,489)	(193,583)
Net pension liability and deferred inflows/outflows related to PERA and OPEB	(2,808,588)	(3,032,525)
Other liabilities not required and therefore not reported as a liability in governmental funds.		
Accrued interest on bonds payable	(97,338)	(112,120)
Special assessments receivable will be collected, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	546,552	641,955
Total net position - governmental activities	72,840	83,523
	39,830,082	43,469,549

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	General	Capital Equipment & Facilities	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	1,824,851		912,703	2,737,554
Special assessments		42,068	130,318	172,386
Licenses and permits	19,550		19,550	39,100
Tax increment financing			17,763	17,763
Intergovernmental revenue	2,490,644	3,233,896	771,723	6,496,263
Fines and forfeits	51,635			51,635
Interest on investments	6,756	18,524	24,549	49,829
Interest on loans			9,685	9,685
Donations	4,645	680,302		684,947
Charges for services	356,688		80,762	437,450
Net change in the fair value of investments	(171,174)			(171,174)
Miscellaneous revenues	43,042	48,785	30,894	122,721
Total revenues	4,626,637	4,023,575	1,976,397	10,626,609
EXPENDITURES				
General government	968,203	11,339		979,542
Public safety	1,763,058			1,763,058
Public works	1,287,296	2,935		1,290,231
Housing/economic development	84,819	7,587,889	311,802	7,984,510
Parks, culture and recreation	225,209	6,000	125,364	356,573
Transportation			97,390	97,390
Capital outlay	37,343	3,674,513	1,424,584	5,136,440
Redemption of debt			884,125	884,125
Interest and fiscal agent charges			277,414	277,414
Total expenditures	4,365,928	11,282,676	3,120,679	18,769,283
REVENUES OVER (UNDER)	260,709	(7,259,101)	(1,142,282)	(8,140,674)
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	(213,461)	301,235	58,026	145,800
Loss on sale of investment			15,909	15,909
Bond proceeds				4,630,000
Premium on bond proceeds				239,267
Proceeds from sale of property		32,317		32,317
Total other financing sources (uses)	(213,461)	333,552	73,935	194,026
				5,088,601

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	General	Capital Equipment & Facilities	Other Governmental Funds	Total Governmental Funds
REVENUES AND OTHER FINANCING				
SOURCES OVER (UNDER)				
EXPENDITURES AND OTHER	47,248	(6,925,549)	(1,068,347)	(7,945,648)
FINANCING USES	1,600,610	9,185,236	4,425,623	15,211,469
FUND BALANCE, beginning of year	1,647,858	2,259,687	3,357,276	7,264,821
FUND BALANCE, end of year				15,211,469

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021	2020
Total net change in fund balances - governmental funds	(7,946,648)	1,924,994
Amounts reported for governmental activities in the statement of activities are different because:		
Bad debt expense was reported in governmental funds at the gross amount. However, in the statement of activities, the costs were adjusted through the allowance for doubtful accounts.	7,000	(2,200)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays	4,960,471	6,844,182
Depreciation expense	(1,502,909)	(1,513,234)
Loss on disposal of assets	(168,353)	
Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	884,125	914,125
Proceeds from bonds is shown as revenue in the governmental funds, but the proceeds increase the long-term liabilities in the statement of net assets.		(4,889,267)
Some expenses (changes in accrued interest, accrued wages, and amortization of bond discount) reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the government funds.	11,902	(38,559)
Compensated absences, severance, other post employment benefits and net pension liability adjustments reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	221,031	(236,038)
Special assessment receivable will be collected, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	(95,403)	22,349
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	(10,683)	14,317
Change in net position - governmental funds	(3,639,467)	3,060,669

See accompanying notes to financial statements. 21

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2020)

	Business-Type Activities - Enterprise Funds					Totals
	Liquor Fund	Utilities Fund	Refuse Fund	Building Inspection Fund	Economic Development Housing Fund	
ASSETS						
CURRENT ASSETS						
Cash on hand	2,100					2,100
Grants receivable	246,778					3,094,571
Accounts receivable - noncurrent				8,068	138,592	3,552,286
Accounts receivable - current					305,524	305,524
Accounts receivable	5,509	308,230	68,988	653	5,000	336,390
Accounts receivable		112,540	63,691			176,531
Accounts receivable		744				744
Accounts receivable - delinquent		1,788				1,788
Special assessments receivable - delinquent		10,600				10,600
Special assessments receivable - current		7,400				7,400
Due from other funds	235,600	41,300				276,900
Inventory	225	6,594			4,300	7,119
Prepaid items	490,162	3,648,374	130,689	8,721	453,416	4,731,362
Total current assets						4,181,961
NONCURRENT ASSETS						
Capital assets	18,450	808,575			498,441	1,325,466
Special assessments receivable - deferred		84,422				84,422
Interfund receivable - long term		84,989				84,989
Land held for resale					27,764	27,764
Notes receivable					52,800	52,800
Total noncurrent assets	18,450	977,986			579,005	1,575,441
						2,181,624

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2020)

	Business-Type Activities - Enterprise Funds					Totals	
	Liquor Fund	Utilities Fund	Refuse Fund	Building Inspection Fund	Economic Development Housing Fund	2021	2020
CAPITAL ASSETS							
Property & equipment	109,456	32,345,526		3,305	7,022,603	48,470,790	39,663,060
Less accumulated depreciation	(155,295)	(15,815,220)		(3,305)	(11,552,683)	(17,426,523)	(14,380,983)
Total capital assets	44,195	16,530,306			6,469,920	23,283,569	25,282,077
TOTAL ASSETS	552,807	21,456,364	130,689	8,721	7,439,727	29,588,308	29,833,912
DEFERRED OUTFLOWS OF RESOURCES							
Deferred OPEB	4,580	7,786		1,558		13,924	10,814
Deferred pension resources	94,441	182,573		32,440		309,454	41,271
Total deferred outflows	99,021	190,359		33,998		323,378	52,085
LIABILITIES AND NET POSITION							
CURRENT LIABILITIES							
Salaries and benefits payable	4,455	7,466	230	1,436		13,587	12,924
Accounts and contracts payable	11,357	70,521	60,913		5,927	148,718	145,574
Accrued interest payable		67,302			44,395	111,697	108,270
Due to other funds			55,773		7,400	63,173	50,217
Due to other governmental units	25,638	2,580	17,508	673		36,299	37,390
Current portion of long-term liabilities		714,000			250,000	964,000	966,875
Total current liabilities	41,450	861,869	124,424	2,009	307,722	1,337,414	1,321,250

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2020)

	Business-Type Activities - Enterprise Funds					Totals	
	Liquor Fund	Utilities Fund	Refuse Fund	Building Inspection Fund	Economic Development Housing Fund	2021	2020
LONG-TERM LIABILITIES							
Security deposit payable					19,325	19,325	17,746
Interfund payable	38,825	86,950	2,150	3,075	84,969	131,000	132,200
Accounts payable	40,477	68,927		14,638		124,042	101,063
Net OPEB liability	125,405	241,158		42,447		409,010	578,936
Net pension liability - PERA		4,534,000				4,534,000	5,063,000
Notes payable		1,634,251			5,202,278	6,836,529	7,278,073
Bonds payable	204,707	6,565,266	2,150	60,160	5,306,592	12,138,895	13,263,454
Total long-term liabilities	246,157	7,427,195	126,574	62,169	5,614,314	13,476,389	14,584,704
TOTAL LIABILITIES							
Deferred pension resources							
	126,773	243,153		43,230		413,156	31,500
NET POSITION							
Net investment in capital assets	44,195	9,947,753			955,028	10,946,976	10,162,379
Unrestricted	234,703	4,028,662	4,115	(62,680)	870,385	5,075,185	5,107,414
TOTAL NET POSITION	278,898	13,976,415	4,115	(62,680)	1,825,413	16,022,161	15,309,793

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021
WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Business-Type Activities - Enterprise Funds					Totals	
	Liquor Fund	Utilities Fund	Release Fund	Building Inspection Fund	Economic Development Housing Fund	2021	2020
SALES AND COST OF SALES							
Sales	2,605,144					2,605,144	2,791,462
Cost of sales	(1,903,962)					(1,903,962)	(2,053,281)
Freight		(15,710)				(15,710)	(13,873)
Gross profit	685,472					685,472	724,308
OPERATING REVENUES							
Rental income					508,307	508,307	562,928
Water sales and charges for services		1,140,462			1,140,462	1,047,407	1,047,407
Sewer sales		1,715,279			1,715,279	1,636,634	1,636,634
Customer service charges			760,362			760,362	733,081
Building permits				67,268		67,268	53,153
Total operating revenues		2,855,741	760,362	67,268	508,307	4,191,698	4,053,403
Gross profit and operating revenues	685,472	2,855,741	760,362	67,268	508,307	4,191,170	4,777,911
OPERATING EXPENSES							
Salaries	238,012	434,895	12,537	84,000		769,404	771,828
Employee benefits	88,213	148,224	6,967	30,574		263,821	263,821
Service contracts		52,051	732,419			784,470	757,090
Supplies	49,707	94,004	8,439	4,368		157,008	163,373
Repairs and maintenance	3,679	49,432			47,695	100,766	87,460
Communications	2,969	14,004		620		17,593	15,576
Professional services	7,487	131,409			363,186	380,682	340,566
Utilities	13,515	147,947			24,290	185,752	167,250

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Business-Type Activities - Enterprise Funds					Totals	
	Liquor Fund	Utilities Fund	Refuse Fund	Building Inspection Fund	Economic Development Housing Fund	2021	2020
TRANSFERS							
Transfer from (to) other fund	(204,500)			58,700		(145,800)	(184,300)
Total transfers	(204,500)			58,700		(145,800)	(184,300)
NET INCOME	11,336	673,633		3,715	83,084	752,368	584,704
NET POSITION (DEFICIT), beginning of year	267,562	13,302,782	4,115	(66,395)	1,761,729	15,269,793	14,655,089
NET POSITION (DEFICIT), end of year	278,898	13,976,415	4,115	(62,680)	1,825,413	16,022,161	15,269,793

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Liquor Fund	Utilities Fund	Refuse Fund	Building Inspection Services	Economic Development Housing Fund	Totals	
						2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	2,604,331	2,844,619	745,330	67,034	508,307	6,769,621	6,697,488
Cash paid to suppliers	(2,050,572)	(598,790)	(738,988)	(7,837)	(112,290)	(3,497,577)	(3,597,891)
Cash paid for employment costs	(335,159)	(606,714)	(19,698)	(117,655)		(1,079,376)	(1,067,336)
Net cash from operating activities	218,600	1,640,115	(12,656)	(58,458)	396,017	2,192,698	2,032,259
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES							
Transfers from (to) other funds	(204,500)	7,157	12,656	58,700	(7,157)	(145,800)	(184,300)
Security deposits					1,579	1,579	(552)
Net cash from noncapital and related financing activities	(204,500)	7,157	12,656	58,700	(5,578)	(131,565)	(188,011)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital expenditures	(34,580)	(897,002)				(931,582)	(1,214,106)
Cash received in property		53,013			(16,152)	(16,152)	(11,048)
Cash received from assessments and taxes		(231,765)			(98,881)	(330,646)	(563,813)
Interest paid							5,890,000
Proceeds from long-term borrowing					(575)	(575)	(2,199)
Bond issue and fiscal agent fees					(180,000)	(180,000)	(6,054,233)
Principal paid on debt							20,000
Miscellaneous revenue		20,000				20,000	
Net cash from capital and related financing activities	(34,580)	(1,804,940)			(295,638)	(2,135,158)	(1,897,516)

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Labor Fund	Utilities Fund	Refuse Fund	Building Inspection Services	Economic Development Housing Fund	Totals
						2021 2020
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	2,253	38,453		21	1,572	42,299 54,652
Net cash from investing activities	2,253	38,453		21	1,572	42,299 54,652
NET CHANGE IN CASH AND CASH EQUIVALENTS	(18,177)	(110,215)		263	96,373	(31,756) 1,384
CASH & CASH EQUIVALENTS, beginning of year	285,455	4,077,868		7,505	846,184	5,217,112 5,215,728
CASH & CASH EQUIVALENTS, end of year	267,278	3,967,653		8,068	942,557	5,185,356 5,217,112
CASH & CASH EQUIVALENTS						
Fund cash	2,100					2,100
Equity in pooled cash/investments	246,728	3,159,875		8,068	138,592	3,552,263 3,094,571
Government cash restricted/designated	18,450	808,575			498,441	1,325,466 1,888,955
Other Resources - current operations					305,524	305,524 231,486
Total	267,278	3,967,453		8,068	942,557	5,185,356 5,217,112

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Labor Fund	Utilities Fund	Refuse Fund	Building Inspection Services	Economic Development Housing Fund	Totals
						2021 2020
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:						
Operating income (loss)	213,242	772,417		(55,123)	194,935	1,125,471 1,122,722
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation/Amortization	6,493	929,524			198,272	1,134,289 1,133,124
(Increase) decrease in:						
Accounts receivable & unbilled utilities	1,398	(11,604)	(15,271)	(653)		(26,130) (117,471)
Prepaid expenses	10,800	(2,600)				8,200 (12,800)
Accounts payable	(235)	(1,112)				(1,337) (471)
Accounts payable	(1,983)	(14,357)	2,770		2,810	(10,740) (31,450)
Accrued wages and benefits payable	(8,884)	(23,635)	(394)	(3,081)		(35,994) (31,689)
Prepaid rent				399		399 (3,318)
Due to other governments	(2,211)	482	239			1,091
Net cash from operating activities	215,650	1,849,115	(12,656)	(58,456)	396,017	2,192,665 2,032,269
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:						
Bond discount & federal amortized		41,524			337	41,861 2,478
Fund asset costs included in contracts payable		19,000				19,000 5,116

See accompanying notes to financial statements.

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

YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021		2020	
	Original/Final Budget	Actual	Actual	Actual
REVENUES				
Taxes	1,781,450	1,824,851	1,760,926	
Licenses and permits	15,900	19,550	6,563	
Intergovernmental revenues	2,451,800	2,490,644	2,732,888	
Charges for services	338,200	356,888	325,306	
Fines and forfeits	31,800	51,635	39,694	
Miscellaneous revenues	7,500	43,042	11,045	
Donations		4,645		
Net change in market value of investments		(171,174)	97,774	
Interest on investments	15,000	6,756	10,084	
Total revenues	4,641,650	4,626,637	4,984,280	
EXPENDITURES				
Current				
General government	1,000,635	968,203	912,718	
Public safety	1,644,915	1,763,058	1,819,432	
Public works	1,344,805	1,287,296	1,317,797	
Housing and economic development	85,550	84,819	82,187	
Parks, culture and recreation	219,395	225,209	209,122	
Capital outlay	40,000	37,343	27,267	
Total expenditures	4,335,300	4,365,928	4,368,523	
REVENUES OVER EXPENDITURES	306,350	260,709	615,757	
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	154,150	145,306	152,287	
Transfers to other funds	(460,400)	(358,767)	(721,942)	
Total other financing sources (uses)	(306,250)	(213,461)	(569,655)	
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	100	47,248	46,102	
FUND BALANCE, beginning of year	1,600,610	1,600,610	1,554,508	
FUND BALANCE, end of year	1,600,710	1,647,858	1,600,610	

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

City Council

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

Officials

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

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

Blended Component Unit

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

Discretely Presented Component Unit

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

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

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

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

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

Related Party

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

The City reports the following major governmental funds:

Major Governmental Funds

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

The City reports the following major enterprise funds:

Major Enterprise Funds

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

The City reports the following non-major governmental funds:

Non-Major Governmental Funds

- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted, committed or assigned to expenditures for specified purposes.

- C.D.B.G. Home Improvement Fund
- ARPA COVID Recovery Fund
- Community Development Revolving Loan Fund
- Airport Fund
- Municipal Swimming Pool Fund
- Housing Assistance Fund
- Cemetery Perpetual Care Fund
- Economic Development Fund (MDOC)
- Economic Development Authority Administration Fund
- Economic Development Authority Community Revitalization
- Convention and Visitors Bureau Fund
- Business Community Development Grant Fund
- Small Cities Grant Fund
- Carnegie Library Fund
- Dawson Legacy Fund
- Public Safety Administration Fund

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Non-Major Governmental Funds

- Debt Service Funds are used to account for the accumulation of resources for, and the payment of, non-enterprise fund debt principal, interest and related costs.

- 2000 Downtown Revitalization
- 2000 Street Improvements
- 2010 Street Improvements
- 2012 Street Improvements
- 2013 Street Improvements
- 2014 Street Improvements
- 2014 Fire Hall/HVAC
- 2015 Street Improvements
- 2016 Street Improvements
- 2017 Street Improvements
- 2018 Street Improvements
- 2020 Street Improvements
- 2020 Capital Improvements

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

- Sidewalk Improvements
- TIF City 3-5 Post Office
- 2020 Special Assessment Fund
- 2020 Capital Improvement Fund
- 2021 Special Assessment Construction
- 2022 Special Assessment Construction

C. MEASUREMENT AND BASIS OF ACCOUNTING

Government-wide Financial Statements

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

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT AND BASIS OF ACCOUNTING (Continued)

Government-wide Financial Statements (Continued)

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

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

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

Fund Financial Statements - Governmental Funds

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

Revenues

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

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT AND BASIS OF ACCOUNTING (Continued)

Nonexchange Transactions

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

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

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

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

Exchange Transactions

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

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT AND BASIS OF ACCOUNTING (Continued)

Exchange Transactions (Continued)

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

Expenditures

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

Fund Financial Statements – Proprietary Funds

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

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

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

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

E. INVESTMENTS

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

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. INVESTMENTS (Continued)

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

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

F. PROPERTY TAXES RECEIVABLE

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

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

G. ASSESSMENTS RECEIVABLE

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

Special assessments receivable includes the following components:

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

H. ACCOUNTS RECEIVABLE

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

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. ACCOUNTS RECEIVABLE (Continued)

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

I. NOTES AND LOAN RECEIVABLES

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

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

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

J. INTERFUND RECEIVABLES/PAYABLES

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

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

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. INVENTORY

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

L. CAPITAL ASSETS

Government-Wide Financial Statements

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

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

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

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

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

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. CAPITAL ASSETS (Continued)

Government-Wide Financial Statements (Continued)

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

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

Fund Financial Statements

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

M. COMPENSATED ABSENCES

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

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

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

N. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The City has several calculations related to PERA and OPEB that qualify for reporting in this category.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (Continued)

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

O. LONG-TERM DEBT

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

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

P. RETIREMENT PLANS

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

Q. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

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

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. OTHER POSTEMPLOYMENT BENEFITS PAYABLE (Continued)

was actuarially determined at December 31, 2020, for reporting in the financial statements for the year ended December 31, 2021.

R. FUND EQUITY CLASSIFICATIONS

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

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

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

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

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

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. FUND EQUITY CLASSIFICATIONS (Continued)

Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the Council delegates the authority. The City Council has given the City Manager the authority to assign fund balance amounts.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

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

S. REVENUES, EXPENDITURES, AND EXPENSES

Program Revenues

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

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

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. REVENUES, EXPENDITURES, AND EXPENSES (Continued)

Program Revenues (Continued)

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

Defining Operating Revenues and Expenses

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

Expenditures/Expenses

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

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

Governmental funds – By Character:

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

Proprietary Fund – By Operating and Nonoperating

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

T. USE OF ESTIMATES

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

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. PRIOR-YEAR COMPARATIVE FINANCIAL INFORMATION

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with the applicable basis of accounting. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

V. RECLASSIFICATION

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Revisions to the originally adopted budget require approval of the City Council. The General Fund budget was not revised in 2021, however budgets for certain other funds were amended.

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

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

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

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit fund or net position balances at year end. The following funds had a deficit unassigned fund balance or unrestricted net position at December 31, 2021, which will be eliminated with future revenue amounts:

Building Inspection Fund	(62,680)
2022 Special Assessment Construction Fund	(33,688)

C. EXCESS OF EXPENDITURES OVER FINAL APPROPRIATIONS IN INDIVIDUAL FUNDS

Total expenditures exceeded total appropriations in the following fund:

	Amount	Actual	Final Budget
Economic Development (MDCO)	15,100	16,678	(1,578)
Community Development Grant	500	5,000	(4,500)
2020 CIP Construction	0	867,506	(867,506)
2022 S. A. Construction	10,000	33,688	(23,688)

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

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

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

DEPOSITS

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

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Minnesota Statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. As of December 31, 2021, the City was adequately collateralized.

INVESTMENTS

For an investment, *custodial credit risk* is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. None of the underlying securities for the City's investments at December 31, 2021 are subject to custodial credit risk, as they are held in an account in the City's name, and by an agent who is not the counterparty to the investment transactions.

General Policy

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

Interest Rate Risk

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

Credit Quality Risk

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

Concentration of Credit Risk

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

Investment Valuation

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

- Money market investments in financial institutions and state-run investment pools are valued at NAV, which is cost approximates market on a 1:1 basis.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

- Negotiable certificates of deposits, with U.S. financial institutions, none of which exceed \$250,000. The investments follow Level 2 in the fair value hierarchy, using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

At December 31, 2021, the City had the following investments:

Type	Carrying Amount	December 31, 2021			Credit** Rating	Fair Value
		Less than 1	1-5	6-10		
City of Montevideo:						
4M Fund	1	1				
Old National Bank MM+	3,956,441	3,936,441			N/R	NAV
Co-op Credit Union	891	891			N/R	NAV
RBC Money Market	6,119	6,119			N/R	NAV
Co-op Credit Union Money Account	248,366	248,366			N/R	NAV
Minwest Money Market	247,065	247,065			N/R	NAV
C.D.-Goldman Sachs Bk New York, NY	147,560	147,560			N/R	2
C.D.-Benedict Mutual-Philadelphia PA	248,594	248,594			N/R	2
C.D.-Lend Lease Bank-Cleveland TN	192,398		192,398		N/R	2
C.D.-MS Bank-Salt Lake City UT	207,604		207,604		N/R	2
C.D.-Enerbank USA-Salt Lake City UT	252,597		252,597		N/R	2
C.D.-Ally Bk-Midvale UT	247,565		247,565		N/R	2
C.D.-Sallie Mae Bk Salt Lake City UT	226,376		226,376		N/R	2
C.D.-State Bk of India, NY, NY	253,234		253,234		N/R	2
C.D.-Morgan Stanley PVT Bank	185,087		185,087		N/R	2
C.D.-Preferred Bk Los Angeles CA	246,855		246,855		N/R	2
C.D.-Texas Exchange Bk Crowley, TX	244,924		244,924		N/R	2
C.D.-Sunwest Bk Irvine, CA	237,273		237,273		N/R	2
C.D.-Merrick Bk South Jordan, UT	236,552		236,552		N/R	2
C.D.-Bank Baroda New York, NY	230,314		230,314		N/R	2
C.D.-Grant County Bank Ulysses, NS	239,127		239,127		N/R	2
C.D.-First Oklahoma Bk Tulsa, OK	214,628		214,628		N/R	2
C.D.-First Fed Sigs & Loan Asen	236,357		236,357		N/R	2
C.D.-BMO Harris Bk Natl Asen	241,440		241,440		N/R	2
C.D.-Live Oak Bkg Co Wilmington, NC	237,371		237,371		N/R	2
C.D.-Old Dominion North Garden, VA	238,926		238,926		N/R	2
C.D.-JP Morgan Chase Co	238,882		238,882		N/R	2
C.D.-1st Natl Bk Amer East	146,123		146,123		N/R	2
C.D.-MountainOne Bk Mass	238,809		238,809		N/R	2
C.D.-Frazier Bk Albus Ohio	236,436		236,436		N/R	2
C.D.-Frontier Bk Madison NE	239,679		239,679		N/R	2
C.D.-Medallion Bk Salt Lake City UT	240,512		240,512		N/R	2
C.D.-First Natl Bk Amer East, Laue	136,790		136,790		N/R	2
C.D.-Synchro Bank	129,390		129,390		N/R	2
C.D.-Callic Bk Salt Lake City Utah	114,377		114,377		N/R	2
Total General City	10,745,623	5,102,562	3,204,597	1,438,464		

* N/R - not rated

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)
INVESTMENTS (Continued)

Type	December 31, 2021			Credit Rating- Moody's/ S&P	Fair Value Hierarchy Level
	Carrying Amount	Maturities in Years Less than 1	1-5	6-10	
Economic Development Authority;					
Old National Bank - CD	33,241	33,241		N/R	NAV
Co-op Credit Union - CD	92,981	92,981		N/R	NAV
4M Money Market	310	310		N/R	NAV
Total EDA	126,532	126,532			

CASH RESTRICTED/DESIGNATED

The City has restricted/designated cash for the following purposes as of December 31, 2021:

Fund	December 31, 2021			Total
	Current Operations	Long-term Capital Outlay	Long-term Contingency	
Liquor Fund		18,450		18,450
Utility Fund		808,575		808,575
EDA - Rental				
Security deposits			19,345	19,345
Contingency - housing			429,096	429,096
SW/WC school building	305,524		50,000	355,524
	305,524	827,025	498,441	1,630,990

NOTE 4. NOTES RECEIVABLE

Notes receivable as of December 31, 2021 are as follows:

Special Revenue Funds:	
CDBG Home Improvement Fund (1)	25,820
Housing Assistance Fund (1)	13,825
Community Development Revolving Loan Fund (2)	228,940
(MDCO) Economic Development Fund (3)	25,218
Business Community Development Grant (4)	39,779
EDA - Community Revitalization Fund (5)	20,450
	<u>354,032</u>
Enterprise fund:	
EDA - Housing (1)	<u>52,800</u>

The City does not require collateral on some of the notes and the adequacy of the collateral cannot be readily determined. This creates potential risk to the City that the

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. NOTES RECEIVABLE (Continued)

recorded amounts may not be fully collectible. The City has restricted portions of their fund balances equal to the amount of these notes.

(1) These notes receivable consist of various loans to individuals for down payments on homes and home improvements.

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

Original Loan Date	Note Balance December 31, 2021	Interest Rate	Monthly Payment	Maturity Date
4/20/11 Katherine Toft	28,111	4.00%	325	11/2027
6/14/19 Winter Family Enterprises	20,531	4.00%	552	6/2024
9/17/20 Winter Family Enterprises	8,839	4.00%	92	12/2030
12/29/20 Madsen Family Chiropractic	67,775	4.00%	759	1/2030
8/1/20 The Workroom, LLC	18,232	4.00%	202	8/2030
3/31/15 Jay's Digging Service, Inc.	52,056	4.00%	1,000*	4/2025 **
7/15/15 Fred and Cynthia Somora	12,426	4.00%	304	7/2025
9/16/15 Monte Tire & Service, Inc.	20,970	4.00%	498	9/2025
Total	<u>228,940</u>			

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

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

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

Original Loan Date	Note Balance December 31, 2021	Interest Rate	Monthly Payment	Maturity Date
9/18/13 Livintage	4,709	4.00%	101	9/2023

As of December 31, 2021, the City also held a \$20,509 receivable from Rain Source Capital. The note receivable was paid off in 2021, however proceeds were not received by the City until 2022.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. NOTES RECEIVABLE (Continued)

(4) During 1998, the City of Montevideo received \$379,825 in grant monies from the Minnesota Department of Trade & Economic Development under the Disaster Loan Program. These grant monies were subsequently loaned to Montevideo businesses that were affected by the 1997 flood. All the loans made with the grant funds have an interest rate of 4%, and mature 5 years from the date of note. Per the grant agreement, all loans are collateralized with one or more of the following: real estate, fixtures, equipment, inventory, receivables and/or other business assets. In addition, individuals owning 20% or more of the business being assisted were required to provide personal guarantees for the loan amount. Upon repayment, this money will be used to create a revolving loan fund. The outstanding loan balance at December 31, 2021 was \$39,779.

(5) During 1999, the Montevideo Economic Development Authority was awarded a grant for \$71,500 from the Minnesota Housing Finance Agency under the Community Revitalization Fund Program. These funds will be loaned out to increase the supply of affordable, owner occupied, single family housing throughout Montevideo, and are due and payable upon payment/satisfaction of first mortgage. They have no interest rate. As of December 31, 2021, one loan is outstanding, which totals \$20,450.

NOTE 5. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2021 are:

Fund	Federal	State	Other	Total
Special Revenue Funds				
Airport	108,139	31,724	14,931	154,794
Capital Projects Funds				
Capital Equipment & Facilities	70,847	93,977		164,824
2021 S.A. Construction	178,986	142,810	14,931	336,727

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

GOVERNMENTAL ACTIVITIES

	Balance 01/01/21	Additions	Disposals	Balance 12/31/21
Capital Assets Not Being Depreciated:				
Land	13,494,620	19,613	(162,840)	13,351,393
Construction in Progress	9,831,230	4,662,691	(2,619,066)	11,874,855
Total Capital Assets Not Depreciated	23,325,850	4,682,304	(2,781,906)	25,226,248
Capital Assets Being Depreciated				
Buildings	4,595,526	882,679		5,478,205
Improvements	35,800,874	1,736,387		37,537,061
Equipment	4,416,949	278,167	(223,711)	4,471,405
Total Capital Assets Being Depreciated	44,813,349	2,897,233	(223,711)	47,286,871
Less: Accumulated Depreciation for:				
Buildings	(1,799,184)	(120,645)		(1,919,829)
Improvements	(21,501,127)	(1,147,570)		(22,648,697)
Equipment	(3,233,144)	(234,894)	212,438	(3,255,400)
Total Accumulated Depreciation	(26,533,455)	(1,502,909)	212,438	(27,823,926)
Total Capital Assets Being Depreciated, Net	18,079,694	1,394,324	(11,273)	19,462,745
Governmental Activities Capital Assets, Net	41,405,544	6,076,628	(2,793,179)	44,688,993

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

General Government	60,341
Public Safety	171,361
Public Works	919,812
Culture and Recreation	88,964
Transportation	259,414
Economic Development	3,017
Total Governmental Activities Depreciation Expense	1,502,909

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)
BUSINESS-TYPE ACTIVITIES

	Balance 01/01/21	Additions	Disposals	Balance 12/31/21
Capital Assets Not Being Depreciated:				
Land	383,062			383,062
Construction in Progress	569,145	822,172	(651,869)	739,448
Total Capital Assets Not Depreciated	952,207	822,172	(651,869)	1,142,510
Capital Assets Being Depreciated				
Buildings and structures	7,343,783			7,343,783
Leasehold improvements	19,592	26,298		45,890
Other improvements	30,530,897	673,079		31,203,976
Equipment	797,581	75,787	(138,737)	734,631
Total Capital Assets Being Depreciated	38,691,853	775,164	(138,737)	39,328,280
Less: Accumulated Depreciation for:				
Buildings and structures	(1,261,184)	(188,022)		(1,449,206)
Leasehold improvements	(19,591)	(2,192)		(21,783)
Other improvements	(14,186,263)	(923,271)		(15,109,534)
Equipment	(726,695)	(20,804)	138,737	(608,762)
Total Accumulated Depreciation	(16,193,733)	(1,134,289)	138,737	(17,189,285)
Total Capital Assets Being Depreciated, Net	22,498,120	(359,125)		22,138,995
Business-Type Activities Capital Assets, Net	23,470,327	463,047	(651,869)	23,281,505

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

Liquor Fund	6,493
Utilities Fund	929,524
Economic Development Housing Fund	198,272
Total Business-Type Activities Depreciation Expense	1,134,289

LAND HELD FOR RESALE

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

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

Interfund transfers are generally used to move revenues from the fund that collects them to the fund that the budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to a debt service fund, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following is a schedule of interfund transfers for 2021:

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

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

	Fund Transferred To General Fund	Fund Transferred From Liquor Fund Nonmajor Governmental Funds	Amount 100,000 45,306
Capital Equipment & Facilities Fund	General Fund Liquor Fund Nonmajor Governmental Funds		141,000 104,500 55,813
Nonmajor Governmental Funds	General Fund Capital Equipment & Facilities Fund		159,067 78
Building Inspection	General Fund		58,700

Interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur; transactions are recorded in the accounting system; and payments between funds are made. Advances are long-term amounts not due within one year. Short-term advances that are due within one year are reported as due to/from other funds. The following is a schedule of interfund receivables and payables as of December 31, 2021:

Receivable Fund	Payable Fund	Amount
General Fund	Airport Fund	226,623
General Fund	2021 Special Assessment Construction	13,469
General Fund	2022 Special Assessment Construction	10,365
General Fund	Refuse Fund	55,773
Utilities Fund	Economic Development Housing Fund	7,400
Total		313,630

The following is a schedule of long-term interfund advances as of December 31, 2021:

Receivable Fund Utilities Fund	Payable Fund Economic Development Housing Fund	Amount 84,989 84,989
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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. DUE TO OTHER GOVERNMENTS

Amounts due to other governments at December 31, 2021 are as follows:

	20	20
Special Revenue Fund		
Public Safety Admin Fund		
Total governmental activities		25,638
Enterprise Funds		
Liquor Fund		2,580
Utilities Fund		7,508
Refuse Fund		573
Building Inspection Fund		36,299
Total business-type activities		36,319
Total		

NOTE 9. LONG-TERM OBLIGATIONS

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable. Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of the debt, adjusted for any premiums or discounts, are reported as other financing sources, and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements. The City has no unused lines of credit at December 31, 2021, and none of their long-term debt agreements have terms related to default or termination events with finance-related consequences, or subjective acceleration clauses.

1. Changes in Long-Term Obligations

Long-term obligations activity in the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due in 2022
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation	6,470,000		130,000	6,340,000	295,000
Improvement Bonds					
General Obligation Special	3,834,125		754,125	3,080,000	580,000
Assessment Bonds					
Total General Obligation	10,304,125		884,125	9,420,000	875,000
Bonds	193,583	139,829	136,923	196,489	
Other LT Indebtedness	10,497,708	139,829	1,021,048	9,616,489	875,000
Total Governmental Activities					
Long-Term Liabilities					

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM OBLIGATIONS (Continued)

1. Changes in Long-Term Obligations (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due in 2022
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Revenue					
Bonds	2,405,875		300,875	2,105,000	215,000
Direct Placement General					
Obligation Other Debt	5,579,000		516,000	5,063,000	529,000
Total General Obligation	7,984,875		816,875	7,168,000	744,000
Bonds and Other Debt					
Other LT Indebtedness					
Direct Placement Revenue					
Bonds	5,295,000		155,000	5,140,000	220,000
Other debt	132,200	42,627	43,827	131,000	
Total other LT Indebtedness	5,427,200	42,627	198,827	5,271,000	220,000
Total Business-Type Activities	13,412,075	42,627	1,015,702	12,439,000	964,000
Long-Term Liabilities					
TOTAL LONG-TERM OBLIGATIONS	23,909,783	182,456	2,036,750	22,055,489	1,839,000

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

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

Year Ended December 31	Governmental Activities	Business-Type Activities	Total
	Principal	Principal	Principal
	Interest	Interest	Interest
2022	875,000	215,000	1,090,000
2023	880,000	225,000	1,105,000
2024	805,000	230,000	1,035,000
2025	740,000	190,000	930,000
2026	670,000	195,000	865,000
2027-2031	2,435,000	830,000	3,265,000
2032-2036	1,815,000	220,000	2,035,000
2037-2041	1,200,000	61,562	1,261,562
	9,420,000	2,105,000	11,525,000
			2,009,831

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

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM OBLIGATIONS (Continued)

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

Year Ended December 31	Business-Type Activities	
	Principal	Interest
2022	749,000	219,409
2023	765,000	201,348
2024	785,000	182,812
2025	804,000	163,772
2026	825,000	144,237
2027-2031	6,018,000	288,452
2032-2036	257,000	6,460
	<u>10,203,000</u>	<u>1,206,490</u>

General Obligation Housing Revenue Bonds (net a discount of \$2,722) are shown as bonds payable in the Economic Development Authority Housing Fund at \$312,278. General Obligation Revenue Bonds (net a premium of \$29,251) are shown as bonds payable in the Utility Fund at \$1,819,251. General Obligation Improvement and Special Assessment Bonds (net a premium of \$207,009) are shown as bonds payable in the Governmental activities' column of the Statement of Net Position at \$9,627,009.

Bonds outstanding at December 31, 2021, comprise the following issues:

GENERAL OBLIGATION IMPROVEMENT BONDS

\$3,000,000 Series 2014A Capital Improvement Plan Bonds, in annual installments of \$135,000 to \$195,000 through February 1, 2035; interest at 2.10% to 3.50%

2,240,000

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

4,100,000

Total General Obligation Improvement Bonds

6,340,000

GENERAL OBLIGATION – SPECIAL ASSESSMENT BONDS

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

190,000

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

240,000

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM OBLIGATIONS (Continued)

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

GENERAL OBLIGATION – SPECIAL ASSESSMENT BONDS (Continued)

\$740,000 Series 2014B G.O. Improvement Bonds in annual installments of \$75,000 to \$80,000 through February 1, 2025; interest at 2.35% to 2.65%

305,000

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

425,000

\$785,000 Series 2016A G.O. Improvement Bonds in annual installments of \$80,000 through February 1, 2027; interest rate at 1.40% to 1.75%

480,000

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

515,000

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

395,000

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

530,000

Total General Obligation Special Assessment Bonds

3,080,000

GENERAL OBLIGATION REVENUE BONDS

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

315,000

\$556,000 Series 2008A G.O. Utility Project in annual installments of \$40,000 to \$45,000, through February 1, 2024; interest at 4.05%

130,000

\$270,000 Series 2014B G.O. Utility Project in annual installments of \$20,000, through February 1, 2030; interest at 2.35% to 3.50%

180,000

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

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

GENERAL OBLIGATION REVENUE BONDS (Continued)

\$330,000 Series 2015A G.O. Utility Improvement Bonds in annual installments of \$20,000 to \$25,000, through February 1, 2031; interest rate at 2.25% to 3.50% 230,000

\$790,000 Series 2016B G.O. Utility Revenue Bonds in annual installments of \$40,000 to \$60,000, through February 1, 2031; interest rate at 1.30% to 2.30% 510,000

\$175,000 Series 2018A G.O. Utility Revenue Bonds in annual installments of \$15,000 to \$20,000 through February 1, 2029; interest rate at 3.00% 145,000

\$595,000 Series 2020A G.O. Utility Revenue Bonds in annual installments of \$35,000 to \$45,000 through February 1, 2036; interest rate at 2.00% to 3.00% 595,000

DIRECT PLACEMENT EDA REVENUE BONDS

On September 23, 2020, the EDA issued bonds of \$5,295,000, Series 2020A EDA Revenue Refunding Bonds, to be used to refund the \$5,305,000 revenue bonds from 2018 that were used for construction. The bonds are not general obligations of the Authority, but are payable solely from lease revenues. The bonds are payable in annual installments of \$220,000 to \$240,000 until February 1, 2029, when a balloon payment of \$3,530,000 is due; interest payments are made semi-annually, at an interest rate of 1.8%. Payments are made out of the Economic Development Housing Fund.

Total Revenue Bonds Payable – Direct Placement 5,140,000

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

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

DIRECT PLACEMENT GENERAL OBLIGATION DEBT – OTHER

On June 17, 2009 the City entered into a loan agreement with Minnesota Public Facilities Authority for the construction of a new wastewater treatment plant. The city was authorized \$10,379,466 and borrowed \$8,913,742. The loan is payable in annual installments of \$464,000 to \$567,000 through August 20, 2029, and interest payments are made semi-annually, at an interest rate of 2.89%. Payments are made out of the Utility Fund. 4,115,000

On September 12, 2012 the City entered into a loan agreement with Minnesota Public Facilities Authority for the construction of a new wastewater treatment storage building. The city was authorized \$206,845 and borrowed \$161,967. The loan is payable in annual installments of \$8,000 to \$10,000 through August 20, 2031, and interest payments are made semi-annually, at an interest rate of 1.517%. Payments are made out of the Utility Fund. 90,000

On April 27, 2015 the City entered into a loan agreement with Minnesota Public Facilities Authority for the construction of raw watermain replacement project. The City was authorized, and borrowed, \$1,172,558. The loan is payable in annual installments of \$57,000 to \$65,000 through August 20, 2035; interest payments are made semi-annually, at an interest rate of 1.00%. Payments are made out of the Utility Fund. 858,000

Total Direct Placement General Obligation Debt-Other 5,063,000

EMPLOYEE BENEFITS – COMPENSATED ABSENCES

The City compensates employees upon termination of employment for unused vacation leave. The City also compensates employees for a portion of unused sick leave, a percentage of which is payable only after a specified number of years of service, or upon death or retirement, after a specified number of years of service, in accordance with the union contracts and administrative code. Upon termination of employment, compensatory time earned is paid.

Estimated liability for vacation leave, sick leave and compensatory time for business-type activities. Payments made out of all Enterprise Funds. 131,000

Total Other Long-Term Debt (Business Activities) 131,000

64

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. LONG-TERM OBLIGATIONS (Continued)

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

EMPLOYEE BENEFITS – COMPENSATED ABSENCES (Continued)

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

196,489
196,489

Total Other Long-Term Debt (Governmental Activities)

NOTE 10. GARBAGE DISPOSAL CONTRACT

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

NOTE 11. RISK MANAGEMENT

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

NOTE 12. TAX INCREMENT FINANCING DISTRICT

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

Authorizing Law - Tax Increment Financing Act (M.S. Ch. 469.174 Sub. 10)

Name and Year - TIF District No. 3-5 of the City of Montevideo, 1998

Duration - 1998-2025

Current Gross Tax Capacity

Original Gross Tax Capacity

Captured Gross Tax Capacity Retained by Authority

16,014
956
15,058

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. FUND BALANCES

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

	General Fund	Capital Equipment & Facilities	Non Major Governmental Funds	Total
Nonspendable				
Prepaid items	87,041		1,250	88,291
Restricted				
Public safety	15,286		2,852	18,138
Capital projects			159,085	159,085
Debt service			1,695,079	1,695,079
Economic development & revolving loans			686,315	686,315
Housing development loans			171,465	171,465
Small Cities			57,654	57,654
Committed				
Perpetual care and upkeep of cemetery			80,648	80,648
Perpetual care and upkeep of Uruguayan art collection			58,424	58,424
Tourism			97,854	97,854
Assigned				
Between tax settlements	1,545,531			1,545,531
Capital outlay		2,259,687	11,135	2,270,822
Economic development			327,589	327,589
Operation and maintenance:				
Swimming pool			7,382	7,382
Airport			11,848	11,848
Perpetual care and upkeep of Carnegie Library			22,384	22,384
Unassigned			(33,688)	(33,688)
Total fund balances	1,647,858	2,259,687	3,357,276	7,264,821

NOTE 14. SEGMENT INFORMATION

The City maintains five Enterprise Funds each operated as a separate fund. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds for which City holds long-term debt obligations, for the year ended December 31, 2021.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. SEGMENT INFORMATION (Continued)

CONDENSED STATEMENT OF NET POSITION

	Utilities Fund	Economic Development Housing Fund
ASSETS		
Current assets	3,648,374	453,416
Non current assets	977,986	579,005
Capital assets	16,830,004	6,407,306
Total assets	21,456,364	7,439,727
DEFERRED OUTFLOWS OF RESOURCES		
Deferred resources	190,359	
LIABILITIES		
Current liabilities	861,869	307,722
Long-term liabilities	6,565,286	5,306,592
Total liabilities	7,427,155	5,614,314
DEFERRED INFLOWS OF RESOURCES		
Deferred pension resources	243,153	
NET POSITION		
Net investment in capital assets	9,947,753	955,028
Unrestricted	4,028,662	870,385
TOTAL NET POSITION	13,976,415	1,825,413

CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

	Utilities Fund	Economic Development Housing Fund
Fees, sales, services and rental charges, net	2,855,741	508,307
Depreciation expense	(929,524)	(198,272)
Other operating expense	(1,153,800)	(115,100)
Operating income	772,417	194,935
Non-operating revenues (expenses)		
Other non-operating revenues	84,766	1,572
Interest expense	(181,597)	(111,289)
Other non-operating expense	(1,953)	(21,534)
Total other non-operating revenues (expenses)	(98,784)	(131,251)
Changes in net position	673,633	63,684
BEGINNING NET POSITION	13,302,782	1,761,729
ENDING NET POSITION	13,976,415	1,825,413

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. SEGMENT INFORMATION (Continued)

CONDENSED STATEMENT OF CASH FLOWS

	Utilities Fund	Economic Development Housing Fund
Net Cash From:		
Operating activities	1,649,115	396,017
Noncapital financing activities	7,157	(5,578)
Capital and related financing activities	(1,804,940)	(295,638)
Investing activities	38,453	1,572
Net change in cash and cash equivalents	(110,215)	96,373
BEGINNING CASH AND CASH EQUIVALENTS	4,077,668	846,184
ENDING CASH AND CASH EQUIVALENTS	3,967,453	942,557

NOTE 15. DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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

NOTE 15. DEFINED BENEFIT PENSION PLANS (Continued)

B. Benefits Provided

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

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

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

NOTE 15. DEFINED BENEFIT PENSION PLANS (Continued)

B. Benefits Provided (Continued)

2. Police and Fire Plan Benefits (Continued)

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

C. Contributions

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

1. General Employee Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021, and the City of Montevideo was required to contribute 7.50 percent for Coordinated Plan members. The City of Montevideo's contributions to the General Employees Fund for the year ended December 31, 2021, were \$135,840. The City of Montevideo's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.8 percent of their annual covered salary in fiscal year 2021. The City of Montevideo's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$145,378. The City of Montevideo's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2021, the City of Montevideo reported a liability of \$1,054,801 for its proportionate share of the General Employees Fund's net pension liability. The City of Montevideo's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of Montevideo totaled \$32,269. The net pension liability was measured as of June 30, 2021 and the total pension liability

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Montevideo's proportionate share of the net pension liability was based on the City of Montevideo's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City of Montevideo's proportionate share was 0.0247 percent at the end of the measurement period and 0.0242 percent for the beginning of the period.

City's proportionate share of the net pension liability	1,054,801
State of Minnesota's proportionate share of the net pension liability associated with the City	32,269
Total net pension liability	<u>1,087,070</u>

For the year ended December 31, 2021, the City of Montevideo recognized pension expense of \$88,616 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Montevideo recognized \$2,604 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

At December 31, 2021, the City of Montevideo reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	6,113	32,205
Changes in actuarial assumptions	644,040	22,590
Net collective difference between projected and actual investment earnings		914,766
Changes in proportion	47,363	5,548
City's contributions to PERA	72,910	
subsequent to the measurement date	<u>770,426</u>	<u>975,109</u>
Total		

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

The \$72,910 reported as deferred outflows of resources related to pensions resulting from City of Montevideo contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2022	(30,432)
2023	3,444
2024	(1,447)
2025	(249,158)
Total	<u>(277,593)</u>

2. Police and Fire Fund Pension Costs

At December 31, 2021, the City of Montevideo reported a liability of \$523,344 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Montevideo's proportionate share of the net pension liability was based on the City of Montevideo's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City of Montevideo's proportionate share was 0.0678 percent at the end of the measurement period and 0.0634 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

NOTE 15. DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City of Montevideo recognized pension expense \$26,045 for its proportionate share of the Police and Fire Plan's pension expense. The City of Montevideo recognized \$4,282 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund. The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City of Montevideo recognized \$6,102 for the year ended December 31, 2021 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City's proportionate share of the net pension liability	523,344
State of Minnesota's proportionate share of the net pension liability associated with the City	23,512
Total net pension liability	<u>546,856</u>

At December 31, 2021, the City of Montevideo reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	98,800	
Changes in actuarial assumptions	769,179	282,536
Net collective difference between projected and actual investment earnings		1,006,413
Changes in proportion Contributions to PERA subsequent to the measurement date	68,204	51,936
Total	<u>79,521</u>	<u>1,340,885</u>

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NOTE 15. DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The \$79,521 reported as deferred outflows of resources related to pensions resulting from City of Montevideo contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022.

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

Year Ended	Pension Expense Amount
December 31, 2022	(368,207)
2023	(65,965)
2024	(59,758)
2025	(88,827)
2026	178,055
Total	<u>(404,702)</u>

3. Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2021, was \$114,661.

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	33.5%	5.10%
International Stocks	16.5%	5.30%
Bonds (Fixed Income)	25.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Total	100%	

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NOTE 15. DEFINED BENEFIT PENSION PLANS (Continued)

F. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1.00 percent for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study in the Police and Fire Plan was completed in 2020. The assumption changes were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

1. General Employees Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

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NOTE 15. DEFINED BENEFIT PENSION PLANS (Continued)

F. Actuarial Assumptions (Continued)

2. Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 to 6.50 percent, for financial reporting purposes.
- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were changed as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced (normal) retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There have been no changes in plan provisions since the previous valuation.

F. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. DEFINED BENEFIT PENSION PLANS (Continued)

G. Pension Liability Sensitivity

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

	General Employees Fund	Police and Fire Fund
1% Lower	5.50%	5.50%
Current Discount Rate	2,151,255	1,661,529
1% Higher	6.50%	6.50%
	1,054,801	523,344
	7.50%	7.50%
	155,093	(409,686)

H. Pension Plan Fiduciary Net Position

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

NOTE 16. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION

A. PLAN DESCRIPTION

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

At December 31, 2020, the membership of the Association consisted of:

Active plan participants - vested	8
Active plan participants - partially vested	15
Active plan participants - non-vested	8
Deferred plan participants - vested	1
Total	32

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

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION
(Continued)

B. BENEFITS PROVIDED

Basic Service Pension for Retired Members – Upon retirement each individual will receive a lump sum distribution of \$3,150 per year of service. This benefit level was placed into effect on January 1, 2021. Vested, terminated members, who are entitled to benefits but are not yet receiving them, are bound by the provisions in effect at the time of termination from membership.

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

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

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

C. FUNDING POLICY

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

D. CONTRIBUTIONS

Authority for contributions to the pension plan is established by Minn. Stat. § 69.77 and may be amended only by the Minnesota State Legislature. See 2013 Minn. Laws, Ch. 111, Article 5, sections 31 to 42 and 80. There are no employee contributions. The City was not required to provide any statutory contributions in

NOTE 16. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION
(Continued)

D. CONTRIBUTIONS (Continued)

2021. The actuary compares the actual statutory contribution rate to a "required" contribution rate. The required contribution rate consists of: (a) normal costs based on entry age normal cost methods, (b) a supplemental contribution for amortizing any unfunded actuarial accrued liability, and (c) an allowance for administrative expense.

E. PENSION COSTS

At December 31, 2021, the City reported an asset of \$507,651 for the difference between the Fire Relief Plan Fiduciary net position and the total pension liability. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at 12/31/20	920,896	1,250,971	(330,075)
Changes for that Year			
Service Cost	43,902		43,902
Interest	62,712		62,712
Differences between expected and actual experience	(30,739)		(30,739)
Change of assumptions	29,289		29,289
Contributions - state and local		54,458	(54,458)
Net investment income		228,282	(228,282)
Net Change	105,164	282,740	(177,576)
Balance at 12/31/21	1,026,060	1,533,711	(507,651)

At December 31, 2021, the City reported deferred outflows of resources, and deferred inflows of resources, related to pensions from the following sources:

NOTE 16. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION
(Continued)

E. PENSION COSTS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	8,116	26,818
Changes in assumptions	39,304	6,315
Net difference between projected and actual investment earnings		190,543
Contributions paid subsequent to the measurement date		
Totals	TBD	223,676
	47,420	

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

Year Ended	Pension Expense
December 31,	Amount
2022	(59,140)
2023	(37,687)
2024	(59,422)
2025	(27,558)
2026	3,029
Thereafter	4,522
Total	(176,256)

F. ACTUARIAL ASSUMPTIONS

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

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

- The most recent actuarial valuation date is December 31, 2020.
- Actuarial cost is determined using the Entry Age Normal level percent of pay cost method.
- The actuarial value of assets is market value.
- Investment rate of return is 5.75 percent.
- The inflation rate assumption is 2.25 percent.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION
(Continued)

F. ACTUARIAL ASSUMPTIONS (Continued)

- Mortality assumptions for pre-retirement, post-retirement, and disabled are:
 Healthy pre-retirement: PUB-2010 Public Safety Employee generational mortality table projected with mortality improvement scale MP-2020. Male rates are adjusted by a factor of 0.98.
 Healthy post-retirement: PUB-2010 Public Safety Employee generational mortality table projected with mortality improvement scale MP-2020. Male rates are adjusted by a factor of 0.98.
 Disability: PUB-2010 Public Safety Employee generational mortality table projected with mortality improvement scale MP-2020. Male rates are adjusted by a factor of 1.05

The best estimates of expected future asset class returns were published in the 2021 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. These expected returns, along with expected asset class standard deviations and correlation coefficients, are based on Horizon's annual survey of investment advisory firms. The capital market assumptions are per the actuary's investment consulting practice as of January 1, 2021.

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	61.00%	4.42%	6.67%
International equity	16.00%	4.91%	7.16%
Fixed income	17.00%	1.00%	3.25%
Real estate and alternatives	1.00%	3.98%	6.23%
Cash and equivalents	5.00%	-0.33%	1.92%
Total	100.00%		6.20%
Reduced for assumed investment expense			-0.50%
Net assumed investment return (weighted avg, rounded to 1/4%)			5.75%

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION
(Continued)

G. DISCOUNT RATE

The discount rate used to measure the total pension liability was 5.75 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at the actual statutory contribution rate. Based on those assumptions, the Association's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. PENSION LIABILITY (ASSET) SENSITIVITY

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

	One Point Decrease	Current Rate	One Point Increase
Net Pension (Asset)/Liability	\$ (477,511)	\$ (507,651)	\$ (537,294)

NOTE 17. OTHER POSTEMPLOYMENT BENEFITS

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

A. GENERAL INFORMATION ABOUT THE OPEB PLAN

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

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

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. GENERAL INFORMATION ABOUT THE OPEB PLAN (Continued)

Employees Covered by Benefit Terms. At December 31, 2021, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active plan members	39
	<u>43</u>

B. TOTAL OPEB LIABILITY

The City's total OPEB liability of \$1,404,151 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Healthcare cost trend rates	6.20% for 2018, grading to 4.00% in 2075 and later

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

C. CHANGES IN THE TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. OTHER POSTEMPLOYMENT BENEFITS (Continued)

C. CHANGES IN THE TOTAL OPEB LIABILITY (Continued)

Balance at December 31, 2020	Total OPEB Liability
	<u>1,328,674</u>
Changes for the year:	
Service cost	27,854
Interest	36,301
Differences between expected and actual experience	3,864
Changes of assumptions	80,447
Benefit payments	<u>(72,989)</u>
Net changes	<u>75,477</u>
Balance at December 31, 2021	<u>1,404,151</u>

Sensitivity of the total OPEB liability to changes in the discount rate.

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current discount rate:

	1.0% Decrease (1.00%)	Discount Rate (2.00%)	1.0% Increase (3.00%)
Total OPEB liability	1,522,040	1,404,151	1,298,289

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.20%) or 1-percentage-point higher (7.20%) than the current healthcare cost trend rates:

	Healthcare Cost Trend Rates	
	1.0% Decrease (5.20%)	Current trend rate (6.20%)
Total OPEB liability	1,284,780	1,404,151
		1.0% Increase (7.20%)
		<u>1,538,176</u>

D. OPEB EXPENSE, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

For the year ended December 31, 2021, the City recognized OPEB expense of \$148,466. At December 31, 2021, the City reported deferred outflows of resources related to OPEB from contributions made subsequent to the measurement date of \$80,742.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The City reports deferred outflows of resources for consumption of resources that apply to future periods. Conversely, the City reports deferred inflows of resources, which represent acquisition of net position or fund balance that applies to future periods. The City's deferred outflows and inflows of resources at December 31, 2021, are as follows:

	Governmental Activities		Business-type Activities	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Unearned grants		225,998		
OPEB	66,818		13,924	
Pension - PERA	1,476,676	1,902,838	309,454	413,156
	<u>1,543,494</u>	<u>2,128,836</u>	<u>323,378</u>	<u>413,156</u>

NOTE 19. COMMITMENTS AND CONTINGENCIES

The City participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for 2021 and prior years have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

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

In May 2021, the City approved the purchase of a fire pumper truck for approximately \$536,000. The truck is expected to be delivered in 2022.

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

2022	39,172
2023	23,180
Total	<u>62,352</u>

NOTE 20. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2021.

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21. JOINT VENTURES - CCM Health

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

Select financial data of the Hospital for the year ended December 31, 2021, are:

Total assets	62,824,359
Total deferred outflows of resources	8,648,203
Total liabilities	44,640,623
Total deferred inflows of resources	12,417,182
Total net position	14,414,757
Total revenues	60,909,896
Total expenses	55,841,777
Net increase in net position	5,068,119

The liability amount above includes \$26,890,000 of Gross Revenue Hospital Refunding Bonds, payable through 2037. The City has an Operating Expense Agreement with Chippewa County, CCM Health and U.S. Bank National Association which states that, in the event that the Gross Revenues of the Project (including unrestricted cash reserves of the Hospital) are or are anticipated to be insufficient to make full and timely payment of Operating Expenses, after application of Gross Revenues to payment of the principal of and interest on the Bonds, when due, and setting aside of 30 days' Cash on Hand (as defined in the Loan Agreement) then the Hospital shall give the County and the City prompt notice of said deficiency or anticipated deficiency, and to the extent said monies are in fact insufficient, the County and the City shall each (i) transfer available moneys to the Hospital in an amount equal to one half of such insufficiency, (ii) provide in its respective budget each year for one half of the anticipated deficiencies in the revenues of the Project available for such Operating Expenses and (iii) levy taxes for payment of one half of any such deficiency, if necessary, for the sole and exclusive use of paying said Operating Expenses which cannot be paid from the Gross Revenues.

NOTE 22. JOINTLY GOVERNED ACTIVITY

City Assessor

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

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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 22. JOINTLY GOVERNED ACTIVITY (Continued)

The Montevideo Fire Department Relief Association (the Association) is organized as a nonprofit organization, legally separate from the City, by its members to provide pension and other benefits to members in accordance with Minnesota Statutes. Its board of directors is elected by the membership of the Association and not by the City Council. The Association issues its own set of financial statements. All funding is conducted in accordance with applicable Minnesota Statutes, whereby state aids flow to the Association. Tax levies are determined by the Association and are only reviewed by the City. The Association pays benefits directly to its members. The Association may certify tax levies to Chippewa County directly if the City does not carry out this function. Because the Association is fiscally independent of the City, the financial information of the Association has not been included within the City's financial statements. (See Note 16 for disclosures relating to the pension plan operated by the Association.) Complete financial statements for the Association may be obtained at the City offices located at 103 Canton Avenue, Montevideo, MN 56265.

NOTE 23. OPERATING LEASE - LESSOR

In October 2018, the Montevideo Economic Development Authority (EDA) entered into a lease agreement (and option to purchase) with Southwest West Central Service Cooperative to lease the school building that EDA constructed. The lease requires monthly payments that increase on an annual basis. The lease payments commenced in February 2019 and continue through January 2029. The lessee has the option to purchase the property anytime for the amount of principal and unpaid interest on the bonds, as of the purchase payment date. In 2020, this lease was amended as a result of bond refundings which reduced debt payments, and consequently also lowered the monthly lease payments beginning October 2020. In 2021, the lessee paid \$302,038 in lease payments. The following is a schedule of minimum future lease income:

2022	308,980
2023	309,603
2024	310,561
2025	311,428
2026	312,206
2027-2029	3,932,602
Total	5,485,380

NOTE 24. TAX ABATEMENT

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

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 24. TAX ABATEMENT (Continued)

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

NOTE 25. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

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

NOTE 26. SUBSEQUENT EVENTS

In May 2022, the City approved the bid of \$2,379,895 for the 2022 Improvement projects, which will be funded using a state grant, bonds and special assessments. The state grant was awarded to the City in May 2022, from MNDOT.

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

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB Liability				
Service cost	27,854	19,575	23,492	20,567
Interest on TOL	36,301	35,483	11,216	12,792
Differences between expected & actual experience	3,864	288,673	686,755	
Changes of assumptions	80,447	112,817	(31,324)	11,369
Benefit payments	(72,989)	(89,448)	(47,853)	(41,242)
Net change in TOL	75,477	347,100	642,286	3,486
Total OPEB liability - beginning	1,328,674	981,574	339,288	335,802
Total OPEB liability - ending	1,404,151	1,328,674	981,574	339,288

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

NOTES TO SCHEDULE:

Plan Assets

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Fiscal Year Ended	Total OPEB Liability	Covered Employee Payroll	Total OPEB Liability as a Percentage of Its Covered Employee Payroll
December 31, 2018	\$339,288	\$2,299,000	14.76%
December 31, 2019	\$981,574	\$2,221,367	44.19%
December 31, 2020	\$1,328,674	\$2,262,059	58.74%
December 31, 2021	\$1,404,151	\$2,558,888	54.87%

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

NOTES TO SCHEDULE:

Plan Assets

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

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

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

Fiscal Year Ending	Contributions in Relation to the		Contributions as a	
	Statutorily Required Contributions (a)	Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Percentage of Covered Payroll** (d)
December 31, 2015	\$115,662	\$115,662	\$0	7.50%
December 31, 2016	\$116,856	\$116,856	\$0	7.50%
December 31, 2017	\$118,610	\$118,610	\$0	7.50%
December 31, 2018	\$122,858	\$122,858	\$0	7.50%
December 31, 2019	\$125,647	\$125,647	\$0	7.50%
December 31, 2020	\$136,782	\$136,782	\$0	7.50%
December 31, 2021	\$135,840	\$135,840	\$0	7.50%

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

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

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

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's		Plan Fiduciary Net Position	Percentage of the Total Pension Liability
			Employer's Covered Payroll** (b)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll (a/b)		
June 30, 2015	0.0260%	\$1,347,455	\$1,530,650	88.03%	78.19%	
June 30, 2016	0.0249%	\$2,021,756	\$1,548,200	130.59%	68.90%	
June 30, 2017	0.0247%	\$1,576,832	\$1,590,947	99.11%	75.90%	
June 30, 2018	0.0237%	\$1,314,779	\$1,592,053	82.58%	79.53%	
June 30, 2019	0.0233%	\$1,288,205	\$1,647,693	78.18%	80.23%	
June 30, 2020	0.0242%	\$1,450,901	\$1,726,720	84.03%	79.06%	
June 30, 2021	0.0247%	\$1,054,801	\$1,780,373	59.25%	87.00%	

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

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

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

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2015	\$107,197	\$107,197	\$0	\$661,710	16.20%
December 31, 2016	\$111,059	\$111,059	\$0	\$685,549	16.20%
December 31, 2017	\$111,690	\$111,690	\$0	\$689,444	16.20%
December 31, 2018	\$106,610	\$106,610	\$0	\$658,086	16.20%
December 31, 2019	\$112,720	\$112,720	\$0	\$665,015	16.95%
December 31, 2020	\$141,429	\$141,429	\$0	\$799,034	17.70%
December 31, 2021	\$145,378	\$145,378	\$0	\$821,345	17.70%

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

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

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

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)	Employer's Covered Payroll** (b)	Employer's Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0710%	\$806,726	\$648,880	124.33%	86.61%
June 30, 2016	0.0700%	\$2,809,222	\$689,309	407.54%	63.88%
June 30, 2017	0.0670%	\$904,580	\$708,398	127.69%	85.43%
June 30, 2018	0.0640%	\$685,372	\$698,145	98.17%	88.84%
June 30, 2019	0.0610%	\$645,148	\$639,659	100.86%	89.26%
June 30, 2020	0.0630%	\$835,680	\$714,612	116.94%	87.19%
June 30, 2021	0.0680%	\$523,344	\$801,068	65.33%	93.66%

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

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

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service Costs	\$ 43,902	\$ 42,831	\$ 39,137	\$ 32,514	\$ 29,277	\$ 29,115	\$ 28,336
Interest	62,712	56,205	49,177	45,290	41,345	33,965	30,115
Difference between expected and actual experience	(30,739)	-	8,025	-	4,690	-	-
Changes of assumptions	29,289	-	10,698	10,593	-	(15,507)	-
Changes of benefit terms	-	-	55,857	63,438	-	-	-
Benefit payments	-	-	(60,900)	(48,284)	-	-	-
Net Change in Total Pension Liability	105,164	99,036	101,994	103,551	75,312	47,573	58,451
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	920,596	821,860	719,866	616,315	541,003	493,430	434,979
TOTAL PENSION LIABILITY - END OF YEAR	1,025,060	920,896	821,860	719,866	616,315	541,003	493,430
Plan Fiduciary Net Position							
Contributions - State and Local	54,458	50,280	53,528	52,699	50,859	50,762	46,748
Net Investment Income	228,282	223,453	(41,798)	169,089	88,508	4,210	53,229
Benefit payments	-	-	(60,900)	(48,284)	-	-	-
Administrative Expenses	-	(10)	-	-	-	(199)	(199)
Net Change in Plan Fiduciary Net Position	282,740	273,723	(49,160)	173,504	139,367	54,773	99,778
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	1,250,971	977,248	1,020,408	852,904	733,537	678,764	578,986
PLAN FIDUCIARY NET POSITION - END OF YEAR	1,533,711	1,250,971	977,248	1,026,408	862,904	733,537	678,764
NET PENSION LIABILITY (ASSET) - END OF YEAR	(507,651)	(330,075)	(155,358)	(306,542)	(236,589)	(192,534)	(185,334)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	149.48%	135.84%	118.91%	142.58%	138.39%	135.59%	137.56%
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

CITY OF MONTICELLO, MINNESOTA
SCHEDULE OF CITY CONTRIBUTIONS
FIRE RETIREMENT ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS*)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actually Determined Contribution	\$ 8,937	\$ 6,709	\$ 9,451	\$ 9,017	\$ 7,489	\$ 7,184	\$ 5,952	\$ 10,582	\$ -	\$ 1,495
Contributions in Relation to the										
Actually Determined Contribution	(8,937)	(6,709)	(9,451)	(9,017)	(7,489)	(7,184)	(5,952)	(10,582)	-	(6,767)
Contribution Deficiency (Excess)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered - Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of										
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

NOTES TO SCHEDULE

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial method	Entry age normal level percent of payroll cost method
Amortization method	Level percent earnings - Straight line amortization over of closed 5 year period
Remaining amortization period	7.84 years
Asset valuation method	Fair Value
Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75% compounded annually
Retirement age	Members assumed to retire at the later of age 50 or 20 years of service
Mortality	Based on PUB-2010 Public Safety Employee Generational mortality table

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

SUPPLEMENTAL INFORMATION

CITY OF MONTEVIDEO, MINNESOTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	General	Capital Equipment & Facilities	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	1,824,851		912,703	2,737,554
Special assessments		42,068	130,318	172,386
Licenses and permits	19,650			19,650
Tax increment financing			17,763	17,763
Intergovernmental revenue	2,490,644	3,233,896	771,723	6,496,263
Fines and forfeits	51,635			51,635
Interest on investments	6,756	18,524	24,549	49,829
Interest on loans			9,685	10,158
Donations	4,645	680,302		684,947
Charges for services	356,668		80,762	437,450
Net change in the fair value of investments	(171,174)			(171,174)
Miscellaneous revenues	43,042	48,795	30,894	122,721
Total revenues	4,626,637	4,023,575	1,978,397	10,628,609

EXPENDITURES				
Current				
Governing board	56,214			56,214
Administration and finance	441,631			387,809
Other general government	201,923	11,339		213,262
Health	200			200
Transit	9,893			9,893
Insurance	258,342			258,342
Police	1,531,999			1,531,999
Fire	213,134			213,134
Other protection	16,200			16,200
Other sanitation	1,725			1,725
Public works - maintenance	1,111,755	2,935		1,114,690
Public works - engineering	3,843			3,843
Street lighting	123,664			123,664
Cemetery	48,034			48,034
Libraries	96,450			96,450
Parks and recreation	128,759	6,000	125,364	260,123
Airport			97,390	93,810
Economic development	84,819	7,587,869	311,802	7,984,510
Capital outlay				
General government	4,407	1,446		6,981
Police	8,661	88,771	93,178	66,367
Fire			8,681	5,893
Other protection			49,557	49,557
Street construction		3,157,825	439,160	2,977,079
Public works - other	24,255	421,288	867,506	3,213,942
Parks and recreation		5,183	5,183	21,423
Airport			68,361	557,571

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CITY OF MONTEVIDEO, MINNESOTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	General	Capital Equipment & Facilities	Other Governmental Funds	Total Governmental Funds
EXPENDITURES (Continued)				
Redemption of debt			884,125	884,125
Interest and fiscal agent charges			277,414	277,414
Total expenditures	4,365,928	11,282,676	3,120,679	18,769,283
REVENUES OVER (UNDER)				
EXPENDITURES	260,709	(7,259,101)	(1,142,282)	(8,140,674)
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	(213,461)	301,235	58,026	145,800
Gain on sale of investment			15,909	15,909
Bond proceeds				4,630,000
Premium on bond proceeds				239,267
Proceeds from sale of property		32,317		32,317
Total other financing sources (uses)	(213,461)	333,552	73,935	194,026
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER)				
EXPENDITURES AND OTHER FINANCING USES	47,248	(6,925,549)	(1,068,347)	(7,946,648)
FUND BALANCE, beginning of year	1,600,610	9,185,236	4,425,623	15,211,469
FUND BALANCE, end of year	1,647,858	2,259,687	3,357,276	7,264,821

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CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2020)

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	
				2021	2020
ASSETS					
Equity in pooled cash and investments	1,368,787	1,679,136	167,516	3,215,439	5,223,198
Taxes receivable - delinquent	2,301	39,043		41,344	45,261
Accounts receivable	105,427			105,427	81,036
Notes receivable	354,032			354,032	390,647
Special assessments - delinquent		14,253	169	14,422	15,461
Special assessments - deferred		402,075	3,535	405,610	516,426
Due from other governments	154,794		17,109	171,903	206,941
Prepaid expenses	1,250			1,250	1,250
TOTAL ASSETS	1,986,591	2,134,507	188,329	4,309,427	6,480,220
LIABILITIES					
Accounts/contracts payable	6,897		24,259	31,156	1,330,580
Due to other governments	20			20	80
Due to other funds	226,623		23,834	250,457	90,929
Total Liabilities	233,540		48,093	281,633	1,421,589

CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2020)

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	
				2021	2020
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue - grants	225,998			225,998	71,800
Unearned revenue - delinquent taxes	1,388	23,100		24,488	29,321
Unearned revenue - special assessments		416,526	3,704	420,032	531,867
Total deferred inflows of resources	227,386	439,626	3,704	670,518	633,008
FUND BALANCES					
Nonspendable	1,250			1,250	1,250
Restricted	918,286	1,695,079	159,085	2,772,450	3,851,776
Committed	236,926			236,926	208,049
Assigned	369,203		11,135	380,338	386,977
Unassigned	1,525,665	1,695,079	136,532	(33,688)	(22,429)
Total fund balances	1,986,591	2,134,507	188,329	4,309,427	6,480,220
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					

CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Special Revenue	Debt Service	Capital Projects	Totals
REVENUES				
Taxes	49,280	863,423		912,703
Special assessments		129,638	680	130,318
Tax increment financing				124,206
Intergovernmental revenue	380,610	17,763		398,373
Interest on investments		391,113		771,723
Interest on loans	10,405	10,025	4,119	24,549
Charges for services	9,685			9,685
Miscellaneous revenues	80,762			80,762
Total revenues	561,636	1,003,086	413,675	1,978,397
EXPENDITURES				
Current				
Housing and economic development	311,802			311,802
Transportation	97,360			97,360
Pool	123,890			123,890
Culture and recreation	1,474			1,474
Capital outlay	117,918		1,306,666	1,424,584
				4,982,956

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CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Special Revenue	Debt Service	Capital Projects	Totals
EXPENDITURES (Continued)				
Debt service				
Redemption of debt		884,125		884,125
Interest expense	1,533	272,101	657	274,291
Fiscal agent fees		3,123		3,123
Total expenditures	654,007	1,159,349	1,307,323	3,120,679
REVENUES OVER (UNDER) EXPENDITURES	(92,371)	(156,263)	(883,648)	(1,142,282)
OTHER FINANCING SOURCES (USES)				
Transfers (to) from other funds	113,839	(55,813)		58,026
Gain on sale of investment	15,909			15,909
Bond proceeds				
Premium on bond proceeds		(55,813)		(55,813)
Total other financing sources (uses)	129,748			73,935
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	37,377	(212,076)	(883,648)	(1,068,347)
FUND BALANCE - beginning of year	1,488,288	1,907,155	1,030,180	4,425,623
FUND BALANCE - end of year	1,525,665	1,695,079	136,532	3,357,276
				4,425,623

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CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2021

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

	C.D.B.G. Home Improvement Fund	ARPA COVID Recovery Fund	Community Development Revolving Loan Fund	Airport Fund	Municipal Swimming Pool Fund
ASSETS					
Equity in pooled cash and investments	33,470	227,040	355,915		5,855
Accounts receivable				85,152	2,414
Notes receivable	25,820		228,940		
Delinquent taxes receivable				154,794	
Due from other governments					
Prepaid expenses					
TOTAL ASSETS	59,290	227,040	584,855	239,946	8,269
LIABILITIES					
Accounts/contracts payable				1,475	887
Due to other governments				226,623	
Due to other funds				228,098	887
Total liabilities					
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue-grants		225,998			
Unearned revenue-delinquent taxes					
Total deferred inflows of resources		225,998			
FUND BALANCE					
Nonspendable			584,855		
Restricted				11,848	7,382
Committed	59,290	1,042		11,848	7,382
Assigned	59,290	1,042	584,855	11,848	7,382
Total fund balance	59,290	227,040	584,855	239,946	8,269
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					

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CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2021

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

	Housing Assistance Fund	Cemetery Perpetual Care Fund	(MDC) Economic Development Fund	Economic Development Authority Administration Fund
ASSETS				
Equity in pooled cash and investments	73,948	80,648	114,734	113,178
Accounts receivable			5,000	12,363
Notes receivable	13,825		25,218	2,301
Delinquent taxes receivable				
Due from other governments			1,250	
Prepaid expenses				
TOTAL ASSETS	87,773	80,648	145,202	127,842
LIABILITIES				
Accounts/contracts payable			1,000	3,149
Due to other governments				
Due to other funds			1,000	3,149
Total liabilities				
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue-grants				1,388
Unearned revenue-delinquent taxes				1,388
Total deferred inflows of resources				
FUND BALANCE				
Nonspendable			1,250	
Restricted	87,773	80,648		
Committed				
Assigned				
Total fund balance	87,773	80,648	143,952	123,305
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	87,773	80,648	146,202	127,842

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CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2021

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

ASSETS	Economic Development Authority Community Revitalization	Convention And Visitors Bureau Fund	Business Community Development Grant Fund	Small Cities Grant Fund
Equity in pooled cash and investments	63,242	97,854	61,681	57,654
Accounts receivable				
Notes receivable	20,450		39,779	
Delinquent taxes receivable				
Due from other governments				
Prepaid expenses				
TOTAL ASSETS	83,692	97,854	101,460	57,654
LIABILITIES				
Accounts/contracts payable				
Due to other governments				
Due to other funds				
Total liabilities				
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue-grants				
Unearned revenue-delinquent taxes				
Total deferred inflows of resources				
FUND BALANCE				
Nonspendable				
Restricted	83,692	97,854	101,460	57,654
Committed				
Assigned				
Total fund balance	83,692	97,854	101,460	57,654
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	83,692	97,854	101,460	57,654

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CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2021

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

ASSETS	Carnegie Library Fund	Dawson Legacy Fund	Public Safety Admin Fund	Totals
Equity in pooled cash and investments	22,272	58,424	2,872	1,368,787
Accounts receivable	498			105,427
Notes receivable				354,032
Delinquent taxes receivable				2,301
Due from other governments				154,794
Prepaid expenses				1,250
TOTAL ASSETS	22,770	58,424	2,872	1,986,591
LIABILITIES				
Accounts/contracts payable	386		20	6,897
Due to other governments				80
Due to other funds				226,623
Total liabilities	386		20	233,540
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue-grants				225,998
Unearned revenue-delinquent taxes				1,388
Total deferred inflows of resources				227,386
FUND BALANCE				
Nonspendable				1,250
Restricted			2,852	918,286
Committed		58,424		236,926
Assigned	22,384			369,203
Total fund balance	22,384	58,424	2,852	1,525,665
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	22,770	58,424	2,872	1,986,591

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CITY OF MONTEVIDEO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 2021
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	C.D.B.G. Home Improvement Fund	ARPA COVID Recovery Fund	Community Development Revolving Loan Fund	Airport Fund	Municipal Swimming Pool Fund
REVENUES					
Intergovernmental		49,557		98,394	
Property taxes				31,647	35,471
Charges for services	283	1,042	2,856		
Interest on investments			7,387		
Interest on loans				23,735	
Miscellaneous	283	50,599	10,243	153,776	35,471
Total revenues	1,828		220	97,390	123,890
EXPENDITURES					
Economic development					
Transportation					
Pool					
Culture and recreation					
Total current expenditures	1,828		220	97,390	123,890
Interest expense				1,499	34
Capital outlay		49,557		68,361	
Total expenditures	1,828	49,557	220	167,250	123,924
OTHER FINANCING SOURCES (USES)					
Gain on investment sale					
Transfers from other funds				13,474	88,500
Transfers to other funds					
Total other financing sources (uses)				13,474	88,500
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,545)	1,042	10,023		47
FUND BALANCE - beginning of year	60,835		574,832	11,848	7,335
FUND BALANCE - end of year	59,290	1,042	584,855	11,848	7,382

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CITY OF MONTEVIDEO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 2021
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Housing Assistance Fund	Cemetery Perpetual Care Fund	(MCDC) Economic Development Fund	Economic Development Authority Administration Fund
REVENUES				
Intergovernmental				29,933
Property taxes				49,280
Charges for services		5,460		8,184
Interest on investments	615	666	1,027	1,010
Interest on loans			204	
Miscellaneous				500
Total revenues	615	6,126	1,231	88,907
EXPENDITURES				
Economic development			14,278	52,803
Transportation				
Pool				
Culture and recreation				
Total current expenditures			14,278	52,803
Interest expense				
Capital outlay				
Total expenditures			14,278	52,803
OTHER FINANCING SOURCES (USES)				
Gain on investment sale			15,909	
Transfers from other funds				
Transfers to other funds		(666)	(2,400)	(42,240)
Total other financing sources (uses)		(666)	13,509	(42,240)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	615	5,460	462	(6,136)
FUND BALANCE - beginning of year	87,158	75,188	144,740	129,441
FUND BALANCE - end of year	87,773	80,648	145,202	123,305

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CITY OF MONTEVIDEO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 2021
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Economic Development Authority Community Revitalization	Convention And Visitors Bureau	Business Community Development Grant	Small Cities Grant
REVENUES	Fund	Fund	Fund	Fund
Intergovernmental				202,726
Property taxes				
Charges for services	534	700	465	498
Interest on investments			2,094	
Interest on loans				6,046
Miscellaneous	534	700	2,559	209,270
Total revenues				
EXPENDITURES				
Economic development		34,947	5,000	202,726
Transportation				
Pool				
Culture and recreation		34,947	5,000	202,726
Total current expenditures				
Interest expense				
Capital outlay				
Total expenditures		34,947	5,000	202,726
OTHER FINANCING SOURCES (USES)				
Gain on investment sale				
Transfers from other funds		57,171		
Transfers to other funds				
Total other financing sources (uses)		57,171		
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	534	22,924	(2,441)	6,544
FUND BALANCE - beginning of year	83,158	74,930	103,901	51,110
FUND BALANCE - end of year	83,692	97,854	101,460	57,654

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CITY OF MONTEVIDEO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 2021
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	Carnegie Library Fund	Dawson Legacy Fund	Public Safety Admin	Totals
REVENUES	Fund	Fund	Fund	
Intergovernmental				380,610
Property taxes				49,280
Charges for services				80,762
Interest on investments	194	493	22	10,405
Interest on loans				9,685
Miscellaneous			613	30,894
Total revenues	194	493	635	561,636
EXPENDITURES				
Economic development				311,802
Transportation				97,390
Pool				123,890
Culture and recreation	1,474			1,474
Total current expenditures	1,474			534,556
Interest expense				1,533
Capital outlay				117,918
Total expenditures	1,474			654,007
OTHER FINANCING SOURCES (USES)				
Gain on investment sale				15,909
Transfers from other funds				159,145
Transfers to other funds				(45,306)
Total other financing sources (uses)				129,748
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,280)	493	635	37,377
FUND BALANCE - beginning of year	23,664	57,931	2,217	1,488,288
FUND BALANCE - end of year	22,384	58,424	2,852	1,525,665

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CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2020)

	2012	2013	2014	2015	2016
	Street Improvement	Street Improvement	Street Improvement	Fire Hall/ HMAC	Street Improvement
ASSETS					
Equity in pooled cash and investments	169,182	158,987	181,537	233,648	151,194
Delinquent taxes receivable	905	2,737	2,469	10,256	3,123
Special assessments					
Delinquent	2,675	224	199	1,807	3,333
Deferred	10,870	12,112	26,912	66,137	72,114
TOTAL ASSETS	183,632	174,060	211,117	243,904	229,764
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue - delinquent taxes	841	1,743	1,587	6,249	1,900
Unearned revenue - special assessments	13,545	12,336	27,111	67,744	75,447
Total deferred inflows of resources	14,386	14,079	28,698	6,249	77,347
FUND BALANCE					
Restricted for debt service	169,246	159,981	182,419	237,655	152,417
Total fund balance	169,246	159,981	182,419	237,655	152,417
TOTAL DEFERRED INFLOWS AND FUND BALANCE	183,632	174,060	211,117	243,904	229,764

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CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2020)

	2017 Street Improvement	2018 Street Improvement	Street Improvements	Capital Improvements	2021	2020 Totals
ASSETS						
ASSETS						
Equity in pooled cash and investments	155,477	120,218	87,380	212,262	1,679,136	1,892,095
Delinquent taxes receivable	3,367	2,223	1,809	9,569	39,043	42,801
Special assessments:						
Delinquent	139	2,738	3,338		14,253	15,287
Deferred	62,464	39,166	112,300		513,236	
TOTAL ASSETS	221,447	164,345	204,827	221,831	2,134,507	2,463,419
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue - delinquent taxes	2,052	1,402	902	4,775	23,100	27,741
Unearned revenue - special assessments	62,603	41,904	115,638		416,328	528,523
Total deferred inflows of resources	64,655	43,306	116,540	4,775	439,428	556,264
FUND BALANCE						
Restricted for debt service	156,792	121,039	88,287	217,056	1,695,079	1,907,155
Total fund balance	156,792	121,039	88,287	217,056	1,695,079	1,907,155
TOTAL DEFERRED INFLOWS AND FUND BALANCE	221,447	164,345	204,827	221,831	2,134,507	2,463,419

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CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2000 Downtown Revitalization	2000 Street Improvement	2010 Street Improvement	2012 Street Improvement	2013 Street Improvement
REVENUES					
General property taxes	2,327		815	1,719	52,966
Special assessments			597	10,743	7,942
Interest income	210	158	98	1,370	1,033
Total revenues	2,537	158	1,510	13,892	61,941
EXPENDITURES					
Redemption of debt	85,695	55,500	90,000	95,000	80,000
Interest expense	3,086	555	1,530	5,416	6,560
Fiscal agent fees				475	475
Total expenditures	88,781	56,055	91,530	100,891	87,035
OTHER FINANCING SOURCES (USES)					
Bond proceeds					
Transfer (to) from other funds	(24,810)	(18,698)	(12,305)		
Total other financing sources (uses)	(24,810)	(18,698)	(12,305)		
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(108,984)	(74,595)	(102,325)	(86,999)	(25,094)
FUND BALANCE - beginning of year	108,984	74,595	102,325	256,245	185,075
FUND BALANCE - end of year				169,246	159,981

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CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2014 Street Improvement	2014 Fire Hall/ HVAC	2015 Street Improvement	2016 Street Improvement	2017 Street Improvement
REVENUES					
General property taxes	46,927	215,126	49,829	65,629	70,533
Special assessments	10,207		21,521	18,478	17,455
Interest income	1,260	997	1,427	877	877
Total revenues	58,394	216,123	72,777	84,984	88,865
EXPENDITURES					
Redemption of debt	75,000	130,000	80,000	80,000	70,000
Interest expense	12,114	72,750	14,510	11,750	12,738
Fiscal agent fees	340	475	308	475	575
Total expenditures	87,454	203,225	94,818	92,225	83,313
OTHER FINANCING SOURCES (USES)					
Bond proceeds					
Transfer (to) from other funds					
Total other financing sources (uses)					
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(29,060)	12,898	(22,041)	(7,241)	5,552
FUND BALANCE - beginning of year	211,479	224,757	232,228	159,638	151,240
FUND BALANCE - end of year	182,419	237,655	210,187	152,417	156,792

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CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2020)

	2018	2020	2020	Totals
	Street Improvement	Street Improvement	Capital Improvement	
REVENUES				
General property taxes	44,294	49,815	263,383	863,423
Special assessments	18,931	25,764		129,638
Interest income	728	385	605	10,025
Total revenues	61,953	75,964	263,988	1,003,086
EXPENDITURES				
Redemption of debt	45,000			884,125
Interest expense	15,125	15,248	100,719	272,101
Fiscal agent fees				3,123
Total expenditures	60,125	15,248	100,719	1,159,349
OTHER FINANCING SOURCES (USES)				
Bond proceeds				61,554
Transfer (to) from other funds				28,703
Total other financing sources (uses)				(55,813)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,828	60,716	163,269	(212,076)
FUND BALANCE - beginning of year	119,211	27,571	53,787	1,907,155
FUND BALANCE - end of year	121,039	88,287	217,056	1,695,079

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CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2021
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2020)

	2020	2020	2021	2021	2022	Totals
	Special Assessment Construction	Capital Improvement	Special Assessment Construction	Special Assessment Construction	Special Assessment Construction	
ASSETS						
Equity in pooled cash and investments	87,647	68,734				167,516
Special assessments - delinquent	169					169
Special assessments - deferred	3,535					3,535
Due from other governments			17,109			17,109
TOTAL ASSETS	87,647	68,734	17,109			188,329
						2,267,587
LIABILITIES						
Accounts/contracts payable			936			936
Due to other funds			13,469			13,469
Total liabilities			14,405			14,405
						33,688
						48,083
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue - grants						71,800
Unearned revenue - special assessments	3,704					3,704
Total deferred inflows of resources	3,704					3,704
						3,964
						75,164
FUND BALANCE						
Restricted	87,647	68,734	2,704			159,085
Assigned						11,135
Unassigned						10,364
Total fund balance (deficit)	11,135	87,647	68,734	2,704	(33,688)	(33,688)
						22,429
						136,532
						1,030,180
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE						
	87,647	68,734	17,109			188,329
						2,267,587

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CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE (DEFICIT) NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED DECEMBER 31, 2021

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

	2020				2021	
	Sidewalk Improvement	TIF District 3,5 Post Office	Special Assessment Construction	Capital Improvement	Special Assessment Construction	
REVENUES						
Special assessments	690					
Tax increment financing		17,763				
Intergovernmental revenue			121,800			269,313
Interest income	91		1,051	2,977		
Total revenues	771	17,763	122,851	2,977		269,313
EXPENDITURES						
Capital outlay			144,186	867,506		261,294
Interest expense/fiscal agent fees						649
Total expenditures			144,186	867,506		261,943
OTHER FINANCING SOURCES (USES)						
Bond proceeds						
Premium on bond proceeds						
Transfers (to) from other funds						
Total other financing sources (uses)						
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	771	17,763	(21,335)	(864,529)		7,370
FUND BALANCE (DEFICIT) - beginning of year	10,364	(17,763)	108,982	933,263		(4,686)
FUND BALANCE (DEFICIT) - end of year	11,135		87,647	68,734		2,704

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CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE (DEFICIT) NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED DECEMBER 31, 2021

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

	2022		Totals	
	Special Assessment Construction		2021	2020
REVENUES				
Special assessments			690	827
Tax increment financing			17,763	22,895
Intergovernmental revenue			391,113	878,200
Interest income			4,119	18,125
Total revenues			413,675	920,047
EXPENDITURES				
Capital outlay	33,680		1,306,666	4,425,385
Interest expense/fiscal agent fees	8		657	65,047
Total expenditures	33,688		1,307,323	4,490,432
OTHER FINANCING SOURCES (USES)				
Bond proceeds				4,568,446
Premium on bond proceeds				239,267
Transfers (to) from other funds				(37,750)
Total other financing sources (uses)				4,769,963
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(33,688)		(893,648)	1,199,578
FUND BALANCE (DEFICIT) - beginning of year			1,030,180	(169,398)
FUND BALANCE (DEFICIT) - end of year	(33,688)		136,532	1,030,180

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CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR MUNICIPAL DEVELOPMENT DISTRICT #3-5, A TAX INCREMENT FINANCING DISTRICT
DECEMBER 31, 2021

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
SOURCES OF FUNDS				
Tax Increments Received	\$925,000	\$312,175	\$17,763	\$595,062
Local Contribution	46,250	46,250	0	0
Sale of Property	0	99,343	0	(99,343)
Total Sources of Funds	971,250	457,768	17,763	495,719
USES OF FUNDS				
Land Acquisition	\$250,000	\$224,280	\$0	\$25,720
Demolition	100,000	16,638	0	83,362
Site Improvements	250,000	37,998	0	212,002
Interest	274,125	142,265	0	131,860
Administrative Costs	97,125	8,100	0	89,025
Total Uses of Funds	971,250	429,281	0	541,969
FUNDS REMAINING (OR DEFICIENT)	\$0	\$ 28,487	\$17,763	\$ (46,250)

CITY OF MONTEVIDEO, MINNESOTA
TAMABLE NET TAX CAPACITIES, TAX LEVIES,
AND TAX CAPACITY RATES
(Shown by Year of Collectibility)

YEAR COLLECTIBLE	2018	2019	2020	2021
TAMABLE NET TAX CAPACITY	\$2,567,693	\$2,639,185	\$2,755,645	\$2,939,107
FUND	Tax Levy	Tax Levy	Tax Levy	Tax Levy
General Fund	\$1,273,000	\$1,338,900	\$1,500,000	\$1,545,000
Library	94,550	96,450	96,450	96,450
Economic Development Authority	11,800	12,150	12,550	12,550
Special Assessment Debt 2000	107,300	124,300	91,600	0
Special Assessment Debt 2008	46,300	0	0	0
Special Assessment Debt 2009	29,500	22,700	0	0
Special Assessment Debt 2010	65,300	63,100	20,900	0
Special Assessment Debt 2012	75,000	67,000	75,000	0
Special Assessment Debt 2013	70,000	70,000	70,000	0
Special Assessment Debt 2014A	208,900	212,500	210,100	52,000
Special Assessment Debt 2014B	86,000	86,000	86,000	213,100
Special Assessment Debt 2015A	68,500	68,100	67,500	7,251
Special Assessment Debt 2015B	65,000	65,000	65,000	46,000
Special Assessment Debt 2017A	71,800	71,300	70,800	1,565
Special Assessment Debt 2018A	0	44,400	44,000	1,664
Special Assessment Debt 2018B	0	21,300	20,800	2,212
Special Assessment Debt 2018C	0	0	0	2,378
Special Assessment Debt 2020A	0	0	0	43,600
Special Assessment Debt 2020B	0	0	0	20,300
Special Assessment Debt 2020C	0	0	0	0,693
Special Assessment Debt 2020D	0	0	0	1,718
Special Assessment Debt 2020E	0	0	0	9,088
Total	\$2,262,950	\$2,343,200	\$2,410,500	\$ 2,530,400
	87,523	88,785	87,487	86,094

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULES OF DEBT SERVICE REQUIREMENTS
December 31, 2021

Series 2012A General Obligation Improvement Bonds

Date	Rate	Principal	Feb. 1	Interest	Total
2022	2.35		95,000	3,349	98,349
2023	2.35		95,000	1,116	96,116
			<u>\$190,000</u>	<u>\$4,465</u>	<u>\$194,465</u>

Series 2013A General Obligation Improvement Bonds

Date	Rate	Principal	Feb. 1	Interest	Total
2022	2.40		80,000	4,800	84,800
2023	2.40		80,000	2,880	82,880
2024	2.40		80,000	960	80,960
			<u>\$240,000</u>	<u>\$8,640</u>	<u>\$248,640</u>

Series 2014B General Obligation Improvement Bonds

Date	Rate	Principal	Feb. 1	Interest	Total
2022	2.35		75,000	6,751	81,751
2023	2.35		75,000	4,988	79,988
2024	2.65		75,000	3,114	78,114
2025	2.65		80,000	1,060	81,060
			<u>\$305,000</u>	<u>\$15,913</u>	<u>\$320,913</u>

Series 2015A General Obligation Improvement Bonds

Date	Rate	Principal	Feb. 1	Interest	Total
2022	2.25		85,000	8,904	93,904
2023	2.25		85,000	6,991	91,991
2024	2.25		85,000	5,078	90,078
2025	2.35		85,000	3,124	88,124
2026	2.50		85,000	1,063	86,063
			<u>\$425,000</u>	<u>\$25,160</u>	<u>\$450,160</u>

Series 2016A General Obligation Improvement Bonds

Date	Rate	Principal	Feb. 1	Interest	Total
2022	1.40		80,000	7,000	87,000
2023	1.40		80,000	5,880	85,880
2024	1.40		80,000	4,760	84,760
2025	1.75		80,000	3,500	83,500
2026	1.75		80,000	2,100	82,100
2027	1.75		80,000	700	80,700
			<u>\$480,000</u>	<u>\$23,940</u>	<u>\$503,940</u>

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CITY OF MONTEVIDEO, MINNESOTA
SCHEDULES OF DEBT SERVICE REQUIREMENTS
December 31, 2021

Series 2017A General Obligation Improvement Bonds

Date	Rate	Principal	Feb. 1	Interest	Total
2022	1.50		70,000	9,438	79,438
2023	1.75		70,000	8,300	78,300
2024	1.75		75,000	7,031	82,031
2025	2.00		75,000	5,625	80,625
2026	2.00		75,000	4,125	79,125
2027	2.25		75,000	2,531	77,531
2028	2.25		75,000	844	75,844
			<u>\$515,000</u>	<u>\$37,894</u>	<u>\$552,894</u>

Series 2018A General Obligation Improvement Bonds

Date	Rate	Principal	Feb. 1	Interest	Total
2022	3.00		45,000	11,175	56,175
2023	3.00		45,000	9,825	54,825
2024	3.00		50,000	8,400	58,400
2025	3.00		50,000	6,900	56,900
2026	3.00		50,000	5,400	55,400
2027	3.00		50,000	3,900	53,900
2028	3.00		50,000	2,400	52,400
2029	3.00		55,000	825	55,825
			<u>\$395,000</u>	<u>\$48,825</u>	<u>\$443,825</u>

Series 2020A General Obligation Improvement Bonds

Date	Rate	Principal	Feb. 1	Interest	Total
2022	3.00		50,000	13,500	63,500
2023	3.00		50,000	12,000	62,000
2024	3.00		50,000	10,500	60,500
2025	3.00		50,000	9,000	59,000
2026	3.00		55,000	7,425	62,425
2027	3.00		55,000	5,775	60,775
2028	3.00		55,000	4,125	59,125
2029	2.00		55,000	2,750	57,750
2030	2.00		55,000	1,650	56,650
2031	2.00		55,000	550	55,550
			<u>\$530,000</u>	<u>\$67,275</u>	<u>\$597,275</u>

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CITY OF MONTEVIDEO, MINNESOTA
SCHEDULES OF DEBT SERVICE REQUIREMENTS
December 31, 2021

Series 2007A General Obligation EDA Revenue Refunding Bonds

Date	Principal			Interest	Total
	Rate	Feb. 1			
2022	4.25	30,000		13,395	43,395
2023	4.40	35,000		11,988	46,988
2024	4.40	35,000		10,447	45,447
2025	4.40	35,000		8,908	43,908
2026	4.40	35,000		7,367	42,367
2027	4.55	40,000		5,687	45,687
2028	4.55	40,000		3,868	43,868
2029	4.55	40,000		2,047	42,047
2030	4.55	25,000		569	25,569
		<u>\$315,000</u>		<u>\$64,276</u>	<u>\$379,276</u>

Series 2008A General Obligation Utility Improvement Bonds

Date	Principal			Interest	Total
	Rate	Feb. 1			
2022	4.05	40,000		4,455	44,455
2023	4.05	45,000		2,734	47,734
2024	4.05	45,000		911	45,911
		<u>\$130,000</u>		<u>\$8,100</u>	<u>\$138,100</u>

Series 2014B General Obligation Utility Improvement Bonds

Date	Principal			Interest	Total
	Rate	Feb. 1			
2022	2.35	20,000		5,265	25,265
2023	2.35	20,000		4,795	24,795
2024	2.65	20,000		4,295	24,295
2025	2.65	20,000		3,765	23,765
2026	3.50	20,000		3,150	23,150
2027	3.50	20,000		2,450	22,450
2028	3.50	20,000		1,750	21,750
2029	3.50	20,000		1,050	21,050
2030	3.50	20,000		350	20,350
		<u>\$180,000</u>		<u>\$26,870</u>	<u>\$206,870</u>

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULES OF DEBT SERVICE REQUIREMENTS
December 31, 2021

Series 2015A General Obligation Utility Improvement Bonds

Date	Principal			Interest	Total
	Rate	Feb. 1			
2022	2.25	20,000		6,095	26,095
2023	2.25	20,000		5,645	25,645
2024	2.25	20,000		5,195	25,195
2025	2.35	20,000		4,735	24,735
2026	2.50	25,000		4,187	29,187
2027	3.10	25,000		3,488	28,488
2028	3.50	25,000		2,713	27,713
2029	3.50	25,000		1,937	26,937
2030	3.50	25,000		1,163	26,163
2031	3.50	25,000		387	25,387
		<u>\$230,000</u>		<u>\$35,545</u>	<u>\$265,545</u>

Series 2016B General Obligation Utility Revenue Bonds

Date	Principal			Interest	Total
	Rate	Feb. 1			
2022	1.30	55,000		9,300	64,300
2023	1.55	55,000		8,516	63,516
2024	1.55	60,000		7,625	67,625
2025	1.75	60,000		6,635	66,635
2026	1.75	60,000		5,585	65,585
2027	2.30	40,000		4,600	44,600
2028	2.30	45,000		3,622	48,622
2029	2.30	45,000		2,588	47,588
2030	2.30	45,000		1,553	46,553
2031	2.30	45,000		517	45,517
		<u>\$510,000</u>		<u>\$50,541</u>	<u>\$560,541</u>

Series 2018A General Obligation Utility Improvement Bonds

Date	Principal			Interest	Total
	Rate	Feb. 1			
2022	3.00	15,000		4,125	19,125
2023	3.00	15,000		3,675	18,675
2024	3.00	15,000		3,225	18,225
2025	3.00	20,000		2,700	22,700
2026	3.00	20,000		2,100	22,100
2027	3.00	20,000		1,500	21,500
2028	3.00	20,000		900	20,900
2029	3.00	20,000		300	20,300
		<u>\$145,000</u>		<u>\$18,525</u>	<u>\$163,525</u>

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULES OF DEBT SERVICE REQUIREMENTS
December 31, 2021

Series 2020A General Obligation Utility Improvement Bonds

Date	Principal		Interest	Total
	Rate	Feb. 1		
2022	3.00	35,000	13,925	48,925
2023	3.00	35,000	12,875	47,875
2024	3.00	35,000	11,825	46,825
2025	3.00	35,000	10,775	45,775
2026	3.00	35,000	9,725	44,725
2027	3.00	40,000	8,600	48,600
2028	3.00	40,000	7,400	47,400
2029	2.00	40,000	6,400	46,400
2030	2.00	40,000	5,600	45,600
2031	2.00	40,000	4,800	44,800
2032	2.00	40,000	4,000	44,000
2033	2.00	45,000	3,150	48,150
2034	2.00	45,000	2,250	47,250
2035	2.00	45,000	1,350	46,350
2036	2.00	45,000	450	45,450
		<u>\$595,000</u>	<u>\$103,125</u>	<u>\$698,125</u>

Series 2020A EDA Lease Revenue Refunding Bonds

Date	Principal		Interest	Total
	Rate	Feb. 1		
2022	1.80	220,000	90,540	310,540
2023	1.80	220,000	86,580	306,580
2024	1.80	225,000	82,575	307,575
2025	1.80	230,000	78,480	308,480
2026	1.80	235,000	74,295	309,295
2027	1.80	240,000	70,065	310,065
2028	1.80	240,000	65,790	305,790
2029	1.80	3,530,000	31,815	3,561,815
		<u>\$5,140,000</u>	<u>\$580,140</u>	<u>\$5,720,140</u>

Wastewater Treatment Plant Public Facilities Authority Loan

Date	Principal		Interest	Total
	Rate	Aug. 20		
2022	2.89	464,000	118,924	582,924
2023	2.89	478,000	105,514	583,514
2024	2.89	492,000	91,700	583,700
2025	2.89	506,000	77,481	583,481
2026	2.89	521,000	62,858	583,858
2027	2.89	536,000	47,801	583,801
2028	2.89	551,000	32,310	583,310
2029	2.89	567,000	16,386	583,386
		<u>\$4,115,000</u>	<u>\$552,974</u>	<u>\$4,667,974</u>

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CITY OF MONTEVIDEO, MINNESOTA
SCHEDULES OF DEBT SERVICE REQUIREMENTS
December 31, 2021

Wastewater Storage Building Public Facilities Loan

Date	Principal		Interest	Total
	Rate	Aug. 20		
2022	1.517	8,000	1,365	9,365
2023	1.517	9,000	1,244	10,244
2024	1.517	9,000	1,107	10,107
2025	1.517	9,000	971	9,971
2026	1.517	9,000	834	9,834
2027	1.517	9,000	698	9,698
2028	1.517	9,000	562	9,562
2029	1.517	9,000	425	9,425
2030	1.517	9,000	288	9,288
2031	1.517	10,000	152	10,152
		<u>\$90,000</u>	<u>\$7,646</u>	<u>\$97,646</u>

Raw Watermain Replacement Public Facilities Loan

Date	Principal		Interest	Total
	Rate	Aug. 20		
2022	1.000	57,000	8,580	65,580
2023	1.000	58,000	8,010	66,010
2024	1.000	59,000	7,430	66,430
2025	1.000	59,000	6,840	65,840
2026	1.000	60,000	6,250	66,250
2027	1.000	60,000	5,650	65,650
2028	1.000	61,000	5,050	66,050
2029	1.000	62,000	4,440	66,440
2030	1.000	62,000	3,820	65,820
2031	1.000	63,000	3,200	66,200
2032	1.000	63,000	2,570	65,570
2033	1.000	64,000	1,940	65,940
2034	1.000	65,000	1,300	66,300
2035	1.000	65,000	650	65,650
		<u>\$858,000</u>	<u>\$65,730</u>	<u>\$923,730</u>

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

Honorable Mayor and City Council
City of Montevideo, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montevideo, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Montevideo, Minnesota's basic financial statements, and have issued our report thereon dated June 16, 2022.

Report on Internal Control Over Financial Reporting

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

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

ADDITIONAL REPORT REQUIRED BY
GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

City of Montevideo, Minnesota's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Montevideo, Minnesota's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Montevideo, Minnesota's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Montevideo, Minnesota
June 16, 2022

Dana F. Cole Company, LLP

OTHER REQUIRED REPORT AND SCHEDULE

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021

2021-01: Significant Deficiency in Financial Reporting Process

Criteria: City management should possess the ability to prepare financial statements prepared in accordance with generally accepted accounting principles. This would include the ability to properly record and classify transactions in a general ledger, measure and record accrual basis adjustments to the accounts, and prepare the financial statements and related disclosures without the assistance from the auditors.

Conditions: City management relied on the audit staff to prepare financial statements and disclosures required by generally accepted accounting principles. In addition, the auditors proposed adjustments that resulted in significant changes to the City's financial statements.

Cause: As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements, and we were required to propose journal entries that were significant to the financial statements.

Effect: The design of the controls over financial reporting process would affect the ability of the City to report their financial data consistently with the assertions of management in the financial statements.

Recommendation: We recommend that City management be aware of the responsibilities regarding financial reporting. If management chooses to undertake these financial reporting responsibilities, a number of policies, procedures, and reviews will need to be developed and implemented.

Response: The City will work towards implementing procedures to improve financial reporting.

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Montevideo, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparison statement for the General Fund of the City of Montevideo, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Montevideo, Minnesota's basic financial statements, and have issued our report thereon dated June 16, 2022.

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

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

Montevideo, Minnesota
June 16, 2022

Dana F. Cole & Company, LLP

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FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF LEGAL OPINION

\$ _____
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2023A
CITY OF MONTEVIDEO
CHIPPEWA COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Montevideo, Chippewa County, Minnesota (the "Issuer"), of its \$ _____ General Obligation Improvement Bonds, Series 2023A, bearing a date of original issue of June 22, 2023 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

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

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

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

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

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 and be retroactive.

TAFT STETTINIUS & HOLLISTER LLP

BOOK-ENTRY-ONLY SYSTEM

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

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

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Montevideo, Minnesota (the "Issuer"), in connection with the issuance of its \$_____ General Obligation Improvement Bonds, Series 2023A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on June 5, 2023 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"Official Statement" shall be the Official Statement dated _____, 2023, prepared in connection with the Bonds.

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

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

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

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

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2022, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2023, and by December 31 of each year thereafter.

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

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

The following financial information and operating data shall be supplied:

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

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

modified by the governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

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

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

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

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

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

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

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

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

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

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

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

Dated: June 22, 2023

CITY OF MONTEVIDEO, MINNESOTA

By _____
Its Mayor

By _____
Its City Manager

TERMS OF PROPOSAL

**\$1,590,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2023A
CITY OF MONTEVIDEO, MINNESOTA**

Proposals for the purchase of \$1,590,000* General Obligation Improvement Bonds, Series 2023A (the "Bonds") of the City of Montevideo, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 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 June 5, 2023, 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.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, by the City, for the purpose of financing various public improvements within the City. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated June 22, 2023, 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>
2025	\$120,000	2030	\$135,000	2035	\$40,000
2026	130,000	2031	145,000	2036	40,000
2027	135,000	2032	145,000	2037	40,000
2028	135,000	2033	145,000	2038	45,000
2029	135,000	2034	155,000	2039	45,000

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2024, 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 2025 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, 2032 shall be subject to optional redemption prior to maturity on February 1, 2031 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

DELIVERY

On or about June 22, 2023, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), 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.

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

STATEMENT REGARDING BOND COUNSEL PARTICIPATION

Bond Counsel has neither been engaged nor undertaken to prepare or independently verify the accuracy of any portion of the Official Statement, including the financial or operational information of the Issuer and risks associated with the purchase of the Bonds, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "APPENDIX B – FORM OF LEGAL OPINION."

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$1,569,330 plus accrued interest on the principal sum of \$1,590,000 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 IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

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 \$31,800 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriter (Syndicate Manager) 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 Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Montevideo, Minnesota

PROPOSAL FORM

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

June 5, 2023

RE: \$1,590,000* General Obligation Improvement Bonds, Series 2023A (the "Bonds")
DATED: June 22, 2023

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$1,569,330) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2025	_____ % due	2030	_____ % due	2035
_____ % due	2026	_____ % due	2031	_____ % due	2036
_____ % due	2027	_____ % due	2032	_____ % due	2037
_____ % due	2028	_____ % due	2033	_____ % due	2038
_____ % due	2029	_____ % due	2034	_____ % due	2039

* 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 2025 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 \$31,800 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about June 22, 2023.

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 Underwriter (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 June 22, 2023 of the above proposal is \$ _____ and the true interest cost (TIC) is _____ %.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Montevideo, Minnesota, on June 5, 2023.

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