

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 27, 2024

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)

\$905,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2024A

PROPOSAL OPENING: July 8, 2024, 11:00 A.M., C.T.

CONSIDERATION: July 8, 2024, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$905,000* General Obligation Improvement Bonds, Series 2024A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429, 444 and 475, as amended, by the City of Montevideo, Minnesota (the "City"), for the purposes of financing various assessable public improvements and utility system 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: July 25, 2024

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2026	\$65,000	2030	\$90,000	2034	\$100,000
2027	80,000	2031	95,000	2035	105,000
2028	85,000	2032	95,000		
2029	90,000	2033	100,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2025 and semiannually thereafter.

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

MINIMUM PROPOSAL: \$891,425.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$18,100 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.



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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 Underwriter (Syndicate Manager). 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
Tami Schuelke-Sampson, City Clerk

PROFESSIONAL SERVICES

Nelson, Oyen, and Torvick, PLLP, City Attorney, Montevideo, Minnesota

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 \$905,000* General Obligation Improvement Bonds, Series 2024A (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 July 8, 2024.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of July 25, 2024. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2025, 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 2026 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 ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

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

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444 and 475, as amended, by the City for the purposes of financing street improvements (the "Improvement Portion") and storm water utility improvements (the "Utility Revenue Portion") within the City.

ESTIMATED SOURCES AND USES*

Sources	Improvement Portion	Utility Revenue Portion	Total Bond Issue
Par Amount of Bonds	<u>\$770,000</u>	<u>\$135,000</u>	<u>\$905,000</u>
Total Sources	\$770,000	\$135,000	\$905,000
Uses			
Total Underwriter's Discount (1.500%)	\$11,550	\$2,025	\$13,575
Costs of Issuance	39,989	7,011	47,000
Deposit to Construction Fund	716,000	124,000	840,000
Rounding Amount	<u>2,461</u>	<u>1,964</u>	<u>4,425</u>
Total Uses	\$770,000	\$135,000	\$905,000

*Preliminary, subject to change.

Breakdown of Principal Payments*:

Payment Date	Improvement Portion	Utility Revenue Portion	Total Bond Issue
2/01/2026	\$55,000	\$10,000	\$65,000
2/01/2027	70,000	10,000	80,000
2/01/2028	75,000	10,000	85,000
2/01/2029	75,000	15,000	90,000
2/01/2030	75,000	15,000	90,000
2/01/2031	80,000	15,000	95,000
2/01/2032	80,000	15,000	95,000
2/01/2033	85,000	15,000	100,000
2/01/2034	85,000	15,000	100,000
2/01/2035	<u>90,000</u>	<u>15,000</u>	<u>105,000</u>
Total	\$770,000	\$135,000	\$905,000

*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 on the Improvement Portion of the Bonds will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Improvement Portion of the Bonds and from ad valorem property taxes. In accordance with Minnesota Statutes, receipt of special assessments and ad valorem property taxes will be sufficient to provide not less than 105% of principal and interest on the Improvement Portion of the Bonds.

The City anticipates that the debt service on the Utility Revenue Portion of the Bonds will be paid from net revenues of the storm water system ("utility revenues") which are owned and operated by the City. In accordance with Minnesota Statutes, receipt of revenues will be sufficient to provide not less than 105% of principal and interest on the Utility Revenue Portion of the Bonds.

Should the special assessments, utility revenues and/or ad valorem property taxes 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 an underlying 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 Bonds shall be designated 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

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, 2022 have been audited by Dana F. Cole and 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

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

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

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

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

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

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

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.

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	2021/22	2022/23	2023/24
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 \$1,900,000 - 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	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,150,000 - 0.50% ² Over \$2,150,000 - 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 \$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%	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 \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

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

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

³ Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2023/24 Economic Market Value	<u>\$398,480,746¹</u>
2023/24 Assessor's Estimated Market Value	
Real Estate	\$376,028,600
Personal Property	<u>2,978,100</u>
Total Valuation	<u>\$379,006,700</u>
2023/24 Net Tax Capacity	
Real Estate	\$3,969,742
Personal Property	<u>58,175</u>
Net Tax Capacity	<u>\$4,027,917</u>

2023/24 NET TAX CAPACITY BY CLASSIFICATION

	2023/24 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$2,072,359	51.45%
Agricultural	39,387	0.98%
Commercial/industrial	1,139,162	28.28%
Public utility	53,704	1.33%
Railroad operating property	17,238	0.43%
Non-homestead residential	644,817	16.01%
Commercial & residential seasonal/rec.	3,075	0.08%
Personal property	<u>58,175</u>	<u>1.44%</u>
Total	<u>\$4,027,917</u>	<u>100.00%</u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City is about 95.22% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$398,480,746.

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
2019/20	\$258,509,600	\$219,813,728	\$2,772,206	\$2,757,149	4.62%
2020/21	279,016,000	240,287,806	2,954,164	2,939,107	7.93%
2021/22	291,316,400	252,407,925	3,093,814	3,093,814	4.41%
2022/23	324,713,200	286,445,162	3,464,123	3,464,123	11.46%
2023/24	379,006,700	342,208,622	4,027,917	4,027,917	16.72%

LARGEST TAXPAYERS

Taxpayer	Type of Property	2023/24 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Walmart	Commercial	\$141,604	3.52%
Fairmont Homes, LLC	Apartments	77,379	1.92%
Farmers Union Oil Co.	Utility	77,348	1.92%
Xcel Energy	Utility	71,602	1.78%
Individual	Agriculture	59,234	1.47%
Double D Development of Montevideo	Commercial	51,536	1.28%
Montana Dakota Utilities	Utility	51,494	1.28%
Gibson Hospitality, LLC	Commercial	51,362	1.28%
Co-op Credit Union of Montevideo	Commercial	38,321	0.95%
Montevideo Multi Family, LLC	Apartments	36,390	0.90%
Total		\$656,270	16.29%

City's Total 2023/24 Net Tax Capacity \$4,027,917

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest 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 Improvement Portion of the Bonds)*	\$5,005,000
Total G.O. debt secured by special assessments and utility revenues	490,000
Total G.O. debt secured by taxes	5,595,000
Total G.O. debt secured by utility revenues (includes the Utility Revenue Portion of the Bonds)*	5,184,000
Total G.O. debt secured by (EDA) housing revenues	215,000
Total General Obligation Debt*	<u>\$16,489,000</u>

Lease Purchase Obligations (see schedule following)

Total EDA lease purchase obligations paid by annual appropriations ²	<u>\$4,475,000</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 plans to issue approximately \$2,000,000 in General Obligation Bonds for street and utility projects in 2025.

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 net 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" means 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 certain obligations enumerated under Minnesota Statutes, Section 475.51, subd.4, including the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property (includes the Improvement Portion of the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences (includes the Utility Revenue Portion of the Bonds); (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any revenue producing public 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 certain postemployment benefit liabilities; (9) obligations issued to pay certain judgments against the City; and (10) all 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.

2023/24 Assessor's Estimated Market Value	\$379,006,700
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$11,370,201
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes ¹	<u>0</u>
Unused Debt Limit	<u><u>\$11,370,201</u></u>

¹ Does not include the City's \$3,000,000 General Obligation Capital Improvement Plan Bonds, Series 2014A (\$1,380,000 current principal outstanding), the of the City's \$725,000 General Obligation Bonds, Series 2017A (\$60,000 Storm Sewer portion principal outstanding) a portion of the City's \$660,000 General Obligation Bonds, Series 2018A (\$100,000 Utility portion principal outstanding) and a portion of the City's \$5,225,000 General Obligation Bonds, Series 2020A (\$3,605,000 Capital Improvement Plan portion principal outstanding) as they are not subject to the debt limit.

City of Montevideo, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 07/25/2024)

	Improvement Bonds Series 2014B		Improvement Bonds Series 2015A		Improvement Bonds Series 2016A		Improvement Bonds 1) Series 2017A		Improvement Bonds 2) Series 2018A	
Dated	06/25/2014		06/25/2015		07/20/2016		07/13/2017		07/10/2018	
Amount	\$1,010,000		\$1,155,000		\$785,000		\$575,000		\$485,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	0	3,075	0	4,546	0	2,100	0	2,550	0	3,825
2025	100,000	4,825	105,000	7,859	80,000	3,500	60,000	4,500	50,000	6,900
2026	20,000	3,150	110,000	5,250	80,000	2,100	60,000	3,300	50,000	5,400
2027	20,000	2,450	25,000	3,488	80,000	700	60,000	2,025	50,000	3,900
2028	20,000	1,750	25,000	2,713			60,000	675	50,000	2,400
2029	20,000	1,050	25,000	1,938					55,000	825
2030	20,000	350	25,000	1,163						
2031			25,000	388						
2032										
2033										
2034										
2035										
2036										
2037										
2038										
2039										
	200,000	16,650	340,000	27,343	240,000	8,400	240,000	13,050	255,000	23,250

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. This issue is not subject to the debt limit.

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City of Montevideo, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 07/25/2024)

	Improvement Bonds 3) Series 2020A		Improvement Bonds 4) Series 2022A		Improvement Bonds Series 2023A		Improvement Bonds 5) Series 2024A							
Dated	07/07/2020		07/14/2022		06/22/2023		07/25/2024							
Amount	\$530,000		\$1,055,000		\$1,590,000		\$770,000*							
Maturity	02/01		02/01		02/01		02/01							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2024	0	4,875	0	19,800	0	36,350	0	0	0	77,121	77,121	5,005,000	.00%	2024
2025	50,000	9,000	65,000	38,300	115,000	69,825	0	31,141	625,000	175,849	800,849	4,380,000	12.49%	2025
2026	55,000	7,425	65,000	35,700	120,000	63,950	55,000	29,530	615,000	155,805	770,805	3,765,000	24.78%	2026
2027	55,000	5,775	65,000	33,100	125,000	57,825	70,000	27,048	550,000	136,310	686,310	3,215,000	35.76%	2027
2028	55,000	4,125	70,000	30,400	130,000	51,450	75,000	24,203	485,000	117,715	602,715	2,730,000	45.45%	2028
2029	55,000	2,750	70,000	27,600	135,000	44,825	75,000	21,278	435,000	100,265	535,265	2,295,000	54.15%	2029
2030	55,000	1,650	70,000	24,800	140,000	37,950	75,000	18,334	385,000	84,246	469,246	1,910,000	61.84%	2030
2031	55,000	550	70,000	22,000	145,000	30,825	80,000	15,273	375,000	69,035	444,035	1,535,000	69.33%	2031
2032			70,000	19,200	150,000	24,200	80,000	12,113	300,000	55,513	355,513	1,235,000	75.32%	2032
2033			70,000	16,400	150,000	18,200	85,000	8,833	305,000	43,433	348,433	930,000	81.42%	2033
2034			75,000	13,500	160,000	12,000	85,000	5,411	320,000	30,911	350,911	610,000	87.81%	2034
2035			70,000	10,600	40,000	8,000	90,000	1,845	200,000	20,445	220,445	410,000	91.81%	2035
2036			75,000	7,700	45,000	6,300			120,000	14,000	134,000	290,000	94.21%	2036
2037			75,000	4,700	45,000	4,500			120,000	9,200	129,200	170,000	96.60%	2037
2038			80,000	1,600	45,000	2,700			125,000	4,300	129,300	45,000	99.10%	2038
2039					45,000	900			45,000	900	45,900	0	100.00%	2039
	380,000	36,150	990,000	305,400	1,590,000	469,800	770,000	195,006	5,005,000	1,095,048	6,100,048			

* Preliminary, subject to change.

- 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. This issue is not subject to the debt limit.
- 5) This represents the \$770,000 Improvement Portion of the \$905,000 General Obligation Improvement Bonds, Series 2024A.

City of Montevideo, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Utility Revenues
(As of 07/25/2024)

Utility Revenue Bonds 1) Series 2020A								
Dated	07/07/2020							
Amount	\$595,000							
Maturity	02/01							
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2024	0	5,650	0	5,650	5,650	490,000	.00%	2024
2025	35,000	10,775	35,000	10,775	45,775	455,000	7.14%	2025
2026	35,000	9,725	35,000	9,725	44,725	420,000	14.29%	2026
2027	40,000	8,600	40,000	8,600	48,600	380,000	22.45%	2027
2028	40,000	7,400	40,000	7,400	47,400	340,000	30.61%	2028
2029	40,000	6,400	40,000	6,400	46,400	300,000	38.78%	2029
2030	40,000	5,600	40,000	5,600	45,600	260,000	46.94%	2030
2031	40,000	4,800	40,000	4,800	44,800	220,000	55.10%	2031
2032	40,000	4,000	40,000	4,000	44,000	180,000	63.27%	2032
2033	45,000	3,150	45,000	3,150	48,150	135,000	72.45%	2033
2034	45,000	2,250	45,000	2,250	47,250	90,000	81.63%	2034
2035	45,000	1,350	45,000	1,350	46,350	45,000	90.82%	2035
2036	45,000	450	45,000	450	45,450	0	100.00%	2036
	490,000	70,150	490,000	70,150	560,150			

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 07/25/2024)

	Capital Improvement Plan Bonds 1) Series 2014A		Sewer Bonds 2) Series 2017A		Utility Bonds 3) Series 2018A		Capital Improvement Plan Bonds 4) Series 2020A							
Dated Amount	06/25/2014 \$3,000,000		07/13/2017 \$150,000		07/10/2018 \$175,000		07/07/2020 \$4,100,000							
Maturity	02/01		02/01		02/01		02/01							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2024	0	29,188	0	638	0	1,500	0	39,763	0	71,088	71,088	5,595,000	.00%	2024
2025	145,000	56,381	15,000	1,125	20,000	2,700	175,000	76,900	355,000	137,106	492,106	5,240,000	6.34%	2025
2026	145,000	52,213	15,000	825	20,000	2,100	180,000	71,575	360,000	126,713	486,713	4,880,000	12.78%	2026
2027	150,000	47,788	15,000	506	20,000	1,500	185,000	66,100	370,000	115,894	485,894	4,510,000	19.39%	2027
2028	155,000	43,213	15,000	169	20,000	900	190,000	60,475	380,000	104,756	484,756	4,130,000	26.18%	2028
2029	160,000	38,488			20,000	300	195,000	55,675	375,000	94,463	469,463	3,755,000	32.89%	2029
2030	165,000	33,448					200,000	51,725	365,000	85,173	450,173	3,390,000	39.41%	2030
2031	170,000	28,088					205,000	47,675	375,000	75,763	450,763	3,015,000	46.11%	2031
2032	175,000	22,436					205,000	43,575	380,000	66,011	446,011	2,635,000	52.90%	2032
2033	180,000	16,490					210,000	39,425	390,000	55,915	445,915	2,245,000	59.87%	2033
2034	190,000	10,150					215,000	35,175	405,000	45,325	450,325	1,840,000	67.11%	2034
2035	195,000	3,413					220,000	30,825	415,000	34,238	449,238	1,425,000	74.53%	2035
2036							225,000	26,375	225,000	26,375	251,375	1,200,000	78.55%	2036
2037							230,000	21,825	230,000	21,825	251,825	970,000	82.66%	2037
2038							235,000	17,175	235,000	17,175	252,175	735,000	86.86%	2038
2039							240,000	12,425	240,000	12,425	252,425	495,000	91.15%	2039
2040							245,000	7,575	245,000	7,575	252,575	250,000	95.53%	2040
2041							250,000	2,563	250,000	2,563	252,563	0	100.00%	2041
	1,830,000	381,293	60,000	3,263	100,000	9,000	3,605,000	706,825	5,595,000	1,100,380	6,695,380			

- 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.
- 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 07/25/2024)

	Sewer Revenue Note of 2009		Sewer Revenue Note of 2012		Water Revenue Note of 2015		Utility Revenue Bonds Series 2016B		Utility Revenue Bonds 1) Series 2022A	
Dated	06/17/2009		05/08/2012		04/21/2015		07/20/2016		07/14/2022	
Amount	\$8,913,742		\$161,967		\$1,172,558		\$790,000		\$760,000	
Maturity	08/20		08/20		08/20		02/01		02/01	
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	492,000	45,850	9,000	554	59,000	3,715	0	3,580	0	14,400
2025	506,000	77,481	9,000	971	59,000	6,840	60,000	6,635	40,000	28,000
2026	521,000	62,858	9,000	834	60,000	6,250	60,000	5,585	40,000	26,400
2027	536,000	47,801	9,000	698	60,000	5,650	40,000	4,600	45,000	24,700
2028	551,000	32,310	9,000	561	61,000	5,050	45,000	3,623	45,000	22,900
2029	567,000	16,386	9,000	425	62,000	4,440	45,000	2,588	45,000	21,100
2030			9,000	288	62,000	3,820	45,000	1,553	50,000	19,200
2031			10,000	152	63,000	3,200	45,000	518	50,000	17,200
2032					63,000	2,570			55,000	15,100
2033					64,000	1,940			55,000	12,900
2034					65,000	1,300			55,000	10,700
2035					65,000	650			60,000	8,400
2036									60,000	6,000
2037									60,000	3,600
2038									60,000	1,200
	3,173,000	282,685	73,000	4,483	743,000	45,425	340,000	28,680	720,000	231,800

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

--Continued on next page

City of Montevideo, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Utility Revenues
(As of 07/25/2024)

Utility Revenue Bonds 2) Series 2024A								
Dated	07/25/2024							
Amount	\$135,000*							
Maturity	02/01							
Fiscal Year Ending	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2024	0	0	560,000	68,099	628,099	4,624,000	10.80%	2024
2025	0	5,460	674,000	125,386	799,386	3,950,000	23.80%	2025
2026	10,000	5,170	700,000	107,097	807,097	3,250,000	37.31%	2026
2027	10,000	4,773	700,000	88,221	788,221	2,550,000	50.81%	2027
2028	10,000	4,380	721,000	68,824	789,824	1,829,000	64.72%	2028
2029	15,000	3,893	743,000	48,831	791,831	1,086,000	79.05%	2029
2030	15,000	3,304	181,000	28,164	209,164	905,000	82.54%	2030
2031	15,000	2,711	183,000	23,780	206,780	722,000	86.07%	2031
2032	15,000	2,119	133,000	19,789	152,789	589,000	88.64%	2032
2033	15,000	1,523	134,000	16,363	150,363	455,000	91.22%	2033
2034	15,000	919	135,000	12,919	147,919	320,000	93.83%	2034
2035	15,000	308	140,000	9,358	149,358	180,000	96.53%	2035
2036			60,000	6,000	66,000	120,000	97.69%	2036
2037			60,000	3,600	63,600	60,000	98.84%	2037
2038			60,000	1,200	61,200	0	100.00%	2038
	135,000	34,557	5,184,000	627,630	5,811,630			

* Preliminary, subject to change.

2) This represents the \$135,000 Utility Revenue Portion of the \$905,000 General Obligation Improvement Bonds, Series 2024A

Montevideo Economic Development Authority, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Housing Revenues
(As of 07/25/2024)

Housing Development Rev Refunding Bonds Series 2007A								
Dated	12/27/2007							
Amount	\$620,000							
Maturity	02/01							
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2024	0	4,839	0	4,839	4,839	215,000	.00%	2024
2025	35,000	8,908	35,000	8,908	43,908	180,000	16.28%	2025
2026	35,000	7,368	35,000	7,368	42,368	145,000	32.56%	2026
2027	40,000	5,688	40,000	5,688	45,688	105,000	51.16%	2027
2028	40,000	3,868	40,000	3,868	43,868	65,000	69.77%	2028
2029	40,000	2,048	40,000	2,048	42,048	25,000	88.37%	2029
2030	25,000	569	25,000	569	25,569	0	100.00%	2030
	215,000	33,285	215,000	33,285	248,285			

Montevideo Economic Development Authority, Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 07/25/2024)

Lease Revenue Refunding Bonds								
Series 2020A								
Dated	09/23/2020							
Amount	\$5,295,000							
Maturity	02/01							
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2024	0	40,275	0	40,275	40,275	4,475,000	.00%	2024
2025	230,000	78,480	230,000	78,480	308,480	4,245,000	5.14%	2025
2026	235,000	74,295	235,000	74,295	309,295	4,010,000	10.39%	2026
2027	235,000	70,065	235,000	70,065	305,065	3,775,000	15.64%	2027
2028	240,000	65,790	240,000	65,790	305,790	3,535,000	21.01%	2028
2029	3,535,000	31,815	3,535,000	31,815	3,566,815	0	100.00%	2029
	4,475,000	360,720	4,475,000	360,720	4,835,720			

OVERLAPPING DEBT¹

Taxing District	2023/24 Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
I.S.D. No. 129 (Montevideo Public Schools)	\$12,908,462	31.2037%	\$1,175,000 ³	<u>\$366,643</u>
City's Share of Total Overlapping Debt				<u><u>\$366,643</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 \$398,480,746	Debt/ Per Capita 5,513¹
Direct G.O. Debt Secured By:			
Special Assessment & Taxes*	\$5,005,000		
Special Assessment & Utility Revenues	490,000		
Taxes	5,595,000		
Utility Revenues*	5,184,000		
Housing Revenues (EDA)	215,000		
Total General Obligation Debt*	<u>\$16,489,000</u>		
Less: G.O. Debt Paid Entirely from Revenues ²	<u>(5,399,000)</u>		
Tax Supported General Obligation Debt*	\$11,090,000	2.78%	\$2,011.61
City's Share of Total Overlapping Debt	<u>\$366,643</u>	<u>0.09%</u>	<u>\$66.51</u>
Total*	<u><u>\$11,456,643</u></u>	<u><u>2.88%</u></u>	<u><u>\$2,078.11</u></u>

*Preliminary, subject to change.

¹ Estimated 2022 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
2019/20	\$2,410,558	\$2,356,196	\$2,407,496	99.87%
2020/21	2,530,888	2,485,679	2,523,965	99.73%
2021/22	2,666,557	2,628,166	2,655,555	99.59%
2022/23	2,978,699	2,905,817	2,905,817	97.55%
2023/24	3,099,449	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

	2019/20	2020/21	2021/22	2022/23	2023/24
Chippewa County	45.138%	45.451%	48.817%	45.446%	41.799%
City of Montevideo	87.487%	86.151%	86.207%	86.021%	76.956%
I.S.D. No. 129 (Montevideo Public Schools)	22.157%	21.631%	20.027%	19.441%	16.802%
Region 6W	0.317%	0.315%	0.335%	0.294%	0.247%
EDA	1.207%	1.225%	1.257%	1.283%	1.242%

Referendum Market Value Rates:

I.S.D. No. 129 (Montevideo Public Schools)	0.20795%	0.20688%	0.19097%	0.18029%	0.16100%
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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 39 full-time, 23 part-time, and 25 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
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.

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.

FUNDS ON HAND (as of April 30, 2024)

Fund	Total Cash and Investments
General	\$935,505
Special Revenue	1,687,233
Debt Service	989,680
Capital Projects	2,336,809
Enterprise Funds	<u>5,619,484</u>
 Total Funds on Hand	 <u><u>\$11,568,711</u></u>

ENTERPRISE FUNDS

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

	2020 Audited	2021 Audited	2022 Audited
Municipal Liquor Store			
Total Operating Revenues	\$724,508	\$685,472	\$706,198
Less: Operating Expenses	<u>(465,393)</u>	<u>(472,230)</u>	<u>(521,251)</u>
Operating Income	\$259,115	\$213,242	\$184,947
Plus: Depreciation	<u>4,814</u>	<u>6,493</u>	<u>5,439</u>
Revenues Available for Debt Service	<u><u>\$263,929</u></u>	<u><u>\$219,735</u></u>	<u><u>\$190,386</u></u>
 Utility			
Total Operating Revenues	\$2,684,241	\$2,855,741	\$2,795,356
Less: Operating Expenses	<u>(2,032,672)</u>	<u>(2,083,324)</u>	<u>(2,205,584)</u>
Operating Income	\$651,569	\$772,417	\$589,772
Plus: Depreciation	<u>930,041</u>	<u>929,524</u>	<u>950,990</u>
Revenues Available for Debt Service	<u><u>\$1,581,610</u></u>	<u><u>\$1,701,941</u></u>	<u><u>\$1,540,762</u></u>

Continued on next page

ENTERPRISE FUNDS, Continued

	2020 Audited	2021 Audited	2022 Audited
Refuse			
Total Operating Revenues	\$733,081	\$760,362	\$782,322
Less: Operating Expenses	<u>(733,081)</u>	<u>(760,362)</u>	<u>(782,322)</u>
Operating Income	\$0	\$0	\$0
Plus: Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Revenues Available for Debt Service	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
Storm Water Utility¹			
Total Operating Revenues	N/A	N/A	\$0
Less: Operating Expenses	<u>N/A</u>	<u>N/A</u>	<u>(10,812)</u>
Operating Income	N/A	N/A	(\$10,812)
Plus: Depreciation	<u>N/A</u>	<u>N/A</u>	<u>0</u>
Revenues Available for Debt Service	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>(\$10,812)</u></u>
Building Inspection			
Total Operating Revenues	\$53,153	\$67,288	\$118,132
Less: Operating Expenses	<u>(121,195)</u>	<u>(122,411)</u>	<u>(140,859)</u>
Operating Income	(\$68,042)	(\$55,123)	(\$22,727)
Plus: Depreciation	<u>0</u>	<u>0</u>	<u>0</u>
Revenues Available for Debt Service	<u><u>(\$68,042)</u></u>	<u><u>(\$55,123)</u></u>	<u><u>(\$22,727)</u></u>
Economic Development			
Total Operating Revenues	\$582,928	\$508,307	\$884,931
Less: Operating Expenses	<u>(302,848)</u>	<u>(313,372)</u>	<u>(300,986)</u>
Operating Income	\$280,080	\$194,935	\$583,945
Plus: Depreciation	<u>198,269</u>	<u>198,272</u>	<u>198,266</u>
Revenues Available for Debt Service	<u><u>\$478,349</u></u>	<u><u>\$393,207</u></u>	<u><u>\$782,211</u></u>

¹ The City established the Storm Water Utility Enterprise Fund in Fiscal Year End 2022.

SUMMARY GENERAL FUND INFORMATION

The 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 2022 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2020 Audited	2021 Audited	2022 Audited	2023 Adopted Budget ¹	2024 Adopted Budget ²
Revenues					
Taxes	\$1,760,926	\$1,824,851	\$1,923,592	\$2,158,450	\$2,238,450
Licenses and permits	6,563	19,550	21,965	21,200	22,600
Intergovernmental revenue	2,732,888	2,490,644	2,519,713	2,540,833	2,866,398
Fine and forfeits	39,694	51,635	36,805	33,800	33,000
Interest on investments	10,084	6,756	10,048	10,000	10,000
Donations	0	1,645	0	0	0
Charges for services	325,306	356,688	373,580	353,700	312,200
Net change in fair value of investments ³	97,774	(171,174)	(599,496)	(496,599)	0
Miscellaneous	11,045	46,042	24,867	10,000	20,000
Total Revenues	\$4,984,280	\$4,626,637	\$4,311,074	\$4,631,384	\$5,502,648
Expenditures					
Current:					
General government	\$912,718	\$968,203	\$954,094	\$1,053,695	\$1,219,570
Public safety	1,819,432	1,763,058	1,818,731	1,870,495	1,993,275
Public works	928,656	1,287,296	1,318,977	1,352,650	1,439,450
Housing and economic development	82,187	84,819	83,596	134,960	141,970
Parks, culture and recreation	598,263	225,209	235,476	247,990	246,950
Capital outlay	27,267	37,343	34,260	40,000	41,000
Total Expenditures	\$4,368,523	\$4,365,928	\$4,445,134	\$4,699,790	\$5,082,215
Excess of revenues over (under) expenditures	\$615,757	\$260,709	(\$134,060)	(\$68,406)	\$420,433
Other Financing Sources (Uses)					
Transfers in	\$0	\$145,306	\$0	\$0	\$0
Transfers (out)	(569,655)	(358,767)	0	(418,180)	(417,180)
Total Other Financing Sources (Uses)	(569,655)	(213,461)	(138,951)	(418,180)	(417,180)
Net changes in Fund Balances	\$46,102	\$47,248	(\$273,011)	(\$486,586)	\$3,253
General Fund Balance January 1	\$1,554,508	\$1,600,610	\$1,647,858		
Prior Period Adjustment	0	0	0		
Residual Equity Transfer in (out)	0	0	0		
General Fund Balance December 31	\$1,600,610	\$1,647,858	\$1,374,847		
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$73,813	\$87,041	\$52,281		
Restricted	6,723	15,286	14,686		
Assigned	1,520,074	1,545,531	1,307,880		
Total	\$1,600,610	\$1,647,858	\$1,374,847		

¹ The 2023 budget was adopted on December 5, 2022.

² The 2024 budget was adopted on December 4, 2023.

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

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 2,477 and a 2022 population estimate of 5,398, and comprising an area of 4.7 square miles, is located approximately 145 miles west of St. Paul, Minnesota.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Walmart	Retail Department Store	350
Jennie-O-Foods, Inc.	Poultry processing plant	320
I.S.D. No. 129 (Montevideo Public Schools)	Elementary and secondary education	315
Chippewa County-Montevideo Hospital	Health care	315
Friendship Homes of Minnesota	Mobile home manufacturer	200
Luther Haven Nursing Home	Nursing and convalescent home	160
Ice Castle Fish Houses	Ice house manufacturer	150
Chippewa County	County government and services	150
AMETEK Engineered Medical Components	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.

BUILDING PERMITS (as of April 30, 2024)

	2020	2021	2022	2023	2024
<u>New Single Family Homes</u>					
No. of building permits	11	13	2	2	0
Valuation	\$318,879	\$630,000	\$850,000	\$538,000	\$0
<u>New Multiple Family Buildings</u>					
No. of building permits	0	1	0	0	0
Valuation	\$0	\$4,150,289	\$0	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	3	2	1	31	0
Valuation	\$3,573,938	\$730,000	\$7,098,000	\$7,997,714	\$0
<u>All Building Permits</u>					
<i>(including additions and remodelings)</i>					
No. of building permits	429	427	917	559	115
Valuation	\$6,841,399	\$8,995,386	\$26,853,655	\$56,286,911	\$2,275,108

Source: The City.

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%

2022 State Demographer Population Estimate 5,513

Income and Age Statistics

	The City	Chippewa County	State of Minnesota	United States
2022 per capita income	\$28,170	\$32,772	\$44,947	\$41,261
2022 median household income	\$49,435	\$62,112	\$74,313	\$75,149
2022 median family income	\$66,694	\$81,912	\$107,072	\$92,646
2022 median gross rent	\$762	\$788	\$1,178	\$1,268
2022 median value owner occupied units	\$124,500	\$138,900	\$286,800	\$281,900
2022 median age	42.0 yrs.	41.8 yrs.	38.5 yrs.	38.5 yrs.

	State of Minnesota	United States
City % of 2022 per capita income	62.67%	68.27%
City % of 2022 median family income	62.29%	71.99%

Housing Statistics

	<u>The City</u>		Percent of Change
	2020	2022	
All Housing Units	2,477	2,309	-6.78%

Source: 2010 and 2020 Census of Population and Housing, and 2022 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>), 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.

Year	<u>Average Employment</u>	<u>Average Unemployment</u>	
	Chippewa County	Chippewa County	State of Minnesota
2020	6,445	5.2%	6.3%
2021	6,405	3.2%	3.7%
2022	6,310	2.3%	2.7%
2023	6,280	2.8%	2.8%
2024, May	6,229	2.7%	2.7%

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 changes 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, 2022



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF MONTEVIDEO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2022

**CITY OF MONTEVIDEO, MINNESOTA
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INTRODUCTORY SECTION

CITY OF MONTEVIDEO, MINNESOTA
ELECTED AND APPOINTED OFFICIALS

Term Expires
December 31

For the Year 2022

Mayor Erich Winters	2022
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COUNCIL

Nathan Schmidt - President	2024
Beverly Olson	2024
Bryce Curtiss	2022
Dan Sanborn	2022
Steven Sulflow	2022

City Manager – Robert Wolfington, III	Appointed
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Clerk/Treasurer - Glennis A. Lauritsen	Appointed
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Attorney - Janice Nelson	Appointed
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Engineer - Rodeberg & Berryman, Inc.	Appointed
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**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Montevideo, Minnesota

Report on the Audit of Financial Statements

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 City of Montevideo, Minnesota, as of and for the year ended December 31, 2022, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montevideo, Minnesota, as of December 31, 2022, 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.

Emphasis of Matters

As discussed in Note 1 to the financial statements, in 2022, the City adopted GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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 the 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.

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 judgment 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 12 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, 2021, 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, related to the 2021 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 2021 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 2021 supplementary information is fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2023, on our consideration of the City of Montevideo, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Montevideo, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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, 2021, and, in our report dated June 16, 2022, 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, 2021, is consistent in all material respects, with the audited financial statements from which it has been derived.

Montevideo, Minnesota
July 10, 2023

Dan F. Lok - 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, 2022. Please read it in conjunction with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2022 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 \$58,195,698 (net position). Of this amount, \$7,851,595 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,343,455 mainly due to changes in pension related items and changes related to the implementation of GASB 87 during 2022.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,080,670, a decrease of \$184,151 in comparison with the prior year. Approximately 56 percent of this total amount, \$3,961,978, 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 \$1,307,880 or 29 percent of budgeted 2022 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, storm water utility, refuse, building inspection, and economic development housing.

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

Fund Financial Statements

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

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

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

CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The City maintains 35 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 17-22 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, storm water utility, refuse, building inspection, and economic development-housing activities. The basic proprietary fund financial statements can be found on pages 23-30 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 32-90 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 91-98 of this report. The combining statements and other statistical schedules are presented immediately following the required supplementary information, and can be found on pages 99-133 of this report.

**CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS**

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 \$58,195,698 as of December 31, 2022.

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	
	2022	2021	2022	2021	2022	2021
Current & other assets	8,817,230	8,243,926	11,686,714	10,991,547	20,503,944	19,235,473
Capital assets	46,256,997	44,688,993	22,970,240	23,281,505	69,227,237	67,970,498
Total assets	55,074,227	52,932,919	34,656,954	34,273,052	89,731,181	87,205,971
Deferred outflows of resources	2,483,257	1,543,494	246,353	323,378	2,729,610	1,866,872
Other liabilities	1,406,927	1,119,753	1,342,760	1,274,301	2,749,687	2,394,054
Long-term liabilities outstanding	14,583,123	11,397,742	12,208,274	12,114,981	26,791,397	23,512,723
Total outstanding	15,990,050	12,517,495	13,551,034	13,389,282	29,541,084	25,906,777
Deferred inflows of resources	521,874	2,128,836	4,202,135	5,185,387	4,724,009	7,314,223
Net investment in capital assets	36,412,630	35,061,984	10,812,781	10,946,976	47,225,411	46,008,960
Restricted	3,118,692	2,787,736			3,118,692	2,787,736
Unrestricted	1,514,238	1,980,362	6,337,357	5,075,185	7,851,595	7,055,547
Total net position	41,045,560	39,830,082	17,150,138	16,022,161	58,195,698	55,852,243

As of December 31, 2022, the City is able to report positive balances in net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

**CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Change in Net Position. Governmental activities increased the City's net position by \$1,215,478. Business-type activities increased the city's net position by \$1,127,977. Key elements of these changes are as follows:

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	614,618	579,674	7,291,354	6,816,664	7,905,972	7,396,338
Operating grants/ contributions	274,356	561,275			274,356	561,275
Capital grants/ contributions	2,503,744	4,443,929	107,543	25,832	2,611,287	4,469,761
General revenues						
Property taxes	2,868,879	2,727,460			2,868,879	2,727,460
Aid/grants/contributions not restricted for specific programs	2,370,659	2,303,670	3,353	1,117	2,374,012	2,304,787
Unrestricted investment earnings	(545,925)	(121,347)	176,666	42,299	(369,259)	(79,048)
Transfers	189,000	145,800	(189,000)	(145,800)		
Gain (loss) on sale of capital assets	22,542	(125,886)	(10,452)		12,090	(125,886)
TOTAL REVENUES	8,297,873	10,514,575	7,379,464	6,740,112	15,677,337	17,254,687
Expenses						
General government	1,063,743	1,027,994			1,063,743	1,027,994
Public safety	2,171,353	1,843,918			2,171,353	1,843,918
Public works	2,558,389	2,235,444			2,558,389	2,235,444
Parks, recreation, culture	506,758	449,614			506,758	449,614
Economic development	168,244	7,980,527			168,244	7,980,527
Transportation	372,016	356,804			372,016	356,804
Interest & fiscal charges	241,892	259,741			241,892	259,741
Liquor			2,506,185	2,391,902	2,506,185	2,391,902
Water & sewer utilities			2,390,773	2,266,874	2,390,773	2,266,874
Refuse			782,322	760,362	782,322	760,362
Storm Water Utility			23,981		23,981	
Building inspection			140,859	122,411	140,859	122,411
Economic development housing			407,367	446,195	407,367	446,195
TOTAL EXPENSES	7,082,395	14,154,042	6,251,487	5,987,744	13,333,882	20,141,786
Increase in net position	1,215,478	(3,639,467)	1,127,977	752,368	2,343,455	(2,887,099)
Net position, beginning	39,830,082	43,469,549	16,022,161	15,269,793	55,852,243	58,739,342
Net position, ending	41,045,560	39,830,082	17,150,138	16,022,161	58,195,698	55,852,243

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, 2022, the City's governmental funds reported combined ending fund balances of \$7,080,670, a decrease of \$184,151 from 2021. Fifty-six percent (56%) of this total amount (\$3,961,978) 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, 2022, the assigned fund balance of the general fund was \$1,307,880. 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 30% and 32% of total general fund budgeted expenditures for 2022 and 2021, respectively.

The fund balance of the City's general fund decreased by \$273,011 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 \$223,257. Total net position decreased by \$16,885 in 2022 and increased by \$11,366 in 2021. The liquor fund transferred \$80,000 and \$100,000 to the general fund in 2022 and 2021, respectively and \$105,000 and \$104,500 to the Capital Equipment and Facilities Fund in 2022 and 2021, respectively.

Utilities Fund: The utilities fund had unrestricted net position of \$4,747,232. Total net position increased by \$569,022 in 2022 and increased by \$673,633 in 2021.

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 \$1,424,207. Total net position increased by \$605,249 in 2022 and increased by \$63,684 in 2021.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the General Fund budget was amended to reflect an increase in funds transferred from other funds of \$8,000. At year end, final budgeted revenue and other financing sources exceeded actual revenues and other financing sources by \$479,131 and final budgeted expenditures and other financing uses exceeded actual expenditures and other financing uses by \$198,090, resulting in an increase in the excess of expenditures over revenues from budget to actual of \$(273,011).

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of December 31, 2022 amounts to \$69,227,237 (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 \$2,868,523. (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 \$22,331,760, net of premium. This includes \$3,555,000 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	
	2022	2021	2022	2021
G.O. Improvement Bonds	6,045,000	6,340,000		
G.O. Special Assessment Bonds	3,799,367	3,287,009		
G.O. Revenue Bonds			2,703,459	2,131,529
Public Facilities Authority Loans			4,534,000	5,063,000
Revenue Bonds			4,920,000	5,140,000
Employee Benefits	217,184	196,489	112,750	131,000
Total	<u>10,061,551</u>	<u>9,823,498</u>	<u>12,270,209</u>	<u>12,465,529</u>

**CITY OF MONTEVIDEO, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS**

LONG-TERM OBLIGATIONS (Continued)

The City's total debt increased by \$42,733 during the current fiscal year, as compared to an decrease of \$1,858,718 in 2021. During 2022, the City issued \$1,815,000 G.O. Bonds for 2022 Street Improvement and Utility Projects. During 2021, no new debt was issued, and \$971,875 in bond payments were made.

CURRENT FINANCIAL ISSUES AND CONCERNS

- LGA makes up 44.9% of the 2023 budgeted general fund revenues and 52.4% of the 2022 actual general fund revenues.
- The 2023 general fund budgeted expenditures have been increased \$549,090, or 11.62% from the 2022 general fund actual expenditures.
- The City's property tax levy for 2023 increased by \$312,750, or 11.73%.

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. In 2022, the City developed a Storm Water Utility Fund to help address expenditures related to Storm Water.

NEWLY ADOPTED ACCOUNTING STANDARDS

In 2022, the City adopted GASB Statement No. 87, *Leases*. This standard required restatement of 2021 financial statements. The net effect on net position and operating income for 2021 was not material.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2022
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

	Governmental Activities	Business-type Activities	Totals	
			2022	(as restated) 2021
ASSETS				
Cash on hand	328	1,000	1,328	2,428
Equity in pooled and non pooled cash and investments	5,788,815	4,282,120	10,070,935	10,139,044
Cash restricted - current operations		304,585	304,585	305,524
Cash in escrow account	25,071		25,071	
Accounts receivable & unbilled utility charges	206,597	513,905	720,502	721,686
Accrued interest receivable	14,250		14,250	9,770
Delinquent taxes receivable	109,790	749	110,539	121,354
Special assessments receivable	15,981	12,849	28,830	33,299
Due from other governmental units	1,365,723		1,365,723	336,727
Internal balances	55,688	(55,688)		
Inventory		288,053	288,053	276,900
Prepaid items	53,531	9,849	63,380	99,410
Total current assets	<u>7,635,774</u>	<u>5,357,422</u>	<u>12,993,196</u>	<u>12,046,142</u>
NON CURRENT ASSETS				
Cash restricted/assigned		1,503,236	1,503,236	1,325,466
Special assessments - deferred	773,264	134,110	907,374	610,063
Lease receivable		4,588,881	4,588,881	4,772,231
Notes receivable	426,492	52,800	479,292	406,832
Less allowance for doubtful accounts	(18,300)		(18,300)	(13,700)
Right to use asset		22,501	22,501	61,075
Land held for resale		27,764	27,764	27,764
Total non current assets	<u>1,181,456</u>	<u>6,329,292</u>	<u>7,510,748</u>	<u>7,189,731</u>
CAPITAL ASSETS				
Nondepreciable assets	23,529,284	1,098,866	24,628,150	26,368,758
Property and equipment	52,238,832	40,205,195	92,444,027	86,614,951
Less: accumulated depreciation	<u>(29,511,119)</u>	<u>(18,333,821)</u>	<u>(47,844,940)</u>	<u>(45,013,211)</u>
Total capital assets, net of depreciation	<u>46,256,997</u>	<u>22,970,240</u>	<u>69,227,237</u>	<u>67,970,498</u>
TOTAL ASSETS	<u>55,074,227</u>	<u>34,656,954</u>	<u>89,731,181</u>	<u>87,206,371</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred OPEB resources	70,138	12,783	82,921	80,742
Deferred pension resources	<u>2,413,119</u>	<u>233,570</u>	<u>2,646,689</u>	<u>1,786,130</u>
Total deferred outflows	<u>2,483,257</u>	<u>246,353</u>	<u>2,729,610</u>	<u>1,866,872</u>

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2022
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

	Governmental Activities	Business-type Activities	Totals	
			2022	(as restated) 2021
LIABILITIES				
Accrued salaries, payroll				
taxes & other expenses	157,227	133,664	290,891	262,465
Accounts and contracts payable	369,640	180,870	550,510	256,270
Due to other governments	60	38,226	38,286	36,319
Current portion of long term debt	880,000	990,000	1,870,000	1,839,000
Total current liabilities	<u>1,406,927</u>	<u>1,342,760</u>	<u>2,749,687</u>	<u>2,394,054</u>
NON CURRENT LIABILITIES				
Security deposit payable		18,728	18,728	19,325
Lease liability		23,037	23,037	61,075
Notes payable		4,534,000	4,534,000	5,063,000
Bonds payable, net of unamortized				
discount/refunding deferral	9,844,367	7,623,459	17,467,826	16,898,538
Less current portion	(880,000)	(990,000)	(1,870,000)	(1,839,000)
Net OPEB liability	1,299,117	131,072	1,430,189	1,404,151
Net pension liability - PERA	4,102,455	755,228	4,857,683	1,578,145
Other long-term debt	217,184	112,750	329,934	327,489
Total long-term liabilities	<u>14,583,123</u>	<u>12,208,274</u>	<u>26,791,397</u>	<u>23,512,723</u>
TOTAL LIABILITIES	<u>15,990,050</u>	<u>13,551,034</u>	<u>29,541,084</u>	<u>25,906,777</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned grants	458,644		458,644	225,998
Lease		4,098,505	4,098,505	4,772,231
Deferred revenue - insurance proceeds	25,071	61,412	86,483	
Deferred pension resources	38,159	42,218	80,377	2,315,994
Total deferred inflows	<u>521,874</u>	<u>4,202,135</u>	<u>4,724,009</u>	<u>7,314,223</u>
NET POSITION				
Net investment in capital assets	36,412,630	10,812,781	47,225,411	46,008,960
Restricted for:				
Public safety	18,269		18,269	18,138
Capital projects	244,367		244,367	159,085
Debt service	1,874,285		1,874,285	1,695,079
Economic development/ revolving loans	755,457		755,457	686,315
Housing development loans	172,783		172,783	171,465
Other projects	53,531		53,531	57,654
Unrestricted	<u>1,514,238</u>	<u>6,337,357</u>	<u>7,851,595</u>	<u>7,055,547</u>
TOTAL NET POSITION	<u>41,045,560</u>	<u>17,150,138</u>	<u>58,195,698</u>	<u>55,852,243</u>

See accompanying notes to financial statements. 14

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

Functions/programs	2022							Net (Expense)
								Revenue and
								Changes in
	Net (Expense) Revenue and Changes in Net Position							Net Position
	Program Revenues				Primary Government			2021 Totals
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
Primary government								
Governmental activities								
General government	1,063,743	76,206	5,020		(982,517)		(982,517)	(930,440)
Public safety	2,171,353	183,132	179,337	141,883	(1,667,001)		(1,667,001)	(1,411,095)
Public works	2,558,389	184,900	13,710	2,333,870	(25,909)		(25,909)	1,608,852
Parks, culture and recreation	506,758	71,966	35,624		(399,168)		(399,168)	(327,319)
Economic development	168,244	31,523	13,162	1,628	(121,931)		(121,931)	(7,064,156)
Transportation	372,016	66,891	27,503	26,363	(251,259)		(251,259)	(203,028)
Interest and fiscal charges	241,892				(241,892)		(241,892)	(241,978)
Total governmental activities	7,082,395	614,618	274,356	2,503,744	(3,689,677)		(3,689,677)	(8,569,164)
Business - type activities								
Liquor	2,506,185	2,690,596				184,411	184,411	213,242
Utilities	2,390,773	2,815,373		107,543		532,143	532,143	634,521
Refuse	782,322	782,322						
Storm water utility	23,981					(23,981)	(23,981)	
Building inspection	140,859	118,132				(22,727)	(22,727)	(55,123)
EDA - rental	407,367	884,931				477,564	477,564	62,112
Total business-type activities	6,251,487	7,291,354		107,543		1,147,410	1,147,410	854,752
Total primary government	13,333,882	7,905,972	274,356	2,611,287	(3,689,677)	1,147,410	(2,542,267)	(7,714,412)

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

		2022						Net (Expense)
		Net (Expense) Revenue and Changes in Net Position						Revenue and Changes in Net Position
		Program Revenues			Primary Government			
		Charges for	Operating	Capital	Governmental	Business-type	Totals	2021
Functions/programs	Expenses	Services	Grants and	Grants and	Activities	Activities		Totals
General revenues:								
Taxes								
Property taxes, levied for general purposes					1,916,034		1,916,034	1,818,009
Property taxes, levied for debt service					901,451		901,451	852,300
Property taxes, levied for special purpose					51,394		51,394	57,151
Local government aid					2,334,363		2,334,363	2,297,618
Grants and contributions not restricted to specific programs					36,296	3,353	39,649	7,169
Investment income					53,571	176,666	230,237	92,126
Net increase (decrease) in the fair value of investments					(599,496)		(599,496)	(171,174)
Gain (Loss) on sale of assets					22,542	(10,452)	12,090	(125,886)
Transfers					189,000	(189,000)		
Total general revenues					4,905,155	(19,433)	4,885,722	4,827,313
CHANGE IN NET POSITION					1,215,478	1,127,977	2,343,455	(2,887,099)
NET POSITION - beginning of year					39,830,082	16,022,161	55,852,243	58,739,342
NET POSITION - end of year					41,045,560	17,150,138	58,195,698	55,852,243

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

			2022 Special Assessment Construction	Other Governmental Funds	Total Governmental Funds	
	General	Capital Equipment & Facilities			2022	2021
ASSETS						
ASSETS						
Cash on hand	328				328	328
Equity in pooled cash/investments	351,999	1,983,841		3,452,975	5,788,815	6,586,778
Cash in escrow account		25,071			25,071	
Accrued interest receivable	14,250				14,250	9,770
Taxes receivable - delinquent	70,915	620		38,255	109,790	120,610
Accounts receivable	106,176	3,444		91,277	200,897	153,115
Unbilled accounts receivable	5,700				5,700	5,650
Due from other funds	1,035,185				1,035,185	306,230
Notes receivable				426,492	426,492	354,032
Special assessments - delinquent		6,345		9,636	15,981	20,911
Special assessments - deferred		98,641		674,623	773,264	525,641
Due from other governments	6,773	114,481	1,095,000	149,469	1,365,723	336,727
Prepaid expenses	52,281			1,250	53,531	88,291
TOTAL ASSETS	1,643,607	2,232,443	1,095,000	4,843,977	9,815,027	8,508,083
LIABILITIES						
LIABILITIES						
Accounts/contracts payable	178,922	68,188	93,931	28,599	369,640	107,552
Due to other governments				60	60	20
Due to other funds			756,702	222,795	979,497	250,457
Accrued liabilities	49,180				49,180	39,843
Total liabilities	228,102	68,188	850,633	251,454	1,398,377	397,872

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

			2022 Special Assessment Construction	Other Governmental Funds	Total Governmental Funds	
	General	Capital Equipment & Facilities			2022	2021
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue - grants				458,644	458,644	225,998
Unearned revenue - insurance proceeds		25,071			25,071	
Unearned revenue - delinquent taxes	40,658	589		21,773	63,020	72,840
Unearned revenue - assessments		104,986		684,259	789,245	546,552
Total deferred inflows of resources	40,658	130,646		1,164,676	1,335,980	845,390
FUND BALANCE						
Nonspendable	52,281			1,250	53,531	88,291
Restricted	14,686		244,367	2,806,108	3,065,161	2,787,736
Committed				266,005	266,005	236,926
Assigned	1,307,880	2,033,609		389,933	3,731,422	4,185,556
Unassigned				(35,449)	(35,449)	(33,688)
Total fund balances	1,374,847	2,033,609	244,367	3,427,847	7,080,670	7,264,821
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	1,643,607	2,232,443	1,095,000	4,843,977	9,815,027	8,508,083

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, 2022
(WITH COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

	<u>2022</u>	<u>2021</u>
Total fund balances - governmental funds	7,080,670	7,264,821
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.	(18,300)	(13,700)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	75,768,116	72,512,919
Less: accumulated depreciation	(29,511,119)	(27,823,926)
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	(9,844,367)	(9,627,009)
Severance and vacation payable	(217,184)	(196,489)
Net pension liability and deferred inflows/outflows related to PERA and OPEB	(2,956,474)	(2,808,588)
Other liabilities not required and therefore not reported as a liability in governmental funds.		
Accrued interest on bonds payable	(108,047)	(97,338)
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.	789,245	546,552
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.	<u>63,020</u>	<u>72,840</u>
Total net position - governmental activities	<u><u>41,045,560</u></u>	<u><u>39,830,082</u></u>

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

		Capital	2022	Other	Total Governmental	
	General	Equipment & Facilities	Special Assessment Construction	Governmental Funds	Funds	
					2022	2021
REVENUES						
Taxes	1,923,592			955,109	2,878,701	2,737,554
Special assessments		34,962		201,776	236,738	172,386
Licenses and permits	21,965				21,965	19,550
Tax increment financing						17,763
Intergovernmental revenue	2,519,713	715,452	1,095,000	111,564	4,441,729	6,496,263
Fines and forfeits	36,805				36,805	51,635
Interest on investments	10,048	17,644		25,879	53,571	49,829
Interest on loans				10,114	10,114	9,685
Donations		149,594			149,594	684,947
Charges for services	373,580			116,733	490,313	437,450
Net change in the fair value of investments	(599,496)				(599,496)	(171,174)
Miscellaneous revenues	24,867	48,830		23,718	97,415	122,721
Total revenues	4,311,074	966,482	1,095,000	1,444,893	7,817,449	10,628,609
EXPENDITURES						
General government	954,094	1,538			955,632	979,542
Public safety	1,818,731	171			1,818,902	1,763,058
Public works	1,318,977	1,160			1,320,137	1,290,231
Housing/economic development	83,596			77,031	160,627	7,984,510
Parks, culture and recreation	235,476	23,500		126,991	385,967	356,573
Transportation				84,766	84,766	97,390
Capital outlay	34,260	1,423,376	1,888,389	127,261	3,473,286	5,136,440
Redemption of debt				875,000	875,000	884,125
Interest and fiscal agent charges			1,207	233,362	234,569	277,414
Total expenditures	4,445,134	1,449,745	1,889,596	1,524,411	9,308,886	18,769,283

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, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

		2022		Total Governmental	
	General	Capital Equipment & Facilities	Special Assessment Construction	Other Governmental Funds	Funds
				2022	2021
REVENUES OVER (UNDER)					
EXPENDITURES	(134,060)	(483,263)	(794,596)	(79,518)	(1,491,437)
OTHER FINANCING SOURCES (USES)					
Transfers (to) from other funds	(138,951)	234,643		93,308	145,800
Loss on sale of investment					15,909
Bond proceeds			1,031,907	23,093	1,055,000
Premium on bond proceeds			40,744		40,744
Proceeds from sale of property		22,542			22,542
Total other financing sources (uses)	(138,951)	257,185	1,072,651	116,401	1,307,286
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER)					
EXPENDITURES AND OTHER FINANCING USES	(273,011)	(226,078)	278,055	36,883	(184,151)
FUND BALANCE, beginning of year	1,647,858	2,259,687	(33,688)	3,390,964	7,264,821
FUND BALANCE, end of year	1,374,847	2,033,609	244,367	3,427,847	7,264,821

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, 2022
(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	<u>2022</u>	<u>2021</u>
Total net change in fund balances - governmental funds	(184,151)	(7,946,648)
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.	(4,600)	7,000
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	3,281,832	4,960,471
Depreciation expense	(1,713,828)	(1,502,909)
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.	875,000	884,125
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.	(1,092,358)	
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.	(10,708)	11,902
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.	(168,578)	221,031
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.	242,691	(95,403)
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.	(9,822)	(10,683)
Change in net position - governmental funds	<u>1,215,478</u>	<u>(3,639,467)</u>

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

	Business-Type Activities - Enterprise Funds						Totals	
	Liquor Fund	Utilities Fund	Refuse Fund	Storm Water Utility Fund	Building Inspection Fund	Economic Development Housing Fund	2022	(As restated) 2021
ASSETS								
CURRENT ASSETS								
Cash on hand	1,000						1,000	2,100
Equity in pooled/nonpooled cash/investments	256,048	3,833,003		25,350	12,243	155,476	4,282,120	3,552,266
Cash restricted for current operations						304,585	304,585	305,524
Accounts receivable	4,156	268,879	67,944			5,000	345,979	386,390
Unbilled utility charges		102,070	65,856				167,926	176,531
Taxes receivable - delinquent		749					749	744
Special assessments receivable - delinquent		1,249					1,249	1,788
Special assessments receivable - current		11,600					11,600	10,600
Due from other funds		7,700					7,700	7,400
Inventory	247,600	40,453					288,053	276,900
Prepaid items		5,049				4,800	9,849	11,119
Total current assets	508,804	4,270,752	133,800	25,350	12,243	469,861	5,420,810	4,731,362
NONCURRENT ASSETS								
Cash restricted/designated	39,000	871,775				592,461	1,503,236	1,325,466
Special assessments - deferred		134,110					134,110	84,422
Lease receivable						4,588,881	4,588,881	4,772,231
Interfund receivable - long term		77,284					77,284	84,989
Right of use asset	22,501						22,501	61,075
Land held for resale						27,764	27,764	27,764
Notes receivable						52,800	52,800	52,800
Total noncurrent assets	61,501	1,083,169				5,261,906	6,406,576	6,408,747
CAPITAL ASSETS								
Property & equipment	199,456	32,898,011		280,486	3,305	7,922,803	41,304,061	40,470,790
Less: accumulated depreciation	(160,700)	(16,456,053)			(3,305)	(1,713,763)	(18,333,821)	(17,189,285)
Total capital assets	38,756	16,441,958		280,486		6,209,040	22,970,240	23,281,505
TOTAL ASSETS	609,061	21,795,879	133,800	305,836	12,243	11,940,807	34,797,626	34,421,614

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

	Business-Type Activities - Enterprise Funds						Totals	
	Liquor Fund	Utilities Fund	Refuse Fund	Storm Water Utility Fund	Building Inspection Fund	Economic Development Housing Fund	2022	(As restated) 2021
DEFERRED OUTFLOWS OF RESOURCES								
Deferred OPEB resources	4,485	6,638			1,660		12,783	13,924
Deferred pension resources	68,673	140,844			24,053		233,570	309,454
Total deferred outflows	73,158	147,482			25,713		246,353	323,378
LIABILITIES AND NET POSITION								
CURRENT LIABILITIES								
Salaries and benefits payable	6,252	9,134	299		1,869		17,554	13,587
Accounts and contracts payable	44,766	56,697	62,903	12,388	2,400	1,716	180,870	148,718
Accrued interest payable		68,423		5,472		42,215	116,110	111,697
Due to other funds			55,688			7,700	63,388	63,173
Due to other governmental units	27,259	2,486	7,795		686		38,226	36,299
Current portion of long-term liabilities		735,000				255,000	990,000	964,000
Total current liabilities	78,277	871,740	126,685	17,860	4,955	306,631	1,406,148	1,337,474
LONG - TERM LIABILITIES								
Security deposit payable						18,728	18,728	19,325
Interfund payable						77,284	77,284	84,989
Compensated absences	32,175	74,625	3,000		2,950		112,750	131,000
Lease liability	23,037						23,037	61,075
Net OPEB liability	43,081	72,328			15,663		131,072	124,042
Net pension liability - PERA	241,971	429,925			83,332		755,228	409,010
Notes payable		3,989,000					3,989,000	4,534,000
Bonds payable		1,919,753		311,091		4,947,615	7,178,459	6,836,529
Total long-term liabilities	340,264	6,485,631	3,000	311,091	101,945	5,043,627	12,285,558	12,199,970
TOTAL LIABILITIES	418,541	7,357,371	129,685	328,951	106,900	5,350,258	13,691,706	13,537,444

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

	Business-Type Activities - Enterprise Funds					Totals	
	Liquor Fund	Utilities Fund	Refuse Fund	Storm Water Utility Fund	Building Inspection Fund	Economic Development Housing Fund	(As restated) 2022 2021
DEFERRED INFLOWS OF RESOURCES							
Lease						4,098,505	4,772,231
Deferred revenue - Insurance proceeds						61,412	61,412
Deferred pension resources	1,665	40,553				42,218	413,156
Total deferred inflows	1,665	40,553				4,159,917	5,185,387
NET POSITION							
Net investment in capital assets	38,756	9,798,205		(30,605)		1,006,425	10,946,976
Unrestricted	223,257	4,747,232	4,115	7,490	(68,944)	1,424,207	5,075,185
TOTAL NET POSITION	262,013	14,545,437	4,115	(23,115)	(68,944)	2,430,632	16,022,161

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, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	Business-Type Activities - Enterprise Funds						Totals	
	Liquor Fund	Utilities Fund	Refuse Fund	Storm Water Utility Fund	Building Inspection Fund	Economic Development Housing Fund	2022	2021
SALES AND COST OF SALES								
Sales	2,690,596						2,690,596	2,605,144
Cost of sales	(1,967,488)						(1,967,488)	(1,903,962)
Freight	(16,910)						(16,910)	(15,710)
Gross profit	706,198						706,198	685,472
OPERATING REVENUES								
Rental income						884,931	884,931	508,307
Water sales and charges for services		1,119,382					1,119,382	1,140,462
Sewer sales		1,675,974					1,675,974	1,715,279
Customer service charges			782,322				782,322	760,362
Building permits					118,132		118,132	67,288
Total operating revenues		2,795,356	782,322		118,132	884,931	4,580,741	4,191,698
Gross profit and operating revenues	706,198	2,795,356	782,322		118,132	884,931	5,286,939	4,877,170
OPERATING EXPENSES								
Salaries	254,712	378,644	14,229		86,186		733,771	769,404
Employee benefits	122,495	179,627	7,305		44,348		353,775	273,978
Service contracts		59,132	753,847				812,979	784,470
Supplies	46,884	151,473	6,941		5,388		210,686	157,008
Repairs and maintenance	1,796	50,562				38,159	90,517	100,766
Communications	2,246	16,801			626		19,673	17,593
Professional services	8,335	133,658		10,812		24,540	177,345	163,186
Utilities	17,326	196,495				14,006	227,827	177,009
Travel and schools	763	444					1,207	851
Advertising	6,682	1,759			208		8,649	6,829
Insurance	13,475	73,317			896	12,844	100,532	100,767
Licenses and taxes	145	12,007				13,171	25,323	23,454
Rent	39,253						39,253	38,295
Dues and subscriptions	1,700	675					2,375	2,000
Miscellaneous					3,207		3,207	1,800

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, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	Business-Type Activities - Enterprise Funds						Totals	
	Liquor Fund	Utilities Fund	Refuse Fund	Storm Water Utility Fund	Building Inspection Fund	Economic Development Housing Fund	2022	2021
OPERATING EXPENSES (Continued)								
Depreciation	5,439	950,990				198,266	1,154,695	1,134,289
Total operating expenses	521,251	2,205,584	782,322	10,812	140,859	300,986	3,961,814	3,751,699
Operating income (loss)	184,947	589,772		(10,812)	(22,727)	583,945	1,325,125	1,125,471
NON-OPERATING REVENUES								
Interest income	2,575	45,502		866	68	127,655	176,666	42,299
Intergovernmental revenue	1,129	21,829			395		23,353	21,117
Taxes		20,017					20,017	19,822
Special assessments		87,543					87,543	5,832
Total non-operating revenues	3,704	174,891		866	463	127,655	307,579	89,070
NON-OPERATING EXPENSES								
Loss on disposal of assets		10,452					10,452	20,959
Interest expense	536	183,311		13,169		105,906	302,922	292,886
Fiscal agent fees		1,878				475	2,353	2,528
Total non-operating expenses	536	195,641		13,169		106,381	315,727	316,373
INCOME (LOSS) BEFORE TRANSFERS	188,115	569,022		(23,115)	(22,264)	605,219	1,316,977	898,168
TRANSFERS								
Transfer from (to) other fund	(205,000)				16,000		(189,000)	(145,800)
Total transfers	(205,000)				16,000		(189,000)	(145,800)
NET INCOME (LOSS)	(16,885)	569,022		(23,115)	(6,264)	605,219	1,127,977	752,368
NET POSITION (DEFICIT), beginning of year	278,898	13,976,415	4,115		(62,680)	1,825,413	16,022,161	15,269,793
NET POSITION (DEFICIT), end of year	262,013	14,545,437	4,115	(23,115)	(68,944)	2,430,632	17,150,138	16,022,161

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	Liquor Fund	Utilities Fund	Refuse Fund	Storm Water Utility Fund	Building Inspection Services	Economic Development Housing Fund	Totals	
							2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash received from customers	2,693,570	2,845,383	779,498		118,898	520,185	6,957,534	6,769,621
Cash paid to suppliers	(2,101,369)	(707,822)	(758,798)	(10,812)	(7,925)	(107,431)	(3,694,157)	(3,497,577)
Cash paid for employment costs	(361,006)	(534,654)	(20,615)		(122,866)		(1,039,141)	(1,079,376)
Net cash from operating activities	231,195	1,602,907	85	(10,812)	(11,893)	412,754	2,224,236	2,192,668
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES								
Transfers from (to) other funds	(205,000)				16,000		(189,000)	(145,800)
Temporary advances (to) from other funds		7,405	(85)			(7,405)	(85)	12,656
Security deposits						(597)	(597)	1,579
Net cash from noncapital and related financing activities	(205,000)	7,405	(85)		16,000	(8,002)	(189,682)	(131,565)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Capital expenditures		(573,329)		(268,098)			(841,427)	(931,582)
Cash invested in property								(16,182)
Proceeds from insurance claim						61,412	61,412	
Cash received from assessments and taxes		57,406					57,406	53,013
Interest paid		(206,330)		(7,697)		(107,749)	(321,776)	(330,646)
Proceeds from long-term borrowing		499,642		311,091			810,733	
Bond issue and fiscal agent fees		(1,878)				(475)	(2,353)	(2,528)
Principal paid on debt		(714,000)				(250,000)	(964,000)	(927,233)
Miscellaneous revenue		20,000					20,000	20,000
Net cash from capital and related financing activities		(918,489)		35,296		(296,812)	(1,180,005)	(2,135,158)

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	Liquor Fund	Utilities Fund	Refuse Fund	Storm Water Utility Fund	Building Inspection Services	Economic Development Housing Fund	Totals	
							2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest received	2,575	45,502		866	68	2,025	51,036	42,299
Net cash from investing activities	2,575	45,502		866	68	2,025	51,036	42,299
NET CHANGE IN CASH AND CASH EQUIVALENTS	28,770	737,325		25,350	4,175	109,965	905,585	(31,756)
CASH & CASH EQUIVALENTS, beginning of year	267,278	3,967,453			8,068	942,557	5,185,356	5,217,112
CASH & CASH EQUIVALENTS, end of year	296,048	4,704,778		25,350	12,243	1,052,522	6,090,941	5,185,356
CASH & CASH EQUIVALENTS								
Petty cash	1,000						1,000	2,100
Equity in pooled & non-pooled cash/investments	256,048	3,833,003		25,350	12,243	155,476	4,282,120	3,552,266
Non-current cash restricted/designated	39,000	871,775				592,461	1,503,236	1,325,466
Cash Restricted - current operations						304,585	304,585	305,524
Total	296,048	4,704,778		25,350	12,243	1,052,522	6,090,941	5,185,356

See accompanying notes to financial statements.

CITY OF MONTEVIDEO, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	Liquor Fund	Utilities Fund	Refuse Fund	Storm Water Utility Fund	Building Inspection Services	Economic Development Housing Fund	Totals	
							2022	2021
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:								
Operating income (loss)	184,947	589,772		(10,812)	(22,727)	583,945	1,325,125	1,125,471
Adjustments to reconcile operating income (loss) to net cash from operating activities:								
Depreciation/Amortization	5,439	950,990				198,266	1,154,695	1,134,289
Revenue related to lease standard (Increase) decrease in:						(364,746)	(364,746)	
Accounts receivable & unbilled utilities	1,353	50,121	(3,111)		653		49,016	(26,130)
Inventories	(12,000)	847					(11,153)	8,200
Prepaid expenses	225	1,545				(500)	1,270	(1,337)
Increase (decrease) in:								
Accounts payable	33,409	(13,891)	1,990		2,400	(4,211)	19,697	(10,740)
Accrued wages and benefits payable	16,201	23,617	919		7,668		48,405	(35,994)
Prepaid rent								
Due to other governments	1,621	(94)	287		113		1,927	(1,091)
Net cash from operating activities	<u>231,195</u>	<u>1,602,907</u>	<u>85</u>	<u>(10,812)</u>	<u>(11,893)</u>	<u>412,754</u>	<u>2,224,236</u>	<u>2,192,668</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES								
Bond discount & deferral amortized		24,140				337	24,477	41,861
Fixed asset costs included in contracts payable		19,067		12,388			31,455	19,000
Interest related to new lease standard	(536)					125,630	125,094	

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, 2022
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022			2021
	Original Budget	Final Budget	Actual	Actual
REVENUES				
Taxes	1,882,300	1,882,300	1,923,592	1,824,851
Licenses and permits	18,900	18,900	21,965	19,550
Intergovernmental revenues	2,486,800	2,486,800	2,519,713	2,490,644
Charges for services	343,700	343,700	373,580	356,688
Fines and forfeits	37,800	37,800	36,805	51,635
Miscellaneous revenues	10,000	10,000	24,867	43,042
Donations				4,645
Net change in market value of investments			(599,496)	(171,174)
Interest on investments	10,000	10,000	10,048	6,756
Total revenues	4,789,500	4,789,500	4,311,074	4,626,637
EXPENDITURES				
Current				
General government	972,510	972,510	954,094	968,203
Public safety	1,756,410	1,756,410	1,818,731	1,763,058
Public works	1,381,330	1,381,330	1,318,977	1,287,296
Housing and economic development	88,050	88,050	83,596	84,819
Parks, culture and recreation	228,270	228,270	235,476	225,209
Capital outlay	40,000	40,000	34,260	37,343
Total expenditures	4,466,570	4,466,570	4,445,134	4,365,928
REVENUES OVER (UNDER) EXPENDITURES	322,930	322,930	(134,060)	260,709
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	135,400	143,400	142,695	145,306
Transfers to other funds	(458,300)	(458,300)	(281,646)	(358,767)
Total other financing sources (uses)	(322,900)	(314,900)	(138,951)	(213,461)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	30	8,030	(273,011)	47,248
FUND BALANCE, beginning of year	1,647,858	1,647,858	1,647,858	1,600,610
FUND BALANCE, end of year	1,647,888	1,655,888	1,374,847	1,647,858

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:

- a. To see that the Charter and the laws, ordinances, and resolutions of the City are enforced.
- b. 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.
- c. To exercise control over all departments and divisions of the City administration;
- d. 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.
- e. 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.
- f. 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.
- g. To perform such other duties as may be prescribed by the Charter or required of the Manager by ordinance or resolution adopted by the Council.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

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

Blended Component Unit

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

Discretely Presented Component Unit

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

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

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

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

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.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

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.
- 2022 Special Assessment Construction Fund accounts for the 2022 Street Improvements.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

The City reports the following major enterprise funds:

Major Enterprise Funds

- Liquor Fund accounts for the daily operations of the City's Municipal Liquor Store.
- 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.
- Storm Water Utility Fund accounts for all fees collected for expenses related to operating this system.

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 (MCDC)
 - Economic Development Authority Administration Fund
 - Economic Development Authority Community Revitalization
 - Convention and Visitors Bureau Fund
 - Business Community Development Grant Fund
 - Small Cities Grant 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

- Carnegie Library Fund
- Dawson Legacy Fund
- Public Safety Administration Fund

- 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.
 - 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
 - 2022 Street 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
 - 2020 Special Assessment Fund
 - 2020 Capital Improvement Fund
 - 2021 Special Assessment Construction
 - 2023 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

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)

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 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.

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

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

**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.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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:

<u>Asset</u>	<u>Method</u>	<u>Years</u>
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. LEASES

The City adopted GASB Statement No. 87, *Leases*, as of January 1, 2022. A lease liability and a lease asset are recognized at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying assets. The lease liability is measured at the present value of payments expected during the lease term. The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease. The lease liability is reduced as payments are made and interest expense is recognized. The leased asset is generally amortized over the term of the lease unless the useful life of the underlying asset is less. A short-term lease is a lease that at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Short-term leases are expensed in period incurred. Contracts that transfer ownership of the underlying assets or contain a bargain purchase option are recognized as financing contracts. The City excludes immaterial leases with total from the provision of GASB 87.

N. 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:

**CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. COMPENSATED ABSENCES (Continued)

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.

O. 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.

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, unearned grant revenue, leases and insurance proceeds.

P. 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.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. 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.

R. 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 was actuarially determined at December 31, 2021, for reporting in the financial statements for the year ended December 31, 2022.

S. FUND EQUITY CLASSIFICATIONS

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

- a. 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.
- b. 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.
- c. 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.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. FUND EQUITY CLASSIFICATIONS (Continued)

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.

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.

T. 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.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. REVENUES, EXPENDITURES, AND EXPENSES (Continued)

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.

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.

**CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. 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.

V. 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, 2021, from which the summarized information was derived.

W. RECLASSIFICATION

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Revisions to the originally adopted budget require approval of the City Council. The General Fund budget was revised in 2022. Certain other funds budgets were also 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.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. BUDGETS AND BUDGETARY ACCOUNTING (Continued)

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.

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, 2022, which will be eliminated with future revenue amounts:

Storm Water Utility Fund	(23,115)
Building Inspection Fund	(68,944)
2023 Special Assessment Construction Fund	(35,449)

C. EXCESS OF EXPENDITURES OVER FINAL APPROPRIATIONS IN INDIVIDUAL FUNDS

Total expenditures exceeded total appropriations in the following fund:

	Final Budget Amount	Actual	Variance with Final Budget
ARPA Covid Recovery Fund	30,000	42,909	(12,909)
Comm. Dev. Rev. Loan Fund	500	862	(362)
Airport Fund	122,700	132,002	(9,302)
Carnegie Library Fund	1,900	2,189	(289)
2020 CIP Construction	65,000	74,139	(9,139)
2023 S. A. Construction	0	35,449	(35,449)

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

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2022, 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, 2022 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.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Credit Quality Risk

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

Concentration of Credit Risk

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

Investment Valuation

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

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

At December 31, 2022, the City had the following investments:

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

		December 31, 2022			Credit*	Fair
		Maturities in Years			Rating-	Value
Type	Carrying Amount	Less than 1	1-5	6-10	Moody's/ S&P	Hierarchy Level
City of Montevideo:						
4M Fund	1	1			N/R	NAV
Old National Bank MM+	4,106,134	4,106,134			N/R	NAV
Co-op Credit Union	855	855			N/R	NAV
RBC Money Market	66,225	66,225			N/R	NAV
Co-op Credit Union Money Account	245,092	245,092			N/R	NAV
Minnwest Money Market	242,113	242,113			N/R	NAV
C.D.-Legends Bank-Clarksville TN	181,011		181,011		N/R	2
C.D.-MS Bank-Salt Lake City UT	199,194	199,194			N/R	2
C.D.-Enerbank USA-Salt Lake City UT	234,977		234,977		N/R	2
C.D.-Sallie Mae Bk Salt Lake City, UT	209,832		209,832		N/R	2
C.D.-State Bk of India, NY,NY	233,676		233,676		N/R	2
C.D.-Morgan Stanley PVT Bank	170,179		170,179		N/R	2
C.D.-Preferred Bk Los Angeles CA	234,421		234,421		N/R	2
C.D.-Texas Exchange Bk Crowley, TX	224,496		224,496		N/R	2
C.D.-Sunwest Bk Irvine, CA	206,782		206,782		N/R	2
C.D.-Merrick Bk South Jordan, UT	201,635			201,635	N/R	2
C.D.-Bank Baroda New York, NY	211,331		211,331		N/R	2
C.D.-Grant County Bank Ulysses, KS	213,603		213,603		N/R	2
C.D.-First Oklahoma Bk Tulsa, OK	191,569		191,569		N/R	2
C.D.-First Fed Svgs & Loan Assn	201,008			201,008	N/R	2
C.D.-BMO Harris Bk Natl Assn	223,727		223,727		N/R	2
C.D.-Live Oak Bkg Co Wilmington, NC	211,222		211,222		N/R	2
C.D.-Old Dominion North Garden, VA	217,036		217,036		N/R	2
C.D.-JP Morgan Chase Co	217,141		217,141		N/R	2
C.D.-1st Natl Bk Amer East	132,464		132,464		N/R	2
C.D.-MountainOne Bk Mass	215,963		215,963		N/R	2
C.D. Frazer Bk Altus Okla	203,480			203,480	N/R	2
C.D. Frontier Bk Madison NE	195,365			195,365	N/R	2
C.D.-Medallion Bk Salt Lake City UT	214,164		214,164		N/R	2
C.D.-First Natl Bk Amer East Lans	118,539		118,539		N/R	2
C.D.-Synchrony Bank	114,370		114,370		N/R	2
C.D.-Celtic Bk Salt Lake City Utah	98,422		98,422		N/R	2
C.D. Beal Bk Plano TX	149,231		149,231		N/R	2
C.D. Capital One Bk, USA	234,492		234,492		N/R	2
C.D. Discover Bank Greenwood	243,839		243,839		N/R	2
C.D. City Natl Bk L.A.	247,114		247,114		N/R	2
Total General City	10,610,703	4,859,614	4,949,601	801,488		

* N/R - not rated

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

Type	Carrying Amount	December 31, 2022 Maturities in Years			Credit Rating- Moody's/ S&P	Fair Value Hierarchy Level
		Less than 1	1-5	6-10		
Economic Development Authority:						
Old National Bank - CD	33,288	33,288			N/R	NAV
Co-op Credit Union - CD	93,425	93,425			N/R	NAV
4M Money Market	314	314			N/R	NAV
Total EDA	127,027	127,027				

CASH RESTRICTED/DESIGNATED

The City has restricted/designated cash for the following purposes as of December 31, 2022:

<u>Fund</u>	Current Operations	Long-term Capital Outlay	Long-term Contingency	Total
Liquor Fund		39,000		39,000
Utility Fund		871,775		871,775
EDA - Rental				
Security deposits			18,767	18,767
Contingency - housing			523,694	523,694
SW/WC school building	304,585		50,000	354,585
	<u>304,585</u>	<u>910,775</u>	<u>592,461</u>	<u>1,807,821</u>

NOTE 4. NOTES RECEIVABLE

Notes receivable as of December 31, 2022 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)	312,792
(MCDC) Economic Development Fund (3)	4,174
Business Community Development Grant (4)	49,431
EDA - Community Revitalization Fund (5)	20,450
	<u>426,492</u>

Enterprise fund:

EDA - Housing (1)	<u>52,800</u>
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CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. NOTES RECEIVABLE (Continued)

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

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

Original Loan Date		Note Balance			
		December 31, 2022	Interest Rate	Monthly Payment	Maturity Date
4/20/11	Katherine Toft	23,803	4.00%	325	11/2027
6/14/19	Winter Family Enterprises	17,376	4.00%	552	6/2024
9/17/20	Winter Family Enterprises	8,346	4.00%	92	12/2030
12/28/22	Winter Family Enterprises	44,835	4.00%	823	12/2027
12/29/20	Madsen Family Chiropract	59,562	4.00%	759	1/2030
8/1/20	The Workroom, LLC	17,470	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	8,965	4.00%	304	7/2025
9/16/15	Monte Tire & Service, Inc.	15,741	4.00%	498	9/2025
4/7/22	Protoduction, Inc.	64,638	4.00%	1,381	4/2027
	Total	<u>312,792</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.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. NOTES RECEIVABLE (Continued)

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

Original Loan Date		Note Balance December 31, 2022	Interest Rate	Monthly Payment	Maturity Date
9/18/13	Livintage	4,174	4.00%	101	9/2023

- (4) During 1998, the City of Montevideo received \$379,825 in grant monies from the Minnesota Department of Trade & Economic Development under the Disaster Loan Program. These grant monies were subsequently loaned to Montevideo businesses that were affected by the 1997 flood. All the loans made with the grant funds have an interest rate of 4%, and mature 5 years from the date of note. Per the grant agreement, all loans are collateralized with one or more of the following: real estate, fixtures, equipment, inventory, receivables and/or other business assets. In addition, individuals owning 20% or more of the business being assisted were required to provide personal guarantees for the loan amount. Upon repayment, this money will be used to create a revolving loan fund. The outstanding loan balance at December 31, 2022 was \$49,431.
- (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, 2022, one loan is outstanding, which totals \$20,450.

NOTE 5. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at December 31, 2022 are:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
General Fund		3,630	3,143	6,773
Special Revenue Funds				
Airport	106,966	23,558	11,245	141,769
EDA			7,700	7,700
Capital Projects Funds				
Capital Equipment & Facilities	20,560	93,921		114,481
2022 S.A. Construction		1,095,000		1,095,000
	<u>127,526</u>	<u>1,216,109</u>	<u>22,088</u>	<u>1,365,723</u>

**CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

GOVERNMENTAL ACTIVITIES

	Balance 01/01/22	Additions	Disposals	Balance 12/31/22
Capital Assets Not Being Depreciated:				
Land	13,351,393			13,351,393
Construction In Progress	11,874,855	2,656,844	(4,353,808)	10,177,891
Total Capital Assets Not Depreciated	<u>25,226,248</u>	<u>2,656,844</u>	<u>(4,353,808)</u>	<u>23,529,284</u>
Capital Assets Being Depreciated				
Buildings	5,478,205	4,248,030		9,726,235
Improvements	37,337,061	105,778		37,442,839
Equipment	4,471,405	624,988	(26,635)	5,069,758
Total Capital Assets Being Depreciated	<u>47,286,671</u>	<u>4,978,796</u>	<u>(26,635)</u>	<u>52,238,832</u>
Less: Accumulated Depreciation for:				
Buildings	(1,919,829)	(295,348)		(2,215,177)
Improvements	(22,648,697)	(1,178,258)		(23,826,955)
Equipment	(3,255,400)	(240,222)	26,635	(3,468,987)
Total Accumulated Depreciation	<u>(27,823,926)</u>	<u>(1,713,828)</u>	<u>26,635</u>	<u>(29,511,119)</u>
Total Capital Assets Being Depreciated, Net	<u>19,462,745</u>	<u>3,264,968</u>		<u>22,727,713</u>
Governmental Activities Capital Assets, Net	<u>44,688,993</u>	<u>5,921,812</u>	<u>(4,353,808)</u>	<u>46,256,997</u>

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

General Government	61,678
Public Safety	174,433
Public Works	1,102,954
Culture and Recreation	84,496
Transportation	287,250
Economic Development	3,017
Total Governmental Activities Depreciation Expense	<u>1,713,828</u>

**CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6. CAPITAL ASSETS (Continued)

BUSINESS-TYPE ACTIVITIES

	Balance 01/01/22	Additions	Disposals	Balance 12/31/22
Capital Assets Not Being Depreciated:				
Land	383,062			383,062
Construction in Progress	759,448	795,695	(839,339)	715,804
Total Capital Assets Not Depreciated	<u>1,142,510</u>	<u>795,695</u>	<u>(839,339)</u>	<u>1,098,866</u>
Capital Assets Being Depreciated				
Buildings and structures	7,343,783			7,343,783
Leasehold Improvements	45,890			45,890
Other Improvements	31,203,976	58,187	(12,766)	31,249,397
Equipment	734,631	839,339	(7,845)	1,566,125
Total Capital Assets Being Depreciated	<u>39,328,280</u>	<u>897,526</u>	<u>(20,611)</u>	<u>40,205,195</u>
Less: Accumulated Depreciation for:				
Buildings and structures	(1,449,206)	(188,021)		(1,637,227)
Leasehold Improvements	(21,783)	(2,629)		(24,412)
Other Improvements	(15,109,534)	(923,725)	2,314	(16,030,945)
Equipment	(608,762)	(40,320)	7,845	(641,237)
Total Accumulated Depreciation	<u>(17,189,285)</u>	<u>(1,154,695)</u>	<u>10,159</u>	<u>(18,333,821)</u>
Total Capital Assets Being Depreciated, Net	<u>22,138,995</u>	<u>(257,169)</u>	<u>(10,452)</u>	<u>21,871,374</u>
Business-Type Activities Capital Assets, Net	<u>23,281,505</u>	<u>538,526</u>	<u>(849,791)</u>	<u>22,970,240</u>

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

Liquor Fund	5,439
Utilities Fund	950,990
Economic Development Housing Fund	198,266
Total Business-Type Activities Depreciation Expense	<u>1,154,695</u>

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 2022:

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

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

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General Fund	Liquor Fund	80,000
	Nonmajor Governmental Funds	62,695
Capital Equipment & Facilities Fund	General Fund	110,000
	Liquor Fund	125,000
	Nonmajor Governmental Funds	2,730
Nonmajor Governmental Funds	General Fund	155,646
	Capital Equipment & Facilities Fun	3,088
Building Inspection	General Fund	16,000

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, 2022:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	210,918
General Fund	2022 Special Assessment Construction	756,702
General Fund	2023 Special Assessment Construction	11,877
General Fund	Refuse Fund	55,688
Utilities Fund	Economic Development Housing Fund	7,700
	Total	<u>1,042,885</u>

The following is a schedule of long-term interfund advances as of December 31, 2022:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Utilities Fund	Economic Development Housing Fund	77,284
		<u>77,284</u>

**CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 8. DUE TO OTHER GOVERNMENTS

Amounts due to other governments at December 31, 2022 are as follows:

Special Revenue Fund	Public Safety Admin Fund	60
	Total governmental activities	<u>60</u>
Enterprise Funds	Liquor Fund	27,259
	Utilities Fund	2,486
	Refuse Fund	7,795
	Building Inspection Fund	686
	Total business-type activities	<u>38,226</u>
	Total	<u><u>38,286</u></u>

NOTE 9. LONG-TERM OBLIGATIONS

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable. Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of the debt, adjusted for any premiums or discounts, are reported as other financing sources, and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements. The City has no unused lines of credit at December 31, 2022, 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, 2022 was as follows:

	Beginning			Ending	Amounts
	Balance	Increases	Decreases	Balance	Due in
GOVERNMENTAL ACTIVITIES					2023
Bonds and Notes Payable:					
General Obligation					
Improvement Bonds	6,340,000		295,000	6,045,000	300,000
General Obligation Special					
Assessment Bonds	3,080,000	1,055,000	580,000	3,555,000	580,000
Total General Obligation					
Bonds	9,420,000	1,055,000	875,000	9,600,000	880,000
Other LT Indebtedness	196,489	150,774	130,079	217,184	
Total Governmental Activities					
Long-Term Liabilities	<u>9,616,489</u>	<u>1,205,774</u>	<u>1,005,079</u>	<u>9,817,184</u>	<u>880,000</u>

**CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 9. LONG-TERM OBLIGATIONS (Continued)

1. Changes in Long-Term Obligations (Continued)

	Beginning			Ending	Amounts
	Balance	Increases	Decreases	Balance	Due in
BUSINESS-TYPE ACTIVITIES					2023
Bonds and Notes Payable:					
General Obligation Revenue					
Bonds	2,105,000	760,000	215,000	2,650,000	225,000
Direct Placement General					
Obligation Other Debt	5,063,000		529,000	4,534,000	545,000
Total General Obligation					
Bonds and Other Debt	7,168,000	760,000	744,000	7,184,000	770,000
Other LT Indebtedness					
Direct Placement Revenue					
Bonds	5,140,000		220,000	4,920,000	220,000
Other debt	131,000	22,828	41,078	112,750	
Total other LT Indebtedness	5,271,000	22,828	261,078	5,032,750	220,000
Total Business-Type Activities					
Long-Term Liabilities	12,439,000	782,828	1,005,078	12,216,750	990,000
TOTAL LONG-TERM					
OBLIGATIONS	22,055,489	1,988,602	2,010,157	22,033,934	1,870,000

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	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
December 31						
2023	880,000	246,914	225,000	82,062	1,105,000	328,976
2024	870,000	223,118	270,000	73,123	1,140,000	296,241
2025	805,000	200,790	230,000	65,518	1,035,000	266,308
2026	735,000	179,601	235,000	58,514	970,000	238,115
2027	660,000	159,893	230,000	51,025	890,000	210,918
2028-2032	2,570,000	561,940	930,000	149,014	3,500,000	710,954
2033-2037	2,030,000	236,578	470,000	48,800	2,500,000	285,378
2038-2042	1,050,000	41,337	60,000	1,200	1,110,000	42,537
	9,600,000	1,850,171	2,650,000	529,256	12,250,000	2,379,427

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

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
2023	765,000	201,348
2024	785,000	182,812
2025	804,000	163,772
2026	825,000	144,237
2027	845,000	124,214
2028-2032	5,236,000	166,808
2033-2037	194,000	3,890
	<u>9,454,000</u>	<u>987,081</u>

General Obligation Housing Revenue Bonds (net a discount of \$2,385) are shown as bonds payable in the Economic Development Authority Housing Fund at \$282,615. General Obligation Revenue Bonds (net a premium of \$44,752) are shown as bonds payable in the Utility Fund at \$2,109,752. General Obligation Improvement and Special Assessment Bonds (net a premium of \$244,367) are shown as bonds payable in the Governmental activities' column of the Statement of Net Position at \$9,844,367.

Bonds outstanding at December 31, 2022, 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%	2,105,000
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\$4,100,000 Series 2020A Capital Improvement Plan Bonds, In annual installments of \$165,000 to \$250,000 through February 1, 2041; interest at 2.00% to 3.00%	<u>3,940,000</u>
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Total General Obligation Improvement Bonds	<u>6,045,000</u>
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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%	95,000
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\$800,000 Series 2013A G.O. Improvement Bonds in annual installments of \$80,000 through February 1, 2024; interest at 2.40%	160,000
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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%	230,000
\$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%	340,000
\$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%	400,000
\$725,000 Series 2017A G.O. Improvement Bonds in annual installments of \$70,000 to \$75,000 through February 1, 2028; interest at 1.75% to 2.25%	445,000
\$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%.	350,000
\$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%	480,000
\$1,055,000 Series 2022A G.O. Improvement Bonds in annual installments of \$65,000 to \$80,000 through February 1, 2038; interest at 4.00%	<u>1,055,000</u>
Total General Obligation Special Assessment Bonds	<u>3,555,000</u>

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 4.40% to 4.55%	285,000
\$556,000 Series 2008A G.O. Utility Project in annual installments of \$45,000, through February 1, 2024; interest at 4.05%	90,000
\$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%	160,000

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%	210,000
\$790,000 Series 2016B G.O Utility Revenue Bonds in annual installments of \$45,000 to \$60,000, through February 1, 2031; interest rate at 1.55% to 2.30%	455,000
\$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%.	130,000
\$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%	560,000
\$460,000 Series 2022A G.O. Utility Improvement Bonds in annual installments of \$25,000 to \$35,000 through February 1, 2038; interest at 4.00%	460,000
\$300,000 Series 2022A Storm Sewer Project Bonds in annual installments of \$15,000 to \$25,000 through February 1, 2038; interest at 4.00%	<u>300,000</u>
Total General Obligation Revenue Bonds	<u>2,650,000</u>
Total General Obligation Bonds Payable	<u>12,250,000</u>

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.	<u>4,920,000</u>
Total Revenue Bonds Payable – Direct Placement	<u>4,920,000</u>

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 \$478,000 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. 3,651,000

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 \$9,000 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. 82,000

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 \$58,000 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. 801,000

Total Direct Placement General Obligation Debt-Other 4,534,000

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. 112,750

Total Other Long-Term Debt (Business Activities) 112,750

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.

217,184

Total Other Long-Term Debt (Governmental Activities)

217,184

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. FUND BALANCES

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

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. FUND BALANCES (Continued)

	General Fund	Capital Equipment & Facilities	2022 Special Assessment Construction Fund	Non Major Governmental Funds	Total
Nonspendable					
Prepaid items	52,281			1,250	53,531
Restricted					
Public safety	14,686			3,583	18,269
Capital projects			244,367		244,367
Debt service				1,874,285	1,874,285
Economic development & revolving loans				684,040	684,040
Housing development loans				172,783	172,783
Small Cities				71,417	71,417
Committed					
Perpetual care and upkeep of cemetery				84,698	84,698
Perpetual care and upkeep of Uruguayan art collection				58,985	58,985
Tourism				122,322	122,322
Assigned					
Between tax settlements	1,307,880				1,307,880
Capital outlay		2,033,609		6,348	2,039,957
Economic development				343,087	343,087
Operation and maintenance:					
Swimming pool				8,255	8,255
Airport				11,848	11,848
Perpetual care and upkeep of Carnegie Library				20,395	20,395
Unassigned				(35,449)	(35,449)
Total fund balances	<u>1,374,847</u>	<u>2,033,609</u>	<u>244,367</u>	<u>3,427,847</u>	<u>7,080,670</u>

NOTE 13. 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, 2022.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. SEGMENT INFORMATION (Continued)

CONDENSED STATEMENT OF NET POSITION

	Utilities Fund	Storm Water Utility Fund	Economic Development Housing Fund
ASSETS			
Current assets	4,270,752	25,350	469,861
Non current assets	1,083,169		5,261,906
Capital assets	16,441,958	280,486	6,209,040
Total assets	21,795,879	305,836	11,940,807
DEFERRED OUTFLOWS OF RESOURCES			
Deferred resources	147,482		
LIABILITIES			
Current liabilities	871,740	17,860	306,631
Long-term liabilities	6,485,631	311,091	5,043,627
Total liabilities	7,357,371	328,951	5,350,258
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	40,553	-	4,098,505
NET POSITION			
Net investment in capital assets	9,798,205	(30,605)	1,006,425
Unrestricted	4,747,232	7,490	1,424,208
TOTAL NET POSITION	14,545,437	(23,115)	2,430,633

CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

	Utilities Fund	Storm Water Utility Fund	Economic Development Housing Fund
Fees, sales, services and rental charges, net	2,795,356		884,931
Depreciation expense	(950,990)		(198,266)
Other operating expense	(1,254,594)	(10,812)	(102,720)
Operating income	589,772	(10,812)	583,945
Non-operating revenues (expenses)			
Other non-operating revenues	174,891	866	127,655
Interest expense	(183,311)	(13,169)	(105,906)
Other non-operating expense	(12,330)		(475)
Total other non-operating revenues (expenses)	(20,750)	(12,303)	21,274
Changes in net position	569,022	(23,115)	605,219
BEGINNING NET POSITION	13,976,415		1,825,413
ENDING NET POSITION	14,545,437	(23,115)	2,430,632

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13. SEGMENT INFORMATION (Continued)

CONDENSED STATEMENT OF CASH FLOWS

	Utilities Fund	Storm Water Utility Fund	Economic Development Housing Fund
Net Cash From:			
Operating activities	1,602,907	(10,812)	412,754
Noncapital financing activities	7,405	-	(8,002)
Capital and related financing activities	(918,489)	35,296	(296,812)
Investing activities	45,502	866	2,025
Net change in cash and cash equivalents	<u>737,325</u>	<u>25,350</u>	<u>109,965</u>
 BEGINNING CASH AND CASH EQUIVALENTS	 <u>3,967,453</u>	 <u>-</u>	 <u>942,557</u>
 ENDING CASH AND CASH EQUIVALENTS	 <u><u>4,704,778</u></u>	 <u><u>25,350</u></u>	 <u><u>1,052,522</u></u>

NOTE 14. 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

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

2. Public Employees Police and Fire Plan

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

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. 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.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. 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 is 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 2022 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, 2022, were \$134,907. 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 2022 and the City of Montevideo was required to contribute 17.70 percent for Police and Fire Plan members. The City of Montevideo's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$141,501. 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, 2022, the City of Montevideo reported a liability of \$1,924,568 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 \$56,395. The net pension liability was measured as of June 30, 2022 and the total pension liability

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City of Montevideo's proportionate share was 0.0243 percent at the end of the measurement period and 0.0247 percent for the beginning of the period.

City's proportionate share of the net pension liability	1,924,568
State of Minnesota's proportionate share of the	
net pension liability associated with the City	56,395
Total net pension liability	<u>1,980,963</u>

For the year ended December 31, 2022, the City of Montevideo recognized pension expense of \$298,058 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Montevideo recognized \$8,427 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2022, 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	16,075	20,860
Changes in actuarial assumptions	442,518	7,795
Net collective difference between projected and actual investment earnings	20,899	
Changes in proportion	27,428	12,811
Contributions paid to PERA subsequent to the measurement date	71,204	
Total	<u>578,124</u>	<u>41,466</u>

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

The \$71,204 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, 2023. 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
2023	149,091
2024	182,966
2025	178,076
2026	(69,637)
2027	174,048
Total	<u>614,544</u>

2. Police and Fire Fund Pension Costs

At December 31, 2022, the City of Montevideo reported a liability of \$2,933,095 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City of Montevideo's proportionate share was 0.0674 percent at the end of the measurement period and 0.0678 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, 2022. 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, 2021. 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.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. 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, 2022, the City of Montevideo recognized pension expense \$571,338 for its proportionate share of the Police and Fire Plan's pension expense. The City of Montevideo recognized \$6,066 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 \$6,066 for the year ended December 31, 2022 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	2,933,095
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>128,230</u>
Total net pension liability	<u>3,061,325</u>

At December 31, 2022, 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:

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. DEFINED BENEFIT PENSION PLANS (Continued)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	178,438	
Changes in actuarial assumptions	1,730,142	16,464
Net collective difference between projected and actual investment earnings	29,685	
Changes in proportion	53,569	21,795
Contributions to PERA subsequent to the measurement date	76,077	
Total	<u>2,067,911</u>	<u>38,259</u>

The \$76,077 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 December 31	Pension Expense Amount
2023	370,674
2024	376,881
2025	347,812
2026	614,693
2027	243,516
Total	<u>1,953,576</u>

2. Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2022, was \$869,396.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. DEFINED BENEFIT PENSION PLANS (Continued)

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%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, 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 investments 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 27 years of service. 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 for the General Employees Plan was

**CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 14. DEFINED BENEFIT PENSION PLANS (Continued)

F. Actuarial Assumptions (Continued)

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, was 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 2022:

1. General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

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

2. Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The Single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions:

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 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 was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060 and June 30, 2061 respectively. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at

**CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 14. DEFINED BENEFIT PENSION PLANS (Continued)

G. Discount Rate (Continued)

the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

H. Pension Liability Sensitivity

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

Sensitivity of Net Pension Liability at Current Single Discount Rate

	<u>General Employees Fund</u>		<u>Police and Fire Fund</u>	
1% Lower	5.50%	3,039,956	5.50%	4,438,692
Current Discount Rate	6.50%	1,924,568	6.50%	2,932,962
1% Higher	7.50%	1,009,778	7.50%	1,715,705

I. 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 15. 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.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER - FIRE RELIEF ASSOCIATION
(Continued)

A. PLAN DESCRIPTION (Continued)

At December 31, 2021, the membership of the Association consisted of:

Active plan participants - vested	8
Active plan participants - partially vested	18
Active plan participants - non-vested	5
Deferred plan participants - vested	1
Total	<u>32</u>

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

B. BENEFITS PROVIDED

Basic Service Pension for Retired Members - Upon retirement each individual will receive a lump sum distribution of \$3,500 per year of service. This benefit level was placed into effect on January 1, 2022. 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.

**CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 15. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION
(Continued)**

B. BENEFITS PROVIDED (Continued)

<u>Years of Service</u>	<u>Applicable Percentage</u>
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 2022. 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, 2022, the City reported an asset of \$651,488 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, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. DEFINED BENEFIT PENSION PLAN - SINGLE EMPLOYER - FIRE RELIEF ASSOCIATION
(Continued)

E. PENSION COSTS (Continued)

	Increase (Decrease)		
	Total	Plan	Net Pension
Changes in Net Pension Asset	Pension	Fiduciary	Liability
	Liability	Net Position	(Asset)
Balance at 12/31/21	1,026,060	1,533,711	(507,651)
Changes for that Year			
Service Cost	46,261		46,261
Interest	61,658		61,658
Change in benefit terms	83,502		83,502
Contributions - state and local		56,718	(56,718)
Net investment income		278,540	(278,540)
Net Change	191,421	335,258	(143,837)
Balance at 12/31/22	1,217,481	1,868,969	(651,488)

At December 31, 2022, the City reported deferred outflows of resources, and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	6,871	22,897
Changes in assumptions	33,412	4,783
Net difference between projected and actual investment earnings		281,800
Contributions paid subsequent to the measurement date	TBD	N/A
Totals	40,283	309,480

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

**CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 15. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION
(Continued)**

E. PENSION COSTS (Continued)

Year Ended December 31,	Pension Expense Amount
2023	(75,707)
2024	(97,442)
2025	(65,578)
2026	(34,992)
2027	3,027
Thereafter	1,495
Total	<u>(269,197)</u>

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.
- 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.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

**NOTE 15. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION
(Continued)**

F. ACTUARIAL ASSUMPTIONS (Continued)

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, 2022.

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%

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 5.75 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 (4.75 percent) or one percentage-point higher (6.75 percent) than the current rate:

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 15. DEFINED BENEFIT PENSION PLAN – SINGLE EMPLOYER – FIRE RELIEF ASSOCIATION
(Continued)

H. PENSION LIABILITY (ASSET) SENSITIVITY (Continued)

	<u>One Point Decrease</u>	<u>Current Rate</u>	<u>One Point Increase</u>
Net Pension (Asset)/Liability	\$ (621,638)	\$ (651,488)	\$ (680,796)

NOTE 16. 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, 2022.

A. GENERAL INFORMATION ABOUT THE OPEB PLAN

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

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

Employees Covered by Benefit Terms. At December 31, 2022, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active plan members	37
	<u>40</u>

B. TOTAL OPEB LIABILITY

The City's total OPEB liability of \$1,430,189 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. TOTAL OPEB LIABILITY (Continued)

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Healthcare cost trend rates	6.20% for 2022, grading to 3.75% in 2074 and later

A discount rate of 1.84% 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-2020 scale, and other adjustments. The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study. The liabilities in this report were calculated as of the valuation dated and rolled forward to the measurement date using standard actuarial roll-forward techniques per GASB 75.

C. CHANGES IN THE TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

	Total OPEB Liability
Balance at December 31, 2021	<u>1,404,151</u>
Changes for the year:	
Service cost	33,469
Interest	27,933
Differences between expected and actual experience	47,665
Changes of assumptions	(1,048)
Benefit payments	<u>(81,981)</u>
Net changes	<u>26,038</u>
Balance at December 31, 2022	<u>1,430,189</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-

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16. OTHER POSTEMPLOYMENT BENEFITS (Continued)

C. CHANGES IN THE TOTAL OPEB LIABILITY (Continued)

percentage-point lower (.84%) or 1-percentage-point higher (2.84%) than the current discount rate:

	1.0% Decrease (.84%)	Discount Rate (1.84%)	1.0% Increase (2.84%)
Total OPEB liability	1,545,198	1,430,189	1,326,324

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%)	1.0% Increase (7.20%)
Total OPEB liability	1,322,926	1,430,189	1,550,243

D. OPEB EXPENSE, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

For the year ended December 31, 2022, the City recognized OPEB expense of \$108,019. At December 31, 2022, the City reported deferred outflows of resources related to OPEB from contributions made subsequent to the measurement date of \$82,922.

NOTE 17. 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, 2022, are as follows:

	Governmental Activities		Business-type Activities	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Unearned grants		458,644		
Lease				4,098,505
Unearned Ins. Proceeds		25,071		61,412
OPEB	70,138		12,783	
Pension - PERA	2,413,119	38,159	233,570	42,218
	<u>2,483,257</u>	<u>521,874</u>	<u>246,353</u>	<u>4,202,135</u>

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18. 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 2022 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.

NOTE 19. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2022.

NOTE 20. 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, 2022, are:

Total assets	63,712,714
Total deferred outflows of resources	9,258,273
Total liabilities	54,956,555
Total deferred inflows of resources	696,689
Total net position	17,317,743
Total revenues	60,703,901
Total expenses	57,800,915
Net increase in net position	2,902,986

The liability amount above includes \$25,635,000 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

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20. JOINT VENTURES – CCM Health (Continued)

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 21. 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.

The Montevideo Fire Department Relief Association (the Association)

The Association is organized as a nonprofit organization, legally separate from the City, by its members to provide pension and other benefits to members in accordance with Minnesota Statutes. Its board of directors is elected by the membership of the Association and not by the City Council. The Association issues its own set of financial statements. All funding is conducted in accordance with applicable Minnesota Statutes, whereby state aids flow to the Association. Tax levies are determined by the Association and are only reviewed by the City. The Association pays benefits directly to its members. The Association may certify tax levies to Chippewa County directly if the City does not carry out this function. Because the Association is fiscally independent of the City, the financial information of the Association has not been included within the City's financial statements. (See Note 15 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 22. LEASE AGREEMENT - LESSEE

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. The City accounts for the lease in accordance with the provisions of GASB 87, Leases, (Note 1). The City uses a 2.48% implicit interest rate to compute present value at inception of the Liquor Store lease since no rate is specified in the contract.

Amounts relating to the lease are reflected in the financial statements as right to use assets and lease liability.

Future lease payments on lease classified as right to use assets are as follows:

CITY OF MONTEVIDEO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 22. LEASE AGREEMENT – LESSEE (Continued)

Year Ended December 31,	Principal	Interest
2023	<u>22,501</u>	<u>536</u>
Total	<u>22,501</u>	<u>536</u>

NOTE 23. LEASE AGREEMENT-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. The City accounts for the lease in accordance with the provisions of GASB 87, Leases, (Note 1). The City uses a 2.48% implicit interest rate to compute present value at inception of the building lease, since no rate is specified in the contract.

Amounts relating to the lease are reflected in the financial statements as lease receivable and deferred inflows of resources-lease.

Future lease payments on lease classified as lease receivable are as follows:

	Principal	Interest
2023	198,686	110,917
2024	204,640	105,921
2025	210,653	100,775
2026	216,725	95,481
2027	218,218	90,092
2028-2029	<u>3,539,959</u>	<u>84,334</u>
Total	<u>4,588,881</u>	<u>587,520</u>

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. PRIOR PERIOD ADJUSTMENT

GASB Statement No. 87, *Leases*, was adopted in 2022. The financial statements for 2021 were restated to reflect retroactive application. The restatement did not change the change in net position for the year, or net position as of January 1, 2021. Assets and liabilities at December 31, 2021, were both increased by \$4,833,306.

NOTE 26. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement 96, *Subscription-based Information Technology Arrangements*, was issued in May 2020, and is effective for fiscal years beginning after June 15, 2022. The standard provides guidance related to accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The standard generally requires the recording of a right-to-use subscription asset (intangible asset) and a corresponding liability. There is an exception for short-term SBITAs defined as those with maximum possible terms of 12 months or less including options to extend, regardless of their probability of being exercised. When adopted, GASB 96 may have a material effect on the financial statements.

NOTE 27. SUBSEQUENT EVENTS

In May 2023, the City approved the bid of \$2,024,776 for the 2023 improvement projects, which will be funded using bonds and special assessments. Sale of \$1,590,000 Bonds for this project were approved in June 2023.

In 2023, the City approved bids for the following:

- Airport hanger project of \$424,840 to be paid for with FAA/MN DOT grant, County and City matching funds
- Two payloaders totaling approximately \$304,000

REQUIRED SUPPLEMENTARY INFORMATION

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, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Total OPEB Liability					
Service cost	33,469	27,854	19,575	23,492	20,567
Interest on TOL	27,933	36,301	35,483	11,216	12,792
Differences between expected & actual experience	47,665	3,864	268,673	686,755	
Changes of assumptions	(1,048)	80,447	112,817	(31,324)	11,369
Benefit payments	(81,981)	(72,989)	(89,448)	(47,853)	(41,242)
Net change in TOL	26,038	75,477	347,100	642,286	3,486
Total OPEB liability - beginning	1,404,151	1,328,674	981,574	339,288	335,802
Total OPEB liability - ending	1,430,189	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.

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%
December 31, 2022	\$1,430,189	\$2,585,363	55.32%

* 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	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	\$115,662	\$115,662	\$0	\$1,542,160	7.50%
December 31, 2016	\$116,856	\$116,856	\$0	\$1,558,080	7.50%
December 31, 2017	\$118,610	\$118,610	\$0	\$1,581,467	7.50%
December 31, 2018	\$122,858	\$122,858	\$0	\$1,638,107	7.50%
December 31, 2019	\$125,647	\$125,647	\$0	\$1,675,293	7.50%
December 31, 2020	\$136,782	\$136,782	\$0	\$1,823,760	7.50%
December 31, 2021	\$135,840	\$135,840	\$0	\$1,811,200	7.50%
December 31, 2022	\$134,908	\$134,908	\$0	\$1,798,760	7.50%

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

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

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

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll** (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0260%	\$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%
June 30, 2022	0.0243%	\$1,924,568	\$1,821,502	105.66%	76.67%

* 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*)

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contributions (a)</u>	<u>Contributions in Relation to the Statutorily Required Contributions (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered Payroll** (d)</u>	<u>Contributions as a Percentage of Covered Payroll (b/d)</u>
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%
December 31, 2022	\$141,509	\$141,509	\$0	\$799,442	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*)

<u>Fiscal Year Ending</u>	<u>Employer's Proportion (Percentage) of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)</u>	<u>Employer's Covered Payroll** (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
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%
June 30, 2022	0.0674%	\$2,932,982	\$818,904	358.16%	70.53%

* 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*)

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service Costs	\$ 46,261	\$ 43,902	\$ 42,831	\$ 39,137	\$ 32,514	\$ 29,277	\$ 29,115	\$ 28,336
Interest	61,658	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	83,502	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	191,421	105,164	99,036	101,994	103,551	75,312	47,573	58,451
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	1,026,060	920,896	821,860	719,866	616,315	541,003	493,430	434,979
TOTAL PENSION LIABILITY - END OF YEAR	1,217,481	1,026,060	920,896	821,860	719,866	616,315	541,003	493,430
Plan Fiduciary Net Position								
Contributions - State and Local	56,718	54,458	50,280	53,528	52,699	50,859	50,762	46,748
Net Investment Income	278,540	228,282	223,453	(41,788)	169,089	68,508	4,210	53,229
Benefit payments	-	-	-	(60,900)	(48,284)			
Administrative Expenses	-	-	(10)				(199)	(199)
Net Change in Plan Fiduciary Net Position	335,258	282,740	273,723	(49,160)	173,504	119,367	54,773	99,778
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	1,533,711	1,250,971	977,248	1,026,408	852,904	733,537	678,764	578,986
PLAN FIDUCIARY NET POSITION - END OF YEAR	1,868,969	1,533,711	1,250,971	977,248	1,026,408	852,904	733,537	678,764
NET PENSION LIABILITY (ASSET) - END OF YEAR	(651,488)	(507,651)	(330,075)	(155,388)	(306,542)	(236,589)	(192,534)	(185,334)
Plan Fiduciary Net Position as a								
Percentage of the Total Pension Liability	153.51%	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	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	N/A

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

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation of the										
Actuarially Determined Contribution	9,425	8,937	6,709	9,451	9,017	7,489	7,184	5,952	10,582	-
Contribution Deficiency (Excess)	(9,425)	(8,937)	(6,709)	(9,451)	(9,017)	(7,489)	(7,184)	(5,952)	(10,582)	-
Covered - Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of										
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

NOTES TO SCHEDULE

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal level percent of payroll cost method
Amortization method	Investment 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, 2012

SUPPLEMENTAL INFORMATION

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

		2022			Total Governmental	
	General	Capital Equipment & Facilities	Special Assessment Construction	Other Governmental Funds	Funds	
					2022	2021
REVENUES						
Taxes	1,923,592			955,109	2,878,701	2,737,554
Special assessments		34,962		201,776	236,738	172,386
Licenses and permits	21,965				21,965	19,550
Tax increment financing						17,763
Intergovernmental revenue	2,519,713	715,452	1,095,000	111,564	4,441,729	6,496,263
Fines and forfeits	36,805				36,805	51,635
Interest on investments	10,048	17,644		25,879	53,571	49,829
Interest on loans				10,114	10,114	9,685
Donations		149,594			149,594	684,947
Charges for services	373,580			116,733	490,313	437,450
Net change in the fair value of investments	(599,496)				(599,496)	(171,174)
Miscellaneous revenues	24,867	48,830		23,718	97,415	122,721
Total revenues	4,311,074	966,482	1,095,000	1,444,893	7,817,449	10,628,609
EXPENDITURES						
Current						
Governing board	58,181				58,181	56,214
Administration and finance	422,479				422,479	441,631
Other general government	227,858	1,538			229,396	213,262
Health						200
Transit	9,326				9,326	9,893
Insurance	236,250				236,250	258,342
Police	1,611,009	171			1,611,180	1,531,999
Fire	189,315				189,315	213,134
Other protection	16,200				16,200	16,200
Other sanitation	2,207				2,207	1,725
Public works - maintenance	1,130,328	1,160			1,131,488	1,114,690
Public works - engineering	6,621				6,621	3,843
Street lighting	130,929				130,929	123,664

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

			2022 Special Assessment Construction	Other Governmental Funds	Total Governmental Funds	
	General	Capital Equipment & Facilities			2022	2021
EXPENDITURES (Continued)						
Current (Continued)						
Cemetery	51,099				51,099	48,034
Libraries	99,300				99,300	96,450
Parks and recreation	136,176	23,500		126,991	286,667	260,123
Airport				84,766	84,766	97,390
Economic development	83,596			77,031	160,627	7,984,510
Capital outlay						
General government		2,522			2,522	1,446
Police	5,431	5,371			10,802	93,178
Fire	9,006	601,754			610,760	8,681
Other protection				42,909	42,909	49,557
Street construction		713,414	1,888,389	41,007	2,642,810	3,596,985
Public works - other	19,823	64,990		13,895	98,708	1,313,049
Parks and recreation		35,325			35,325	5,183
Airport				29,450	29,450	68,361
Redemption of debt				875,000	875,000	884,125
Interest and fiscal agent charges			1,207	233,362	234,569	277,414
Total expenditures	4,445,134	1,449,745	1,889,596	1,524,411	9,308,886	18,769,283
REVENUES UNDER EXPENDITURES	(134,060)	(483,263)	(794,596)	(79,518)	(1,491,437)	(8,140,674)
OTHER FINANCING SOURCES (USES)						
Transfers (to) from other funds	(138,951)	234,643		93,308	189,000	145,800
Gain on sale of investment						15,909
Bond proceeds			1,031,907	23,093	1,055,000	
Premium on bond proceeds			40,744		40,744	
Proceeds from sale of property		22,542			22,542	32,317
Total other financing sources (uses)	(138,951)	257,185	1,072,651	116,401	1,307,286	194,026

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

			2022		Total Governmental	
	General	Capital Equipment & Facilities	Special Assessment Construction	Other Governmental Funds	Funds	
					2022	2021
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(273,011)	(226,078)	278,055	36,883	(184,151)	(7,946,648)
FUND BALANCE (DEFICIT), beginning of year	1,647,858	2,259,687	(33,688)	3,390,964	7,264,821	15,211,469
FUND BALANCE, end of year	1,374,847	2,033,609	244,367	3,427,847	7,080,670	7,264,821

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

				Total Nonmajor Governmental Funds	
				2022	2021
ASSETS					
ASSETS					
Equity in pooled cash and investments	1,587,922	1,858,705	6,348	3,452,975	3,215,439
Taxes receivable - delinquent	2,110	36,145		38,255	41,344
Accounts receivable	91,277			91,277	105,427
Notes receivable	426,492			426,492	354,032
Special assessments - delinquent		9,338	298	9,636	14,422
Special assessments - deferred		671,820	2,803	674,623	405,610
Due from other governments	149,469			149,469	171,903
Prepaid expenses	1,250			1,250	1,250
TOTAL ASSETS	<u>2,258,520</u>	<u>2,576,008</u>	<u>9,449</u>	<u>4,843,977</u>	<u>4,309,427</u>
LIABILITIES					
Accounts/contracts payable	5,027		23,572	28,599	7,833
Due to other governments	60			60	20
Due to other funds	210,918		11,877	222,795	240,092
Total Liabilities	<u>216,005</u>		<u>35,449</u>	<u>251,454</u>	<u>247,945</u>

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	
				2022	2021
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue - grants	458,644			458,644	225,998
Unearned revenue - delinquent taxes	1,208	20,565		21,773	24,488
Unearned revenue - special assessments		681,158	3,101	684,259	420,032
Total deferred inflows of resources	<u>459,852</u>	<u>701,723</u>	<u>3,101</u>	<u>1,164,676</u>	<u>670,518</u>
FUND BALANCES					
Nonspendable	1,250			1,250	1,250
Restricted	931,823	1,874,285		2,806,108	2,772,450
Committed	266,005			266,005	236,926
Assigned	383,585		6,348	389,933	380,338
Unassigned			(35,449)	(35,449)	
Total fund balances	<u>1,582,663</u>	<u>1,874,285</u>	<u>(29,101)</u>	<u>3,427,847</u>	<u>3,390,964</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>2,258,520</u>	<u>2,576,008</u>	<u>9,449</u>	<u>4,843,977</u>	<u>4,309,427</u>

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	Special Revenue	Debt Service	Capital Projects	Totals	
				2022	2021
REVENUES					
Taxes	52,329	902,780		955,109	912,703
Special assessments		201,078	698	201,776	130,318
Tax increment financing					17,763
Intergovernmental revenue	111,564			111,564	771,723
Interest on investments	14,185	10,088	1,606	25,879	24,549
Interest on loans	10,114			10,114	9,685
Charges for services	116,733			116,733	80,762
Miscellaneous revenues	18,968		4,750	23,718	30,894
Total revenues	323,893	1,113,946	7,054	1,444,893	1,978,397
EXPENDITURES					
Current					
Housing and economic development	77,031			77,031	311,802
Transportation	84,766			84,766	97,390
Pool	124,802			124,802	123,890
Culture and recreation	2,189			2,189	1,474
Capital outlay	72,359		54,902	127,261	1,390,904

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	Special Revenue	Debt Service	Capital Projects	Totals	
				2022	2021
EXPENDITURES (Continued)					
Debt service					
Redemption of debt		875,000		875,000	884,125
Interest expense	1,786	228,069	10	229,865	274,283
Fiscal agent fees		3,497		3,497	3,123
Total expenditures	<u>362,933</u>	<u>1,106,566</u>	<u>54,912</u>	<u>1,524,411</u>	<u>3,086,991</u>
REVENUES OVER (UNDER) EXPENDITURES	(39,040)	7,380	(47,858)	(79,518)	(1,108,594)
OTHER FINANCING SOURCES (USES)					
Transfers (to) from other funds	96,038	148,733	(151,463)	93,308	58,026
Gain on sale of investment					15,909
Bond proceeds		23,093		23,093	
Total other financing sources (uses)	<u>96,038</u>	<u>171,826</u>	<u>(151,463)</u>	<u>116,401</u>	<u>73,935</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	56,998	179,206	(199,321)	36,883	(1,034,659)
FUND BALANCE - beginning of year	<u>1,525,665</u>	<u>1,695,079</u>	<u>170,220</u>	<u>3,390,964</u>	<u>4,425,623</u>
FUND BALANCE (DEFICIT) - end of year	<u>1,582,663</u>	<u>1,874,285</u>	<u>(29,101)</u>	<u>3,427,847</u>	<u>3,390,964</u>

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

	C.D.B.G. Home Improvement Fund	ARPA COVID Recovery Fund	Community Development Revolving Loan Fund	Airport Fund	Municipal Swimming Pool Fund
ASSETS					
ASSETS					
Equity in pooled					
cash and investments	33,792	462,957	282,856		3,100
Accounts receivable				85,152	5,645
Notes receivable	25,820		312,792		
Delinquent taxes receivable					
Due from other governments				141,769	
Prepaid expenses					
TOTAL ASSETS	59,612	462,957	595,648	226,921	8,745
LIABILITIES					
Accounts/contracts payable				4,155	490
Due to other governments					
Due to other funds				210,918	
Total liabilities				215,073	490
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue-grants		458,644			
Unearned revenue-delinquent taxes					
Total deferred inflows of resources		458,644			
FUND BALANCE					
Nonspendable					
Restricted			595,648		
Committed					
Assigned	59,612	4,313		11,848	8,255
Total fund balance	59,612	4,313	595,648	11,848	8,255
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	59,612	462,957	595,648	226,921	8,745

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

	Housing Assistance Fund	Cemetery Perpetual Care Fund	(MCDC) Economic Development Fund	Economic Development Authority Administration Fund
ASSETS				
ASSETS				
Equity in pooled cash and investments	74,659	84,698	135,063	131,323
Accounts receivable				
Notes receivable	13,825		4,174	
Delinquent taxes receivable				2,110
Due from other governments				7,700
Prepaid expenses			1,250	
TOTAL ASSETS	88,484	84,698	140,487	141,133
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				1,208
Total deferred inflows of resources				1,208
FUND BALANCE				
Nonspendable			1,250	
Restricted	88,484			
Committed		84,698		
Assigned			139,237	139,925
Total fund balance	88,484	84,698	140,487	139,925
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	88,484	84,698	140,487	141,133

CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2022

(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

	Economic Development Authority Community Revitalization	Convention And Visitors Bureau Fund	Business Community Development Grant Fund	Small Cities Grant Fund
ASSETS				
ASSETS				
Equity in pooled				
cash and investments	63,849	122,322	38,961	71,417
Accounts receivable				
Notes receivable	20,450		49,431	
Delinquent taxes receivable				
Due from other governments				
Prepaid expenses				
TOTAL ASSETS	84,299	122,322	88,392	71,417
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	84,299		88,392	71,417
Committed		122,322		
Assigned				
Total fund balance	84,299	122,322	88,392	71,417
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	84,299	122,322	88,392	71,417

CITY OF MONTEVIDEO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2022
(WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

	Carnegie Library Fund	Dawson Legacy Fund	Public Safety Admin Fund	Totals	
				2022	2021
ASSETS					
ASSETS					
Equity in pooled					
cash and investments	20,297	58,985	3,643	1,587,922	1,368,787
Accounts receivable	480			91,277	105,427
Notes receivable				426,492	354,032
Delinquent taxes receivable				2,110	2,301
Due from other governments				149,469	154,794
Prepaid expenses				1,250	1,250
TOTAL ASSETS	20,777	58,985	3,643	2,258,520	1,986,591
LIABILITIES					
Accounts/contracts payable	382			5,027	6,897
Due to other governments			60	60	20
Due to other funds				210,918	226,623
Total liabilities	382		60	216,005	233,540
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue-grants				458,644	225,998
Unearned revenue-delinquent taxes				1,208	1,388
Total deferred inflows of resources				459,852	227,386
FUND BALANCE					
Nonspendable				1,250	1,250
Restricted			3,583	931,823	918,286
Committed		58,985		266,005	236,926
Assigned	20,395			383,585	369,203
Total fund balance	20,395	58,985	3,583	1,582,663	1,525,665
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	20,777	58,985	3,643	2,258,520	1,986,591

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	C.D.B.G. Home Improvement Fund	ARPA COVID Recovery Fund	Community Development Revolving Loan Fund	Airport Fund	Municipal Swimming Pool Fund
REVENUES					
Intergovernmental		42,909		53,866	
Property taxes					
Charges for services				66,891	37,608
Interest on investments	322	3,271	3,048		24
Interest on loans			8,607		
Miscellaneous					5,043
Total revenues	<u>322</u>	<u>46,180</u>	<u>11,655</u>	<u>120,757</u>	<u>42,675</u>
EXPENDITURES					
Economic development			862		
Transportation				84,766	
Pool					124,802
Culture and recreation					
Total current expenditures	<u></u>	<u></u>	<u>862</u>	<u>84,766</u>	<u>124,802</u>
Interest expense				1,786	
Capital outlay		42,909		29,450	
Total expenditures	<u></u>	<u>42,909</u>	<u>862</u>	<u>116,002</u>	<u>124,802</u>
OTHER FINANCING SOURCES (USES)					
Gain on investment sale					
Transfers from other funds				11,245	83,000
Transfers to other funds				(16,000)	
Total other financing sources (uses)	<u></u>	<u></u>	<u></u>	<u>(4,755)</u>	<u>83,000</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	322	3,271	10,793		873
FUND BALANCE - beginning of year	59,290	1,042	584,855	11,848	7,382
FUND BALANCE - end of year	59,612	4,313	595,648	11,848	8,255

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	Housing Assistance Fund	Cemetery Perpetual Care Fund	(MCDC) Economic Development Fund	Economic Development Authority Administration Fund
REVENUES				
Intergovernmental				14,789
Property taxes				52,329
Charges for services		4,050		8,184
Interest on investments	711	795	1,304	1,049
Interest on loans			152	
Miscellaneous				100
Total revenues	<u>711</u>	<u>4,845</u>	<u>1,456</u>	<u>76,451</u>
EXPENDITURES				
Economic development			3,771	16,331
Transportation				
Pool				
Culture and recreation				
Total current expenditures			<u>3,771</u>	<u>16,331</u>
Interest expense				
Capital outlay				
Total expenditures			<u>3,771</u>	<u>16,331</u>
OTHER FINANCING SOURCES (USES)				
Gain on investment sale				
Transfers from other funds				
Transfers to other funds		(795)	(2,400)	(43,500)
Total other financing sources (uses)		<u>(795)</u>	<u>(2,400)</u>	<u>(43,500)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	711	4,050	(4,715)	16,620
FUND BALANCE - beginning of year	<u>87,773</u>	<u>80,648</u>	<u>145,202</u>	<u>123,305</u>
FUND BALANCE - end of year	<u><u>88,484</u></u>	<u><u>84,698</u></u>	<u><u>140,487</u></u>	<u><u>139,925</u></u>

CITY OF MONTEVIDEO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2022
(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	Economic Development Authority Community Revitalization	Convention And Visitors Bureau Fund	Business Community Development Grant Fund	Small Cities Grant Fund
REVENUES				
Intergovernmental				
Property taxes				
Charges for services				
Interest on Investments	607	1,047	577	638
Interest on loans			1,355	
Miscellaneous				13,125
Total revenues	<u>607</u>	<u>1,047</u>	<u>1,932</u>	<u>13,763</u>
EXPENDITURES				
Economic development		41,067	15,000	
Transportation				
Pool				
Culture and recreation				
Total current expenditures		<u>41,067</u>	<u>15,000</u>	
Interest expense				
Capital outlay				
Total expenditures		<u>41,067</u>	<u>15,000</u>	
OTHER FINANCING SOURCES (USES)				
Gain on investment sale				
Transfers from other funds		64,488		
Transfers to other funds				
Total other financing sources (uses)		<u>64,488</u>		
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	607	24,468	(13,068)	13,763
FUND BALANCE - beginning of year	<u>83,692</u>	<u>97,854</u>	<u>101,460</u>	<u>57,654</u>
FUND BALANCE - end of year	<u>84,299</u>	<u>122,322</u>	<u>88,392</u>	<u>71,417</u>

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	Carnegie Library Fund	Dawson Legacy Fund	Public Safety Admin Fund	Totals	
				2022	2021
REVENUES					
Intergovernmental				111,564	380,610
Property taxes				52,329	49,280
Charges for services				116,733	80,762
Interest on investments	200	561	31	14,185	10,405
Interest on loans				10,114	9,685
Miscellaneous			700	18,968	30,894
Total revenues	<u>200</u>	<u>561</u>	<u>731</u>	<u>323,893</u>	<u>561,636</u>
EXPENDITURES					
Economic development				77,031	311,802
Transportation				84,766	97,390
Pool				124,802	123,890
Culture and recreation	2,189			2,189	1,474
Total current expenditures	<u>2,189</u>			<u>288,788</u>	<u>534,556</u>
Interest expense				1,786	1,533
Capital outlay				72,359	117,918
Total expenditures	<u>2,189</u>			<u>362,933</u>	<u>654,007</u>
OTHER FINANCING SOURCES (USES)					
Gain on investment sale					15,909
Transfers from other funds				158,733	159,145
Transfers to other funds				(62,695)	(45,306)
Total other financing sources (uses)				<u>96,038</u>	<u>129,748</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,989)	561	731	56,998	37,377
FUND BALANCE - beginning of year	22,384	58,424	2,852	1,525,665	1,488,288
FUND BALANCE - end of year	<u>20,395</u>	<u>58,985</u>	<u>3,583</u>	<u>1,582,663</u>	<u>1,525,665</u>

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

	2012 Street Improvement	2013 Street Improvement	2014 Street Improvement	2014 Fire Hall/ HVAC	2015 Street Improvement	2016 Street Improvement
ASSETS						
ASSETS						
Equity in pooled cash and investments	125,998	133,951	157,369	245,467	183,388	148,866
Delinquent taxes receivable	1,720	2,237	1,991	8,751	2,076	2,734
Special assessments-						
Delinquent	2,259				2,486	3,254
Deferred	1,146	6,056	17,331		48,998	56,629
TOTAL ASSETS	131,123	142,244	176,691	254,218	236,948	211,483
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue - delinquent taxes	953	1,331	1,190	5,092	1,241	1,585
Unearned revenue - special assessments	3,405	6,056	17,331		51,484	59,883
Total deferred inflows of resources	4,358	7,387	18,521	5,092	52,725	61,468
FUND BALANCE						
Restricted for debt service	126,765	134,857	158,170	249,126	184,223	150,015
Total fund balance	126,765	134,857	158,170	249,126	184,223	150,015
TOTAL DEFERRED INFLOWS AND FUND BALANCE	131,123	142,244	176,691	254,218	236,948	211,483

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

	2017 Street Improvement	2018 Street Improvement	2020 Street Improvement	2020 Capital Improvement	2022 Street Improvement	Totals	
						2022	2021
ASSETS							
ASSETS							
Equity in pooled cash and investments	156,210	118,006	187,831	289,467	112,152	1,858,705	1,679,136
Delinquent taxes receivable	2,880	1,867	1,854	10,035		36,145	39,043
Special assessments-							
Delinquent	802		537			9,338	14,253
Deferred	52,053	33,571	90,218		365,818	671,820	402,075
TOTAL ASSETS	211,945	153,444	280,440	299,502	477,970	2,576,008	2,134,507
DEFERRED INFLOWS OF RESOURCES							
Unearned revenue - delinquent taxes	1,677	1,118	997	5,381		20,565	23,100
Unearned revenue - special assessments	52,855	33,571	90,755		365,818	681,158	416,328
Total deferred inflows of resources	54,532	34,689	91,752	5,381	365,818	701,723	439,428
FUND BALANCE							
Restricted for debt service	157,413	118,755	188,688	294,121	112,152	1,874,285	1,695,079
Total fund balance	157,413	118,755	188,688	294,121	112,152	1,874,285	1,695,079
TOTAL DEFERRED INFLOWS AND FUND BALANCE	211,945	153,444	280,440	299,502	477,970	2,576,008	2,134,507

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 YEAR ENDED DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	2012 Street Improvement	2013 Street Improvement	2014 Street Improvement	2014 Fire Hall/ HVAC	2015 Street Improvement
REVENUES					
General property taxes	45,105	52,686	46,636	212,319	48,574
Special assessments	10,466	6,644	10,112		18,329
Interest income	872	921	1,168	1,205	1,345
Total revenues	<u>56,443</u>	<u>60,251</u>	<u>57,916</u>	<u>213,524</u>	<u>68,248</u>
EXPENDITURES					
Redemption of debt	95,000	80,000	75,000	135,000	85,000
Interest expense	3,349	4,800	6,751	66,478	8,904
Fiscal agent fees	575	575	414	575	308
Total expenditures	<u>98,924</u>	<u>85,375</u>	<u>82,165</u>	<u>202,053</u>	<u>94,212</u>
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	(42,481)	(25,124)	(24,249)	11,471	(25,964)
FUND BALANCE - beginning of year	<u>169,246</u>	<u>159,981</u>	<u>182,419</u>	<u>237,655</u>	<u>210,187</u>
FUND BALANCE - end of year	<u>126,765</u>	<u>134,857</u>	<u>158,170</u>	<u>249,126</u>	<u>184,223</u>

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 YEAR ENDED DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	2016 Street Improvement	2017 Street Improvement	2018 Street Improvement	2020 Street Improvement
REVENUES				
General property taxes	66,661	69,825	43,509	49,386
Special assessments	17,596	11,684	9,900	27,803
Interest income	916	1,024	832	521
Total revenues	<u>85,173</u>	<u>82,533</u>	<u>54,241</u>	<u>77,710</u>
EXPENDITURES				
Redemption of debt	80,000	70,000	45,000	50,000
Interest expense	7,000	11,437	11,525	15,798
Fiscal agent fees	575	475		
Total expenditures	<u>87,575</u>	<u>81,912</u>	<u>56,525</u>	<u>65,798</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds				
Transfer (to) from other funds				88,489
Total other financing sources (uses)				<u>88,489</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,402)	621	(2,284)	100,401
FUND BALANCE - beginning of year	<u>152,417</u>	<u>156,792</u>	<u>121,039</u>	<u>88,287</u>
FUND BALANCE - end of year	<u>150,015</u>	<u>157,413</u>	<u>118,755</u>	<u>188,688</u>

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 YEAR ENDED DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	2020 Capital Improvement	2022 Street Improvement	Totals	
			2022	2021
REVENUES				
General property taxes	268,079		902,780	863,423
Special assessments		88,544	201,078	129,638
Interest income	769	515	10,088	10,025
Total revenues	268,848	89,059	1,113,946	1,003,086
EXPENDITURES				
Redemption of debt	160,000		875,000	884,125
Interest expense	92,027		228,069	272,101
Fiscal agent fees			3,497	3,123
Total expenditures	252,027		1,106,566	1,159,349
OTHER FINANCING SOURCES (USES)				
Bond proceeds		23,093	23,093	
Transfer (to) from other funds	60,244		148,733	(55,813)
Total other financing sources (uses)	60,244	23,093	171,826	(55,813)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	77,065	112,152	179,206	(212,076)
FUND BALANCE - beginning of year	217,056		1,695,079	1,907,155
FUND BALANCE - end of year	294,121	112,152	1,874,285	1,695,079

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION AS OF DECEMBER 31, 2021)

		2023	Totals	
	Sidewalk Improvement	Special Assessment Construction	2022	2021
ASSETS				
Equity in pooled cash and investments	6,348		6,348	167,516
Special assessments - delinquent	298		298	169
Special assessments - deferred	2,803		2,803	3,535
Due from other governments				17,109
TOTAL ASSETS	9,449		9,449	188,329
LIABILITIES				
Accounts/contracts payable		23,572	23,572	936
Due to other funds		11,877	11,877	13,469
Total liabilities		35,449	35,449	14,405
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - grants				
Unearned revenue - special assessments	3,101		3,101	3,704
Total deferred inflows of resources	3,101		3,101	3,704
FUND BALANCE				
Restricted				159,085
Assigned	6,348		6,348	11,135
Unassigned		(35,449)	(35,449)	
Total fund balance (deficit)	6,348	(35,449)	(29,101)	170,220
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	9,449		9,449	188,329

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE (DEFICIT) NONMAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	Sidewalk Improvement	2020 Special Assessment Construction	2020 Capital Improvement	2021 Special Assessment Construction
REVENUES				
Special assessments	698			
Tax increment financing				
Intergovernmental revenue				
Interest income	83	842	655	26
Miscellaneous revenue			4,750	
Total revenues	<u>781</u>	<u>842</u>	<u>5,405</u>	<u>26</u>
EXPENDITURES				
Capital outlay	5,568		13,895	
Interest expense/fiscal agent fees				
Total expenditures	<u>5,568</u>		<u>13,895</u>	
OTHER FINANCING USES				
Transfers (to) from other funds		(88,489)	(60,244)	(2,730)
Total other financing uses		<u>(88,489)</u>	<u>(60,244)</u>	<u>(2,730)</u>
EXCESS OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING USES	(4,787)	(87,647)	(68,734)	(2,704)
FUND BALANCE - beginning of year	<u>11,135</u>	<u>87,647</u>	<u>68,734</u>	<u>2,704</u>
FUND BALANCE (DEFICIT) - end of year	<u><u>6,348</u></u>	<u><u></u></u>	<u><u></u></u>	<u><u></u></u>

CITY OF MONTEVIDEO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE (DEFICIT) NONMAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED DECEMBER 31, 2022
 (WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	2023 Special Assessment Construction	Totals	
		2022	2021
REVENUES			
Special assessments		698	680
Tax increment financing			17,763
Intergovernmental revenue			391,113
Interest income		1,606	4,119
Miscellaneous revenue		4,750	
Total revenues		<u>7,054</u>	<u>413,675</u>
EXPENDITURES			
Capital outlay	35,439	54,902	1,272,986
Interest expense/fiscal agent fees	10	10	649
Total expenditures	<u>35,449</u>	<u>54,912</u>	<u>1,273,635</u>
OTHER FINANCING USES			
Transfers (to) from other funds		(151,463)	
Total other financing uses		<u>(151,463)</u>	
EXCESS OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING USES	(35,449)	(199,321)	(859,960)
FUND BALANCE - beginning of year		<u>170,220</u>	<u>1,030,180</u>
FUND BALANCE (DEFICIT) - end of year	<u>(35,449)</u>	<u>(29,101)</u>	<u>170,220</u>

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

YEAR COLLECTIBLE	<u>2019</u>		<u>2020</u>		<u>2021</u>		<u>2022</u>	
TAXABLE NET TAX CAPACITY	<u>\$2,639,185</u>		<u>\$2,755,645</u>		<u>\$2,939,107</u>		<u>\$3,093,814</u>	
	<u>Tax Levy</u>	<u>Tax Capacity Rate</u>	<u>Tax Levy</u>	<u>Tax Capacity Rate</u>	<u>Tax Levy</u>	<u>Tax Capacity Rate</u>	<u>Tax Levy</u>	<u>Tax Capacity Rate</u>
FUND								
General Fund	\$1,338,900	50.732	\$1,500,000	54.487	\$1,545,000	52.567	\$1,637,700	52.968
Library	96,450	3.658	96,450	3.500	96,450	3.282	99,300	3.212
Economic Development Authority	12,150	0.462	12,550	0.456	12,550	0.427	12,900	0.417
Special Assessment Debt 2000	124,300	4.706	91,600	3.325	0	0.000	0	0.000
Special Assessment Debt 2009	22,700	0.861	0	0.000	0	0.000	0	0.000
Special Assessment Debt 2010	63,100	2.388	20,900	0.759	0	0.000	0	0.000
Special Assessment Debt 2012	67,000	2.539	75,000	2.722	0	0.000	45,000	1.455
Special Assessment Debt 2013	70,000	2.655	70,000	2.541	52,000	1.769	52,000	1.682
CIP Bond Debt 2014A	212,500	8.053	210,100	7.578	213,100	7.251	210,100	6.795
Special Assessment Debt 2014B	66,000	2.504	66,000	2.395	46,000	1.565	46,000	1.488
Special Assessment Debt 2015A	68,100	2.584	67,500	2.450	48,900	1.664	47,900	1.549
Special Assessment Debt 2016A	65,000	2.459	65,000	2.360	65,000	2.212	66,000	2.135
Special Assessment Debt 2017A	71,300	2.699	70,600	2.562	69,900	2.378	69,100	2.235
Special Assessment Debt 2018A	44,400	1.678	44,000	1.597	43,600	1.483	43,000	1.391
Disposal System Debt 2018A	21,300	0.807	20,800	0.755	20,300	0.691	19,900	0.644
Special Assessment Debt 2020A	0	0.000	0	0.000	50,500	1.718	49,200	1.591
CIP Bond Debt 2020A	0	0.000	0	0.000	267,100	9.088	267,300	8.645
Total	<u>\$2,343,200</u>	<u>88.785</u>	<u>\$2,410,500</u>	<u>87.487</u>	<u>\$ 2,530,400</u>	<u>86.095</u>	<u>\$ 2,665,400</u>	<u>86.207</u>

CITY OF MONTEVIDEO, MINNESOTA

SCHEDULE OF INDEBTEDNESS
December 31, 2022

	Net Interest Rates	Issue Date	Final Maturity Date	Authorized	Issued	Retired	Outstanding	Principal/Lease Payment Due in 2023	Interest Due in 2023
BONDED INDEBTEDNESS									
GENERAL OBLIGATION IMPROVEMENT BONDS									
Capital Improvement Plan Bonds-Series 2014A	3.0292%	06-25-14	02-01-35	3,000,000	3,000,000	895,000	2,105,000	135,000	63,643
Capital Improvement Plan Bonds-Series 2020A	1.6097%	07-07-20	02-01-41	4,100,000	4,100,000	160,000	3,940,000	165,000	87,100
Total General Obligation Improvement Bonds				7,100,000	7,100,000	1,055,000	6,045,000	300,000	150,743
G.O. SPECIAL ASSESSMENT BONDS									
Improvement Project Series 2012A	1.9248%	07-17-12	02-01-23	950,000	950,000	855,000	95,000	95,000	1,116
Improvement Project Series 2013A	1.8355%	06-25-13	02-01-24	800,000	800,000	640,000	160,000	80,000	2,880
Improvement Project Series 2014B	2.2590%	06-25-14	02-01-25	740,000	740,000	510,000	230,000	75,000	4,989
Improvement Project Series 2015A	2.3201%	06-25-15	02-01-26	825,000	825,000	485,000	340,000	85,000	6,991
Improvement Project Series 2016A	1.6987%	07-20-16	02-01-27	785,000	785,000	385,000	400,000	80,000	5,880
Improvement Project Series 2017A	2.0655%	07-13-17	02-01-28	725,000	725,000	280,000	445,000	70,000	8,300
Improvement Project Series 2018A	2.9545%	07-10-18	02-01-29	485,000	485,000	135,000	350,000	45,000	9,825
Improvement Project Series 2020A	1.6097%	07-07-20	02-01-31	530,000	530,000	50,000	480,000	50,000	12,000
Improvement Project Series 2022A	3.4704%	07-14-22	02-01-38	1,055,000	1,055,000	0	1,055,000	0	44,193
Total G.O. Special Assessment Bonds				6,895,000	6,895,000	3,340,000	3,555,000	580,000	96,174
GENERAL OBLIGATION REVENUE BONDS									
EDA Housing Refunding Bonds-Series 2007A	4.4563%	12-27-07	02-01-30	620,000	620,000	335,000	285,000	35,000	11,988
Utility Project - Series 2008A	3.9021%	07-09-08	02-01-24	556,000	556,000	466,000	90,000	45,000	2,734
Utility Project - Series 2014B	2.9909%	06-25-14	02-01-30	270,000	270,000	110,000	160,000	20,000	4,795
Utility Project - Series 2015A	2.7432%	06-25-15	02-01-31	330,000	330,000	120,000	210,000	20,000	5,645
Utility Project - Series 2016B	2.0286%	07-20-16	02-01-31	790,000	790,000	335,000	455,000	55,000	8,516
Utility Project - Series 2018A	2.9545%	07-10-18	02-01-29	175,000	175,000	45,000	130,000	15,000	3,675
Utility Project - Series 2020A	1.6097%	07-07-20	02-01-36	595,000	595,000	35,000	560,000	35,000	12,875
Utility Project - Series 2022A	3.4704%	07-14-22	02-01-38	460,000	460,000	0	460,000	0	19,269
Storm Sewer Project - Series 2022A	3.4704%	07-14-22	02-01-38	300,000	300,000	0	300,000	0	12,567
Total General Obligation Revenue Bonds				4,096,000	4,096,000	1,446,000	2,650,000	225,000	82,064
Total General Obligation Bonded Indebtedness				\$18,091,000	\$18,091,000	\$5,841,000	\$12,250,000	\$1,105,000	\$328,981
REVENUE BONDS									
EDA Revenue Refunding Bonds - Series 2020A (*1)	1.8000%	09-23-20	02-01-29	\$5,295,000	\$5,295,000	\$375,000	\$4,920,000	\$220,000	\$86,580
GENERAL OBLIGATION-OTHER DEBT									
Public Facilities Authority Loan-Wastewater Treatment Plant	2.8900%	06-17-09	08-20-29	10,379,466	8,913,742	5,262,742	3,651,000	478,000	105,514
Public Facilities Authority Loan-Wastewater Storage Building	1.5170%	09-12-12	08-20-31	206,845	161,967	79,967	82,000	9,000	1,244
Public Facilities Authority Loan-Raw Waterline Replacement	1.0000%	04-21-15	08-20-35	1,172,558	1,172,558	371,558	801,000	58,000	8,010
Total General Obligation-Other Debt				11,758,869	10,248,267	5,714,267	4,534,000	545,000	114,768
Employee Benefits				0	0	0	329,934	0	0
Total Other Long-Term Indebtedness				\$0	\$0	\$0	\$329,934	\$0	\$0

(*1) The Bonds are not General Obligations of the Authority, but are payable solely from lease revenues.

CITY OF MONTEVIDEO, MINNESOTA

SCHEDULE OF DEBT SERVICE REQUIREMENTS

December 31, 2022

Series 2014A Capital Improvement Plan Bonds

<u>Date</u>	<u>Rate</u>	<u>Principal</u> <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
2023	2.10	135,000	63,642	198,642
2024	2.75	140,000	60,300	200,300
2025	2.75	145,000	56,381	201,381
2026	3.00	145,000	52,213	197,213
2027	3.00	150,000	47,787	197,787
2028	3.00	155,000	43,212	198,212
2029	3.00	160,000	38,488	198,488
2030	3.20	165,000	33,448	198,448
2031	3.20	170,000	28,087	198,087
2032	3.35	175,000	22,436	197,436
2033	3.35	180,000	16,490	196,490
2034	3.50	190,000	10,150	200,150
2035	3.50	195,000	3,413	198,413
		<u>\$2,105,000</u>	<u>\$476,047</u>	<u>\$2,581,047</u>

Series 2020A Capital Improvement Plan Bonds

<u>Date</u>	<u>Rate</u>	<u>Principal</u> <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
2023	3.00	165,000	87,100	252,100
2024	3.00	170,000	82,075	252,075
2025	3.00	175,000	76,900	251,900
2026	3.00	180,000	71,575	251,575
2027	3.00	185,000	66,100	251,100
2028	3.00	190,000	60,475	250,475
2029	2.00	195,000	55,675	250,675
2030	2.00	200,000	51,725	251,725
2031	2.00	205,000	47,675	252,675
2032	2.00	205,000	43,575	248,575
2033	2.00	210,000	39,425	249,425
2034	2.00	215,000	35,175	250,175
2035	2.00	220,000	30,825	250,825
2036	2.00	225,000	26,375	251,375
2037	2.00	230,000	21,825	251,825
2038	2.00	235,000	17,175	252,175
2039	2.00	240,000	12,425	252,425
2040	2.00	245,000	7,575	252,575
2041	2.05	250,000	2,562	252,562
		<u>\$3,940,000</u>	<u>\$836,237</u>	<u>\$4,776,237</u>

CITY OF MONTEVIDEO, MINNESOTA

SCHEDULE OF DEBT SERVICE REQUIREMENTS

December 31, 2022

Series 2012A General Obligation Improvement Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
2023	2.35	95,000	1,116	96,116
		<u>\$95,000</u>	<u>\$1,116</u>	<u>\$96,116</u>

Series 2013A General Obligation Improvement Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
2023	2.40	80,000	2,880	82,880
2024	2.40	80,000	960	80,960
		<u>\$160,000</u>	<u>\$3,840</u>	<u>\$163,840</u>

Series 2014B General Obligation Improvement Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
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>\$230,000</u>	<u>\$9,162</u>	<u>\$239,162</u>

Series 2015A General Obligation Improvement Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
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>\$340,000</u>	<u>\$16,256</u>	<u>\$356,256</u>

CITY OF MONTEVIDEO, MINNESOTA

SCHEDULE OF DEBT SERVICE REQUIREMENTS

December 31, 2022

Series 2016A General Obligation Improvement Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
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>\$400,000</u>	<u>\$16,940</u>	<u>\$416,940</u>

Series 2017A General Obligation Improvement Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
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>\$445,000</u>	<u>\$28,456</u>	<u>\$473,456</u>

Series 2018A General Obligation Improvement Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
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>\$350,000</u>	<u>\$37,650</u>	<u>\$387,650</u>

CITY OF MONTEVIDEO, MINNESOTA

SCHEDULE OF DEBT SERVICE REQUIREMENTS

December 31, 2022

Series 2020A General Obligation Improvement Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
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>\$480,000</u>	<u>\$53,775</u>	<u>\$533,775</u>

Series 2022A General Obligation Improvement Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
2023	4.00		44,192	44,192
2024	4.00	65,000	40,900	105,900
2025	4.00	65,000	38,300	103,300
2026	4.00	65,000	35,700	100,700
2027	4.00	65,000	33,100	98,100
2028	4.00	70,000	30,400	100,400
2029	4.00	70,000	27,600	97,600
2030	4.00	70,000	24,800	94,800
2031	4.00	70,000	22,000	92,000
2032	4.00	70,000	19,200	89,200
2033	4.00	70,000	16,400	86,400
2034	4.00	75,000	13,500	88,500
2035	4.00	70,000	10,600	80,600
2036	4.00	75,000	7,700	82,700
2037	4.00	75,000	4,700	79,700
2038	4.00	80,000	1,600	81,600
		<u>\$1,055,000</u>	<u>\$370,692</u>	<u>\$1,425,692</u>

CITY OF MONTEVIDEO, MINNESOTA

SCHEDULE OF DEBT SERVICE REQUIREMENTS

December 31, 2022

Series 2007A General Obligation EDA Revenue Refunding Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
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>\$285,000</u>	<u>\$50,881</u>	<u>\$335,881</u>

Series 2008A General Obligation Utility Improvement Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
2023	4.05	45,000	2,734	47,734
2024	4.05	45,000	911	45,911
		<u>\$90,000</u>	<u>\$3,645</u>	<u>\$93,645</u>

Series 2014B General Obligation Utility Improvement Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
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>\$160,000</u>	<u>\$21,605</u>	<u>\$181,605</u>

CITY OF MONTEVIDEO, MINNESOTA

SCHEDULE OF DEBT SERVICE REQUIREMENTS

December 31, 2022

Series 2015A General Obligation Utility Improvement Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
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>\$210,000</u>	<u>\$29,450</u>	<u>\$239,450</u>

Series 2016B General Obligation Utility Revenue Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
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>\$455,000</u>	<u>\$41,241</u>	<u>\$496,241</u>

Series 2018A General Obligation Utility Improvement Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
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>\$130,000</u>	<u>\$14,400</u>	<u>\$144,400</u>

CITY OF MONTEVIDEO, MINNESOTA

SCHEDULE OF DEBT SERVICE REQUIREMENTS

December 31, 2022

Series 2020A General Obligation Utility Improvement Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
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>\$560,000</u>	<u>\$89,200</u>	<u>\$649,200</u>

Series 2022A General Obligation Utility Improvement Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
2023	4.00		19,268	19,268
2024	4.00	25,000	17,900	42,900
2025	4.00	25,000	16,900	41,900
2026	4.00	25,000	15,900	40,900
2027	4.00	30,000	14,800	44,800
2028	4.00	25,000	13,700	38,700
2029	4.00	25,000	12,700	37,700
2030	4.00	30,000	11,600	41,600
2031	4.00	30,000	10,400	40,400
2032	4.00	35,000	9,100	44,100
2033	4.00	35,000	7,700	42,700
2034	4.00	35,000	6,300	41,300
2035	4.00	35,000	4,900	39,900
2036	4.00	35,000	3,500	38,500
2037	4.00	35,000	2,100	37,100
2038	4.00	35,000	700	35,700
		<u>\$460,000</u>	<u>\$167,468</u>	<u>\$627,468</u>

CITY OF MONTEVIDEO, MINNESOTA

SCHEDULE OF DEBT SERVICE REQUIREMENTS

December 31, 2022

Storm Sewer Project Series 2022A

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
2023	4.00		12,566	12,566
2024	4.00	15,000	11,700	26,700
2025	4.00	15,000	11,100	26,100
2026	4.00	15,000	10,500	25,500
2027	4.00	15,000	9,900	24,900
2028	4.00	20,000	9,200	29,200
2029	4.00	20,000	8,400	28,400
2030	4.00	20,000	7,600	27,600
2031	4.00	20,000	6,800	26,800
2032	4.00	20,000	6,000	26,000
2033	4.00	20,000	5,200	25,200
2034	4.00	20,000	4,400	24,400
2035	4.00	25,000	3,500	28,500
2036	4.00	25,000	2,500	27,500
2037	4.00	25,000	1,500	26,500
2038	4.00	25,000	500	25,500
		<u>\$300,000</u>	<u>\$111,366</u>	<u>\$411,366</u>

Series 2020A EDA Lease Revenue Refunding Bonds

<u>Date</u>	<u>Rate</u>	Principal <u>Feb 1</u>	<u>Interest</u>	<u>Total</u>
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>\$4,920,000</u>	<u>\$489,600</u>	<u>\$5,409,600</u>

CITY OF MONTEVIDEO, MINNESOTA

SCHEDULE OF DEBT SERVICE REQUIREMENTS

December 31, 2022

Wastewater Treatment Plant Public Facilities Authority Loan

<u>Date</u>	<u>Rate</u>	<u>Principal</u> <u>Aug 20</u>	<u>Interest</u>	<u>Total</u>
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>\$3,651,000</u>	<u>\$434,050</u>	<u>\$4,085,050</u>

Wastewater Storage Building Public Facilities Loan

<u>Date</u>	<u>Rate</u>	<u>Principal</u> <u>Aug 20</u>	<u>Interest</u>	<u>Total</u>
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>\$82,000</u>	<u>\$6,281</u>	<u>\$88,281</u>

CITY OF MONTEVIDEO, MINNESOTA

SCHEDULE OF DEBT SERVICE REQUIREMENTS

December 31, 2022

Raw Watermain Replacement Public Facilities Loan

<u>Date</u>	<u>Rate</u>	<u>Principal</u> <u>Aug 20</u>	<u>Interest</u>	<u>Total</u>
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>\$801,000</u>	<u>\$57,150</u>	<u>\$858,150</u>

**ADDITIONAL REPORT REQUIRED BY
GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

**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 City of Montevideo, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City of Montevideo, Minnesota's basic financial statements and have issued our report thereon dated July 10, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Montevideo, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Montevideo, Minnesota's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 2022-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

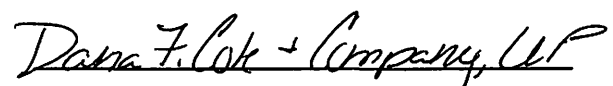
City of Montevideo, Minnesota's Response to Findings

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 questioned costs. 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
July 10, 2023

 Dana F. Cole + Company, LLP

OTHER REQUIRED REPORT AND SCHEDULE

CITY OF MONTEVIDEO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2022

2022-01: 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.



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

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 City of Montevideo, Minnesota as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 10, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that 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, and miscellaneous provisions 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'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
July 10, 2023

Dana F. Cole & Company, LLP

FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF LEGAL OPINION

\$ _____
GENERAL OBLIGATION BONDS, SERIES 2024A
CITY OF MONTEVIDEO
CHIPPEWA COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Montevideo, Chippewa County, Minnesota (the "Issuer"), of its \$ _____ General Obligation Bonds, Series 2024A, bearing a date of original issue of July 25, 2024 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

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

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

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

(See following pages)

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Montevideo, Minnesota (the "Issuer"), in connection with the issuance of its \$ _____ General Obligation Bonds, Series 2024A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on July 8, 2024 (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 _____, 2024, 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, 2023, 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, 2024, and by December 31 of each year thereafter.

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

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

The following financial information and operating data shall be supplied:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dated: July 25, 2024.

CITY OF MONTEVIDEO, MINNESOTA

By _____
Its Mayor

By _____
Its City Manager

TERMS OF PROPOSAL

**\$905,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2024A
CITY OF MONTEVIDEO, MINNESOTA**

Proposals for the purchase of \$905,000* General Obligation Improvement Bonds, Series 2024A (the "Bonds") of the City of Montevideo, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 11:00 A.M. Central Time, on July 8, 2024, 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, 444 and 475, as amended, by the City, for the purposes of financing various assessable public and utility system 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 July 25, 2024, 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>
2026	\$65,000	2030	\$90,000	2034	\$100,000
2027	80,000	2031	95,000	2035	105,000
2028	85,000	2032	95,000		
2029	90,000	2033	100,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2025, 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 2026 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 ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

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

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

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

DELIVERY

On or about July 25, 2024, 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 \$891,425 plus accrued interest on the principal sum of \$905,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 11:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact 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 submission.

A good faith deposit ("Deposit") in the amount of \$18,100 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, the form of 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")

July 8, 2024

RE: \$905,000* General Obligation Improvement Bonds, Series 2024A (the "Bonds")

DATED: July 25, 2024

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 \$891,425) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2026	_____ % due	2030	_____ % due	2034
_____ % due	2027	_____ % due	2031	_____ % due	2035
_____ % due	2028	_____ % due	2032		
_____ % due	2029	_____ % due	2033		

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 2026 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 \$18,100 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about July 25, 2024.

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 July 25, 2024 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 July 8, 2024.

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