

PRELIMINARY OFFICIAL STATEMENT DATED MAY 2, 2024

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

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Certificates, the interest on the Certificates 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 Certificates 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 Certificates 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 Certificates as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF OSSEO, MINNESOTA (Hennepin County)

\$400,000* GENERAL OBLIGATION EQUIPMENT CERTIFICATES, SERIES 2024A

PROPOSAL OPENING: May 13, 2024, 10:00 A.M., C.T.

CONSIDERATION: May 13, 2024, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$400,000* General Obligation Equipment Certificates, Series 2024A (the "Certificates") are being issued pursuant to Minnesota Statutes, Section 412.301 and Chapter 475, as amended, by the City of Osseo, Minnesota (the "City"), for the purpose of financing the acquisition of capital equipment. The Certificates are 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

CERTIFICATES:

May 30, 2024

MATURITY:

February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2026	\$60,000	2028	\$65,000	2030	\$70,000
2027	65,000	2029	70,000	2031	70,000

*MATURITY

ADJUSTMENTS:

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

TERM BONDS:

See "Term Bond Option" herein.

INTEREST:

February 1, 2025 and semiannually thereafter.

OPTIONAL

REDEMPTION:

The Certificates are being offered without option of prior optional redemption.

MINIMUM PROPOSAL:

\$394,000.

GOOD FAITH DEPOSIT:

A good faith deposit in the amount of \$8,000 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).



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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 Certificates 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 Certificates.

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 Certificates 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 Certificates, 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 Certificates and all times subsequent thereto up to and including the time of the delivery of the Certificates, 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 Certificates; (3) a certificate evidencing the due execution of the Certificates, 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 Certificates, (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 Certificates 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 Certificates 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.

TABLE OF CONTENTS

<p>INTRODUCTORY STATEMENT. 1</p> <p>THE CERTIFICATES. 1</p> <p style="padding-left: 20px;">GENERAL. 1</p> <p style="padding-left: 20px;">OPTIONAL REDEMPTION. 2</p> <p style="padding-left: 20px;">AUTHORITY; PURPOSE. 2</p> <p style="padding-left: 20px;">ESTIMATED SOURCES AND USES. 2</p> <p style="padding-left: 20px;">SECURITY. 2</p> <p style="padding-left: 20px;">RATING. 3</p> <p style="padding-left: 20px;">CONTINUING DISCLOSURE. 3</p> <p style="padding-left: 20px;">LEGAL OPINION. 4</p> <p style="padding-left: 20px;">STATEMENT REGARDING BOND COUNSEL PARTICIPATION. 4</p> <p style="padding-left: 20px;">TAX EXEMPTION. 4</p> <p style="padding-left: 20px;">QUALIFIED TAX-EXEMPT OBLIGATIONS. 6</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR. 6</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR AFFILIATED COMPANIES. 6</p> <p style="padding-left: 20px;">INDEPENDENT AUDITORS. 6</p> <p style="padding-left: 20px;">RISK FACTORS. 7</p> <p>VALUATIONS. 9</p> <p style="padding-left: 20px;">OVERVIEW. 9</p> <p style="padding-left: 20px;">CURRENT PROPERTY VALUATIONS. 10</p> <p style="padding-left: 20px;">2023/24 NET TAX CAPACITY BY CLASSIFICATION. 11</p> <p style="padding-left: 20px;">TREND OF VALUATIONS. 11</p> <p>DEBT. 13</p> <p style="padding-left: 20px;">DIRECT DEBT. 13</p> <p style="padding-left: 20px;">DEBT PAYMENT HISTORY. 13</p> <p style="padding-left: 20px;">FUTURE FINANCING. 13</p> <p style="padding-left: 20px;">DEBT LIMIT. 14</p> <p style="padding-left: 20px;">SCHEDULES OF BONDED INDEBTEDNESS. 15</p> <p style="padding-left: 20px;">OVERLAPPING DEBT. 21</p> <p style="padding-left: 20px;">DEBT RATIOS. 22</p>	<p>TAX LEVIES, COLLECTIONS AND RATES. 23</p> <p style="padding-left: 20px;">TAX LEVIES AND COLLECTIONS. 23</p> <p style="padding-left: 20px;">TAX CAPACITY RATES. 23</p> <p>THE ISSUER. 24</p> <p style="padding-left: 20px;">CITY GOVERNMENT. 24</p> <p style="padding-left: 20px;">EMPLOYEES; PENSIONS; UNIONS. 24</p> <p style="padding-left: 20px;">POST EMPLOYMENT BENEFITS. 24</p> <p style="padding-left: 20px;">LITIGATION. 24</p> <p style="padding-left: 20px;">MUNICIPAL BANKRUPTCY. 25</p> <p style="padding-left: 20px;">FUNDS ON HAND. 25</p> <p style="padding-left: 20px;">ENTERPRISE FUNDS. 26</p> <p style="padding-left: 20px;">SUMMARY GENERAL FUND INFORMATION. 27</p> <p>GENERAL INFORMATION. 28</p> <p style="padding-left: 20px;">LOCATION. 28</p> <p style="padding-left: 20px;">LARGER EMPLOYERS. 28</p> <p style="padding-left: 20px;">BUILDING PERMITS. 29</p> <p style="padding-left: 20px;">U.S. CENSUS DATA. 30</p> <p style="padding-left: 20px;">EMPLOYMENT/UNEMPLOYMENT DATA. 30</p> <p>FINANCIAL STATEMENTS. A-1</p> <p>FORM OF LEGAL OPINION. B-1</p> <p>BOOK-ENTRY-ONLY SYSTEM. C-1</p> <p>FORM OF CONTINUING DISCLOSURE UNDERTAKING. D-1</p> <p>TERMS OF PROPOSAL. E-1</p> <p>PROPOSAL FORM</p>
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CITY OF OSSEO CITY COUNCIL

		<u>Term Expires</u>
Duane Poppe	Mayor	January 2025
Juliana Hultstrom	Council Member	January 2027
Ashlee Mueller	Council Member	January 2025
Mark Schulz	Council Member	January 2027
Alicia Vickerman	Council Member	January 2025

ADMINISTRATION

Shane Mikkelson, Interim City Administrator

Gary Groen, Finance Director

Katrina Jones, Deputy Clerk

PROFESSIONAL SERVICES

Kennedy & Graven, City Attorney, Minneapolis, 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 Osseo, Minnesota (the "City") and the issuance of its \$400,000* General Obligation Equipment Certificates, Series 2024A (the "Certificates"). Any descriptions or summaries of the Certificates, 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 Certificates to be included in the resolution authorizing the issuance and sale of the Certificates ("Award Resolution") to be adopted by the City Council on May 13, 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 CERTIFICATES

GENERAL

The Certificates will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of May 30, 2024. The Certificates will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2025, to the registered owners of the Certificates 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 Certificates 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 Certificates 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 Certificates are held under the book-entry system, beneficial ownership interests in the Certificates may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Certificates 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 Certificates 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

The Certificates are being offered without the option of prior optional redemption.

AUTHORITY; PURPOSE

The Certificates are being issued pursuant to Minnesota Statutes, Section 412.301 and Chapter 475, as amended, by the City, for the purpose of financing the acquisition of three police squad cars and a public works vehicle.

All equipment has an expected useful life at least as long as the term of the Certificates. Pursuant to Minnesota Statutes, Section 412.301, if the Certificates exceeds 0.25% of the estimated market value of taxable property in the City they shall not be issued until after publication of the council resolution determining to issue the Certificates and the issuance is subject to petition. The estimated market value of the City for taxes collectible in 2024 is \$392,323,900. The Certificates do not exceed 0.25%, or \$980,810, and is therefore not subject to the limitation.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Certificates	<u>\$400,000</u>	
Total Sources		\$400,000
Uses		
Total Underwriter's Discount (1.500%)	\$6,000	
Costs of Issuance	35,000	
Capitalized Interest	8,241	
Deposit to Construction Fund	350,000	
Rounding Amount	<u>759</u>	
Total Uses		\$400,000

*Preliminary, subject to change.

SECURITY

The Certificates will be general obligations of the City for which the City will pledge its full faith and credit and taxing powers. The City anticipates that the debt service on the Certificates will be paid from ad valorem property taxes. In accordance with Minnesota Statutes, the City will levy each year an amount not less than 105% of the debt service requirements on the Certificates. In the event funds on hand for payment of principal and interest are at any time insufficient, the City is required to levy an additional ad valorem tax upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

Should the revenues pledged for payment of the Certificates 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 Certificates 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 Global Ratings.

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

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Certificates, 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 Certificates 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 Certificates, 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 Certificates. However, such a failure may adversely affect the transferability and liquidity of the Certificates and their market price.

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

LEGAL OPINION

An opinion as to the validity of the Certificates 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 Certificates. The legal opinion will state that the Certificates are valid and binding general obligations of the City; provided that the rights of the owners of the Certificates and the enforceability of the Certificates 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 Certificates 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 Certificates. Prospective purchasers of the Certificates 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 Certificates, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Certificates 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 Certificates, 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 Certificates, the interest on the Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates ("the OID Certificates") may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Certificates, original issue discount is the excess of the stated redemption price at maturity of such Certificates over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Certificates 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 Certificates for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Certificates 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 Certificates are held.

Original Issue Premium

Some of the Certificates may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Certificates 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 Certificates 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 Certificates or otherwise prevent holders of the Certificates from realizing the full benefit of the tax exemption of interest on the Certificates. Further, such proposals may impact the marketability or market value of the Certificates 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 Certificates. 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 Certificates. 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 Certificates 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 Certificates. The receipt of interest on the Certificates 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 Certificates are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Certificates.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Certificates 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 Certificates. The Municipal Advisor cannot participate in the underwriting of the Certificates. 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 BerganKDV, Ltd., Minneapolis, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

The following is a description of possible risks to holders of the Certificates 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 Certificates 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) 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 Certificates. 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 Certificates 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 Certificates may fall for purposes of resale. Noncompliance following the issuance of the Certificates with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Certificates 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 Certificates, or for an increase in the interest rate on the Certificates, in the event that interest on the Certificates 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 Certificates. 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 Certificates in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Certificates 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 Certificates to the accounts of the Beneficial Owners of the Certificates 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 Certificates.

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 Certificates in the secondary market.

Secondary Market for the Certificates: No assurance can be given that a secondary market will develop for the purchase and sale of the Certificates or, if a secondary market exists, that such Certificates can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Certificates at the request of the owners thereof. Prices of the Certificates 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 Certificates. 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 Certificates 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 Certificates. 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

2022/23 Economic Market Value¹	<u><u>\$384,774,478²</u></u>
2023/24 Assessor's Estimated Market Value	
Real Estate	\$390,861,200
Personal Property	<u>1,462,700</u>
Total Valuation	<u><u>\$392,323,900</u></u>
2023/24 Net Tax Capacity	
Real Estate	\$5,013,927
Personal Property	<u>27,484</u>
Net Tax Capacity	\$5,041,411
Less:	
Captured Tax Increment Tax Capacity ³	(639,296)
Fiscal Disparities Contribution ⁴	<u>(661,493)</u>
Taxable Net Tax Capacity	\$3,740,622
Plus: Fiscal Disparities Distribution ⁴	<u>538,910</u>
Adjusted Taxable Net Tax Capacity	<u><u>\$4,279,532</u></u>

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

² According to the Minnesota Department of Revenue, the 2022/23 Assessor's Estimated Market Value (the "AEMV") for the City was about 96.16% of the actual selling prices of property sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in a 2022/23 Economic Market Value ("EMV") for the City of \$384,774,478.

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

⁴ Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2023/24 NET TAX CAPACITY BY CLASSIFICATION

	2023/24 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$1,893,304	37.56%
Commercial/industrial	1,973,871	39.15%
Public utility	970	0.02%
Railroad operating property	36,422	0.72%
Non-homestead residential	1,020,013	20.23%
Commercial & residential seasonal/rec.	11,662	0.23%
Other	77,685	1.54%
Personal property	<u>27,484</u>	<u>0.55%</u>
 Total	 <u><u>\$5,041,411</u></u>	 <u><u>100.00%</u></u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Adjusted Taxable Net Tax Capacity ²	Percent Increase/Decrease in Estimated Market Value
2019/20	\$292,412,400	\$279,620,580	\$2,507,101	\$2,988,895	4.84%
2020/21	308,377,600	295,688,199	2,620,253	3,121,338	5.46%
2021/22	319,903,100	307,628,900	2,708,364	3,254,952	3.74%
2022/23	369,983,200	360,154,485	3,445,179	3,944,111	15.65%
2023/24	392,323,900	382,989,852	5,041,411	4,279,532	6.04%

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

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

LARGER TAXPAYING PARCELS¹

Taxpayer	Type of Property	2023/24 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Magellen Investment Partners, LLC	Apartments	\$403,300	8.00%
Wiley Enterprises, Inc.	Commercial/Industrial	215,020	4.27%
Bell Tower Osseo, LLC, et al	Commercial/Industrial	197,330	3.91%
Wiley Properties, LLC	Commercial/Industrial	194,400	3.86%
Bennis Investment Prop, LLP	Industrial	105,290	2.09%
Steeple Pointe	Apartments	81,250	1.61%
Canlak Coatings US, LLC	Industrial	74,930	1.49%
Mijon Minneapolis, LLC	Industrial	61,990	1.23%
6 th St Apartments, LLC	Apartments	58,413	1.16%
Individual	Industrial	<u>54,590</u>	<u>1.08%</u>
Total		\$1,446,513	28.69%

City's Total 2023/24 Net Tax Capacity \$5,041,411

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

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes	\$7,645,000
Total G.O. debt secured by tax increment revenues	210,000
Total G.O. debt secured by taxes (includes the Certificates)*	835,000
Total G.O. debt secured by utility revenues	3,360,000
Total General Obligation Debt*	<u>\$12,050,000</u>

Economic Development Authority (EDA) Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations ²	<u>\$735,000</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 no current plans for additional financing in the next 12 months.

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

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" (is defined under Minnesota Statutes, Section 475.51, subd. 4) to mean the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay judgments against the City; and (9) 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	\$392,323,900
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$11,769,717
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Certificates)*	(835,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	<u>(735,000)</u>
Unused Debt Limit*	<u><u>\$10,199,717</u></u>

*Preliminary, subject to change.

City of Osseo, Minnesota
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Special Assessments and Taxes
 (As of 05/30/2024)

	Improvement Bonds Series 2012A		Improvement Bonds Series 2014A		Improvement Bonds Series 2016A		Improvement Refunding Bonds Series 2016B		Improvement Bonds 1) Series 2017A	
Dated	09/12/2012		10/16/2014		06/16/2016		06/16/2016		06/29/2017	
Amount	\$505,000		\$1,010,000		\$880,000		\$3,250,000		\$700,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	0	1,625	0	4,925	0	5,663	0	19,050	0	6,300
2025	30,000	2,860	90,000	8,725	60,000	10,725	280,000	33,900	45,000	12,150
2026	30,000	2,080	35,000	6,900	60,000	9,525	290,000	26,800	45,000	11,250
2027	30,000	1,300	35,000	5,500	60,000	8,325	290,000	21,000	45,000	10,125
2028	35,000	455	40,000	4,000	60,000	7,125	295,000	15,150	50,000	8,700
2029			40,000	2,400	60,000	5,850	300,000	9,200	50,000	7,200
2030			40,000	800	65,000	4,444	310,000	3,100	50,000	5,700
2031					65,000	2,819			55,000	4,125
2032					70,000	963			55,000	2,475
2033									55,000	825
2034										
2035										
2036										
2037										
2038										
	125,000	8,320	280,000	33,250	500,000	55,438	1,765,000	128,200	450,000	68,850

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

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City of Osseo, Minnesota
 Schedule of Bonded Indebtedness continued
 General Obligation Debt Secured by Special Assessments and Taxes
 (As of 05/30/2024)

	Improvement Bonds 2) Series 2018A		Improvement Bonds Series 2019A		Improvement Bonds 3) Series 2020A		Improvement Bonds 4) Series 2022A							
Dated	06/07/2018		09/12/2019		06/18/2020		08/11/2022							
Amount	\$660,000		\$745,000		\$760,000		\$2,950,000							
Maturity	02/01		02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	0	7,071	0	5,478	0	6,250	0	50,980	0	107,341	107,341	7,645,000	.00%	2024
2025	40,000	13,616	50,000	10,605	45,000	12,050	160,000	98,760	800,000	203,391	1,003,391	6,845,000	10.46%	2025
2026	45,000	12,501	50,000	9,905	50,000	11,100	165,000	92,260	770,000	182,321	952,321	6,075,000	20.54%	2026
2027	45,000	11,235	50,000	9,130	50,000	10,100	170,000	85,560	775,000	162,275	937,275	5,300,000	30.67%	2027
2028	45,000	9,885	50,000	8,280	50,000	9,100	180,000	78,560	805,000	141,255	946,255	4,495,000	41.20%	2028
2029	45,000	8,535	50,000	7,430	50,000	8,100	185,000	71,260	780,000	119,975	899,975	3,715,000	51.41%	2029
2030	50,000	7,110	50,000	6,493	50,000	7,100	190,000	63,760	805,000	98,506	903,506	2,910,000	61.94%	2030
2031	50,000	5,610	50,000	5,468	50,000	6,100	200,000	55,960	470,000	80,081	550,081	2,440,000	68.08%	2031
2032	50,000	4,110	55,000	4,391	55,000	5,050	205,000	47,860	490,000	64,849	554,849	1,950,000	74.49%	2032
2033	50,000	2,560	55,000	3,264	55,000	3,950	220,000	40,460	435,000	51,059	486,059	1,515,000	80.18%	2033
2034	55,000	880	60,000	2,025	55,000	2,850	220,000	33,860	390,000	39,615	429,615	1,125,000	85.28%	2034
2035			60,000	675	55,000	1,750	230,000	27,053	345,000	29,478	374,478	780,000	89.80%	2035
2036					60,000	600	230,000	19,923	290,000	20,523	310,523	490,000	93.59%	2036
2037							240,000	12,400	240,000	12,400	252,400	250,000	96.73%	2037
2038							250,000	4,250	250,000	4,250	254,250	0	100.00%	2038
	475,000	83,113	580,000	73,143	625,000	84,100	2,845,000	782,905	7,645,000	1,317,318	8,962,318			

- 2) This represents the \$660,000 Improvement portion of the \$805,000 General Obligation Bonds, Series 2018A.
- 3) This represents the \$760,000 Improvement portion of the \$3,585,000 General Obligation Bonds, Series 2020 A.
- 4) This represents the \$2,950,000 Improvement portion of the \$3,690,000 General Obligation Bonds, Series 2022A.

City of Osseo, Minnesota
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Tax Increment Revenues
 (As of 05/30/2024)

Taxable Tax Increment Bonds Series 2014B								
Dated Amount	10/16/2014 \$550,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	0	3,758	0	3,758	3,758	210,000	.00%	2024
2025	50,000	6,678	50,000	6,678	56,678	160,000	23.81%	2025
2026	50,000	4,928	50,000	4,928	54,928	110,000	47.62%	2026
2027	55,000	3,011	55,000	3,011	58,011	55,000	73.81%	2027
2028	55,000	1,004	55,000	1,004	56,004	0	100.00%	2028
	210,000	19,378	210,000	19,378	229,378			

City of Osseo, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 05/30/2024)

	Street Reconstruction Bonds Series 2015A		Equipment Certificates 1) Series 2020A		Equipment Certificates Series 2024A							
Dated	06/04/2015		06/18/2020		05/30/2024							
Amount	\$1,610,000		\$125,000		\$400,000*							
Maturity	02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	0	4,100	0	900	0	0	0	5,000	5,000	835,000	.00%	2024
2025	170,000	6,288	15,000	1,650	0	14,396	185,000	22,333	207,333	650,000	22.16%	2025
2026	175,000	2,188	15,000	1,350	60,000	11,320	250,000	14,858	264,858	400,000	52.10%	2026
2027			15,000	1,050	65,000	9,306	80,000	10,356	90,356	320,000	61.68%	2027
2028			15,000	750	65,000	7,291	80,000	8,041	88,041	240,000	71.26%	2028
2029			15,000	450	70,000	5,250	85,000	5,700	90,700	155,000	81.44%	2029
2030			15,000	150	70,000	3,150	85,000	3,300	88,300	70,000	91.62%	2030
2031					70,000	1,050	70,000	1,050	71,050	0	100.00%	2031
	345,000	12,575	90,000	6,300	400,000	51,763	835,000	70,638	905,638			

* Preliminary, subject to change.

1) This represents the \$125,000 Equipment Certificates portion of the \$3,585,000 General Obligation Bonds, Series 2020A.

City of Osseo, Minnesota
 Schedule of Bonded Indebtedness
 General Obligation Debt Secured by Utility Revenues
 (As of 05/30/2024)

Dated Amount	Utility Revenue Bonds Series 2016A		Utility Revenue Bonds 1) Series 2017A		Utility Revenue Bonds 2) Series 2018A		Utility Revenue Bonds 3) Series 2020A		Utility Revenue Bonds 4) Series 2022A		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	06/16/2016 \$405,000		06/29/2017 \$205,000		06/07/2018 \$145,000		06/18/2020 \$2,700,000		08/11/2022 \$740,000							
Maturity	02/01		02/01		02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest						
2024	0	2,794	0	1,875	0	1,388	0	21,890	0	12,814	0	40,760	40,760	3,360,000	.00%	2024
2025	25,000	5,338	15,000	3,600	10,000	2,644	180,000	41,980	40,000	24,828	270,000	78,389	348,389	3,090,000	8.04%	2025
2026	25,000	4,838	15,000	3,300	10,000	2,381	190,000	38,280	40,000	23,228	280,000	72,026	352,026	2,810,000	16.37%	2026
2027	30,000	4,288	15,000	2,925	10,000	2,100	195,000	34,430	45,000	21,528	295,000	65,270	360,270	2,515,000	25.15%	2027
2028	30,000	3,688	15,000	2,475	10,000	1,800	195,000	30,530	45,000	19,728	295,000	58,220	353,220	2,220,000	33.93%	2028
2029	30,000	3,050	15,000	2,025	10,000	1,500	200,000	26,580	45,000	17,928	300,000	51,083	351,083	1,920,000	42.86%	2029
2030	35,000	2,319	15,000	1,575	15,000	1,125	210,000	22,480	50,000	16,028	325,000	43,526	368,526	1,595,000	52.53%	2030
2031	35,000	1,444	15,000	1,125	15,000	675	105,000	19,330	50,000	14,028	220,000	36,601	256,601	1,375,000	59.08%	2031
2032	35,000	481	15,000	675	15,000	225	95,000	17,330	50,000	12,028	210,000	30,739	240,739	1,165,000	65.33%	2032
2033			15,000	225			100,000	15,380	55,000	10,203	170,000	25,808	195,808	995,000	70.39%	2033
2034							105,000	13,330	55,000	8,553	160,000	21,883	181,883	835,000	75.15%	2034
2035							105,000	11,230	55,000	6,889	160,000	18,119	178,119	675,000	79.91%	2035
2036							110,000	9,080	60,000	5,105	170,000	14,185	184,185	505,000	84.97%	2036
2037							75,000	7,193	60,000	3,185	135,000	10,378	145,378	370,000	88.99%	2037
2038							75,000	5,618	65,000	1,105	140,000	6,723	146,723	230,000	93.15%	2038
2039							75,000	4,043			75,000	4,043	79,043	155,000	95.39%	2039
2040							75,000	2,468			75,000	2,468	77,468	80,000	97.62%	2040
2041							80,000	840			80,000	840	80,840	0	100.00%	2041
	245,000	28,238	135,000	19,800	95,000	13,838	2,170,000	322,010	715,000	197,173	3,360,000	581,058	3,941,058			

- 1) This represents the \$205,000 Utility Revenue portion of the \$905,000 General Obligation Bonds, Series 2017A.
- 2) This represents the \$145,000 Utility Revenue portion of the \$805,000 General Obligation Bonds, Series 2018A.
- 3) This represents the \$2,700,000 Utility Revenue portion of the \$3,585,000 General Obligation Bonds, Series 2020A.
- 4) This represents the \$740,000 Utility Revenue portion of the \$3,690,000 General Obligation Bonds, Series 2022A.

Osseo Economic Development Authority, Minnesota
 Schedule of Bonded Indebtedness
 Non-General Obligation Debt Secured by Annual Appropriation
 (As of 05/30/2024)

Public Project Lease Revenue Bonds
 Series 2014A

Dated Amount	08/06/2014 \$1,150,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2024	0	14,488	0	14,488	14,488	735,000	.00%	2024
2025	55,000	27,944	55,000	27,944	82,944	680,000	7.48%	2025
2026	55,000	25,881	55,000	25,881	80,881	625,000	14.97%	2026
2027	60,000	23,725	60,000	23,725	83,725	565,000	23.13%	2027
2028	60,000	21,400	60,000	21,400	81,400	505,000	31.29%	2028
2029	65,000	18,900	65,000	18,900	83,900	440,000	40.14%	2029
2030	65,000	16,300	65,000	16,300	81,300	375,000	48.98%	2030
2031	70,000	13,600	70,000	13,600	83,600	305,000	58.50%	2031
2032	70,000	10,800	70,000	10,800	80,800	235,000	68.03%	2032
2033	75,000	7,900	75,000	7,900	82,900	160,000	78.23%	2033
2034	80,000	4,800	80,000	4,800	84,800	80,000	89.12%	2034
2035	80,000	1,600	80,000	1,600	81,600	0	100.00%	2035
	735,000	187,338	735,000	187,338	922,338			

OVERLAPPING DEBT¹

Taxing District	2023/24 Adjusted Taxable Net Tax Capacity	% In City	Total G.O. Debt²	City's Proportionate Share
Hennepin County	\$2,859,451,218	0.1497%	\$1,071,970,000 ³	\$1,604,739
I.S.D. No. 279 (Osseo Area Schools)	306,316,726	1.3971%	379,710,000 ⁴	5,304,928
Metropolitan Council	6,313,906,529	0.0678%	191,435,000 ⁵	129,793
Three Rivers Park District	2,052,772,775	0.2085%	51,405,000	107,179
City's Share of Total Overlapping Debt				<u><u>\$7,146,640</u></u>

¹ Overlapping debt is as of the dated date of the Certificates. 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 Hennepin County also has General Obligation Sales Tax Revenue Bonds (Ballpark Project) outstanding which are payable entirely from the proceeds of a dedicated 0.15% county-wide sales tax; and General Obligation Sales Tax Revenue Bonds (Transportation Sales Tax) which are expected to be paid from a 0.50% sales and use tax and a \$20 per vehicle excise taxes. These issues have not been included in the overlapping debt or debt ratios.

⁴ 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 Certificates.

⁵ The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation wastewater revenue, grant anticipation notes and certificates of participation outstanding all of which are supported entirely by revenues and have not been included in the overlapping debt or debt ratios sections.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value	Debt/ Per Capita
		\$384,774,478	2,642¹
Direct G.O. Debt Secured By:			
Special Assessments & Taxes	\$7,645,000		
Tax Increment Revenues	210,000		
Taxes*	835,000		
Utility Revenues	<u>3,360,000</u>		
Total General Obligation Debt*	\$12,050,000		
Less: G.O. Debt Paid Entirely from Revenues ²	<u>(3,360,000)</u>		
Tax Supported General Obligation Debt*	8,690,000	2.26%	\$3,289.17
 City's Share of Total Overlapping Debt	 <u>\$7,164,128</u>	 <u>1.86%</u>	 <u>\$2,711.63</u>
 Total*	 <u><u>\$15,854,128</u></u>	 <u><u>4.12%</u></u>	 <u><u>\$6,000.81</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	\$1,736,628	\$1,715,113	\$1,736,621	99.99%
2020/21	1,814,377	1,812,595	1,814,373	99.99%
2021/22	1,879,544	1,877,758	1,879,544	100.00%
2022/23	2,151,832	2,145,970	2,145,970	99.73%
2023/24	2,730,828	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
Hennepin County	41.084%	38.210%	38.535%	34.542%	34.681%
City of Osseo	57.740%	58.211%	57.689%	54.138%	65.205%
I.S.D. No. 279 (Osseo Area Schools)	22.008%	22.123%	21.933%	19.640%	23.002%
HCRRA	1.388%	1.323%	1.329%	1.188%	1.153%
Hennepin County HRA	0.801%	0.722%	0.771%	0.663%	0.624%
Metropolitan Council	0.616%	0.631%	0.659%	0.576%	0.614%
Metropolitan Mosquito	0.412%	0.381%	0.377%	0.331%	0.312%
Metropolitan Transit Authority	1.433%	1.256%	1.204%	1.066%	0.927%
Park Museum	0.710%	0.707%	0.722%	0.647%	0.694%
Three Rivers Park District	2.859%	2.793%	2.787%	2.473%	2.399%

Referendum Market Value Rates:

I.S.D. No. 279 (Osseo Area Schools)	0.25606%	0.23168%	0.21478%	0.25595%	0.25276%
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Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Hennepin 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 1875. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Administrator, Finance Director and Deputy Clerk are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 18 full-time, five (5) part-time, and one (1) seasonal employee. 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 Unit

Bargaining Unit	Expiration Date of Current Contract
LELS No. 182	December 31, 2025

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 \$508,941 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 Certificates or otherwise questioning the validity of the Certificates.

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 March 31, 2024)

Fund	Total Cash and Investments
General	\$611,194
Special Revenue	2,210,377
Debt Service	1,120,110
Capital Projects	1,920,080
Enterprise Funds	<u>3,210,383</u>
Total Funds on Hand	<u><u>\$9,072,144</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
Water			
Total Operating Revenues	\$459,285	\$536,547	\$462,842
Less: Operating Expenses	<u>(384,024)</u>	<u>(414,598)</u>	<u>(507,114)</u>
Operating Income	\$75,261	\$121,949	(\$44,272)
Plus: Depreciation	<u>39,332</u>	<u>58,732</u>	<u>72,035</u>
Revenues Available for Debt Service	<u><u>\$114,593</u></u>	<u><u>\$180,681</u></u>	<u><u>\$27,763</u></u>
Sewer			
Total Operating Revenues	\$495,356	\$543,950	\$541,962
Less: Operating Expenses	<u>(388,171)</u>	<u>(455,987)</u>	<u>(639,498)</u>
Operating Income	\$107,185	\$87,963	(\$97,536)
Plus: Depreciation	<u>33,489</u>	<u>72,669</u>	<u>221,186</u>
Revenues Available for Debt Service	<u><u>\$140,674</u></u>	<u><u>\$160,632</u></u>	<u><u>\$123,650</u></u>
Storm Sewer			
Total Operating Revenues	\$193,060	\$208,750	\$222,238
Less: Operating Expenses	<u>(77,207)</u>	<u>(97,891)</u>	<u>(118,354)</u>
Operating Income	\$115,853	\$110,859	\$103,884
Plus: Depreciation	<u>29,035</u>	<u>40,201</u>	<u>40,201</u>
Revenues Available for Debt Service	<u><u>\$144,888</u></u>	<u><u>\$151,060</u></u>	<u><u>\$144,085</u></u>

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 City's 2022 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2020 Audited	2021 Audited	2022 Audited	2023 Unaudited ¹	2024 Adopted Budget ²
Revenues					
Taxes	\$1,535,069	\$1,643,924	\$1,752,052	\$2,020,652	\$2,463,680
Franchise taxes	98,330	100,954	128,645	109,445	113,500
Special assessments	512	605	4,131	768	4,100
Licenses and permits	128,086	155,756	187,337	135,286	196,500
Intergovernmental	780,153	796,284	770,379	824,238	936,329
Charges for services	11,888	43,968	27,130	26,531	32,500
Revenue from EDA component unit	0	0	40,000	40,000	20,000
Fines and forfeitures	38,160	34,871	38,916	39,677	40,000
Miscellaneous	48,539	48,135	42,675	136,590	196,500
Total Revenues	<u>\$2,640,737</u>	<u>\$2,824,497</u>	<u>\$2,991,265</u>	<u>\$3,333,187</u>	<u>\$4,003,109</u>
Expenditures					
Current:					
General government	\$719,323	\$804,379	\$807,570	\$842,822	\$861,170
Public safety	1,191,599	1,275,045	1,324,790	1,658,998	2,146,347
Public works	196,266	183,277	237,519	288,797	260,601
Culture and recreation	94,941	115,653	136,957	123,587	119,121
Capital outlay	4,404	2,781	0	0	0
Total Expenditures	<u>2,206,533</u>	<u>2,381,135</u>	<u>\$2,506,836</u>	<u>\$2,914,204</u>	<u>\$3,387,239</u>
Excess of revenues over (under) expenditures	\$434,204	\$443,362	\$484,429	\$418,983	\$615,870
Other Financing Sources (Uses)					
Operating transfers in	\$50,000	\$50,000	\$87,218	\$15,500	\$10,000
Operating transfers out	(565,870)	(565,870)	(625,870)	(625,870)	(625,870)
Total Other Financing Sources (Uses)	<u>(\$515,870)</u>	<u>(\$515,870)</u>	<u>(\$538,652)</u>	<u>(\$610,370)</u>	<u>(\$615,870)</u>
Net changes in Fund Balances	(\$81,666)	(\$72,508)	(\$54,223)	(\$191,387)	
General Fund Balance January 1	\$1,337,649	\$1,255,983	\$1,183,475	\$1,129,252	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	<u>\$1,255,983</u>	<u>\$1,183,475</u>	<u>\$1,129,252</u>	<u>\$937,865</u>	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$12,433	\$13,270	\$18,854	\$28,000	
Unassigned	1,243,550	1,170,205	1,110,398	909,865	
Total	<u>\$1,255,983</u>	<u>\$1,183,475</u>	<u>\$1,129,252</u>	<u>\$937,865</u>	

¹ Unaudited data is as of April 29, 2024.

² The 2024 budget was adopted on December 11, 2023.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 2,688 and a 2022 population estimate of 2,642, and comprising an area of one square mile, is located approximately 15 miles northwest of Minneapolis, Minnesota.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 279 (Osseo Area Schools)	Elementary and secondary education	3,246 ²
Lawinger Consulting, Inc.	IT consulting	150
Minnesota Exteriors, Inc.	Roofing, siding & window contractor	120
The Villa at Osseo	Nursing home	110
Marmon Link, Inc.	Food service & beverage equipment distributor	100
Computer Docs	Computer service & repair	99
Ceramic Industrial Coatings	Paint & coating manufacturing	57
Benedictine Senior Living at Steeple Pointe	Nursing home	43
Comfort Keepers	Home health services	38
Voyage Healthcare	Clinics	30

Source: Data Axle Reference Solutions, written and telephone survey, and the Minnesota Department of Employment and Economic Development.

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.

² The total number of employees reflects the entire District, including those outside of City limits.

BUILDING PERMITS (as of April 9, 2024)

	2020	2021	2022	2023	2024
<u>New Single Family Homes</u>					
No. of building permits	1	1	N/A	N/A	N/A
Valuation	\$360,000	\$270,000	N/A	N/A	N/A
 <u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	427	283	272	239	63
Valuation	\$4,672,564	\$8,389,735	\$8,923,753	\$2,645,106	\$658,384

Source: The City.

U.S. CENSUS DATA

Population Trend: The City

2010 U.S. Census population	2,430
2020 U.S. Census population	2,688
Percent of Change 2010 - 2020	10.62%

2022 Metropolitan Council Population Estimate	2,642
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Income and Age Statistics

	The City	Hennepin County	State of Minnesota	United States
2022 per capita income	\$40,466	\$55,199	\$44,947	\$41,261
2022 median household income	\$65,463	\$92,595	\$74,313	\$75,149
2022 median family income	\$103,750	\$126,404	\$107,072	\$92,646
2022 median gross rent	\$1,217	\$1,373	\$1,178	\$1,268
2022 median value owner occupied units	\$251,700	\$358,000	\$286,800	\$281,900
2022 median age	46.1 yrs.	37.2 yrs.	38.5 yrs.	38.5 yrs.

	State of Minnesota	United States
City % of 2022 per capita income	90.03%	98.07%
City % of 2022 median family income	96.90%	111.99%

Housing Statistics

	<u>The City</u>		Percent of Change
	2020	2022	
All Housing Units	1,348	1,275	-5.42%

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 2022 Population Estimates, Metropolitan Council (<https://metrocouncil.org/>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Hennepin County	Hennepin County	State of Minnesota	State of Minnesota
2020	667,782	6.6%	6.3%	
2021	668,831	3.8%	3.8%	
2022	685,129	2.4%	2.7%	
2023	689,878	2.6%	2.8%	
2024, March	687,664	2.6%	3.2%	

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 Certificates, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

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

**City of Osseo
Hennepin County, Minnesota**

Basic Financial Statements

December 31, 2022



**City of Osseo
Table of Contents**

Elected Officials and Administration	1
Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet – Governmental Funds	18
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	24
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	25
Statement of Net Position – Proprietary Funds	26
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds	28
Notes to Basic Financial Statements	29
Required Supplementary Information	
Schedule of Changes in Total OPEB Liability and Related Ratios	69
Schedule of City's Proportionate Share of Net Pension Liability – General Employees Retirement Fund	70
Schedule of City's Proportionate Share of Net Pension Liability – Public Employees Police and Fire Retirement Fund	70
Schedule of City Contributions – General Employees Retirement Fund	71
Schedule of City Contributions – Public Employees Police and Fire Retirement Fund	71
Schedule of Changes in Net Pension Liability and Related Ratios – Fire Relief Association	72
Schedule of City Contributions and Non-Employer Contributing Entities – Fire Relief Association	74
Notes to Required Supplementary Information	76
Supplementary Information	
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	86
Combining Balance Sheet – Nonmajor Governmental Funds	88

**City of Osseo
Table of Contents**

Supplementary Information (Continued)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	94
Combining Balance Sheet – EDA Component Unit	100
Reconciliation of Balance Sheet to the Statement of Net Position – EDA Component Unit	103
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – EDA Funds Component Unit	104
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – EDA Component Unit	107
Minnesota Legal Compliance	109

**City of Osseo
Elected Officials and Administration
December 31, 2022**

Elected Officials	Position	Term Expires
Duane Poppe	Mayor	December 31, 2022
Alicia Vickerman	Council Member	December 31, 2024
Harold E. Johnson	Council Member	December 31, 2024
Larry Stelmach	Council Member	December 31, 2022
Julianna Hultstrom	Council Member	December 31, 2022
Administration		
Riley Grams	City Administrator/ EDA Executive Director	Appointed
EDA Officials		
Duanne Poppe	President	December 31, 2024
Larry Stelmach	Vice President	December 31, 2022
Harold Johnson	Treasurer	December 31, 2022
Teresa Aho	Assistant Treasurer	December 31, 2024
Kenny Nelson	Member	December 31, 2025
Ashlee Mueller	Member	December 31, 2024
Deanne Burke	Member	December 31, 2028

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Osseo as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City of Osseo's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Osseo as of December 31, 2022 and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Osseo 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.

Emphasis of Matter – Implementation of GASB 87

The City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City of Osseo's 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.

Responsibilities of Management for the Financial Statements (Continued)

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 City of Osseo's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 Osseo'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 City of Osseo's ability to continue as a going concern for a reasonable period of 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.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Osseo's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is 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 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Minneapolis, Minnesota
July 26, 2023

City of Osseo Management's Discussion and Analysis

As management of the City of Osseo, Minnesota (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2022. In 2022, the EDA is no longer reported as a blended component unit. Comparisons of financial information in the government-wide financial statements should be read in this context.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent year by \$14,162,865.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$7,071,119.
- At the end of the current year, unassigned fund balance for the General Fund was \$1,110,398 or 35.45% of 2022 total General Fund expenditures and transfers out and 33.67% of the 2023 budgeted expenditures and transfers out.
- The net position of the governmental activities increased by \$233,313 and the net position of the business-type activities decreased by \$158,903.
- On March 26, 2018, S&P Global Ratings raised its long-term rating to "AA" from "AA-1" on the City's existing general obligation bonds and the City continues to maintain that rating in 2022.
- The City issued \$2,950,000 G.O. Bonds to finance the 2022 and 2023 street improvements.
- The utility portion of the 2022 G.O. Bonds for the water, sewer and stormwater infrastructure improvements totaled \$740,000 with the sewer lining improvements completed in 2022.
- The City also retired \$1,415,000 in scheduled bond principal in 2022.
- The City is not planning to issue any bonds for infrastructure improvements in 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

City of Osseo Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, interest on long-term debt and intergovernmental. The business-type activities of the City include the water, sewer, and storm water.

The government-wide financial statements can be found on pages 15-17 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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 the balances of spendable resources available at the end of the year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

Proprietary Funds

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

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

FUND FINANCIAL STATEMENTS (CONTINUED)

Proprietary Funds (Continued)

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

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to Financial Statements can be found on pages 29-66 of this report.

Component Unit

The Osseo Economic Development Authority (EDA) has a seven-member governing body, with the Board's majority consisting of City Council members in 2021 and its financial activity reported as a blended component unit. In 2022 the composition of the EDA changed, and the financial activity of the EDA is no longer reported as a blended component unit.

Comparative Data

The General Fund total revenues increased in 2022 by \$166,768. The general property tax revenue increased by \$108,128. Licenses and permits and charges for services increased by \$31,581 as these revenue sources have increased as the City moves past the impact of the pandemic. The General Fund expenditures increased by \$125,701 excluding transfers out. Budgeted transfers out totaled \$565,870 in 2021 and \$625,870 in 2022 in accordance with the City's long-term capital improvement plan. The overall General Fund Balance decreased \$54,223. The General Fund balance decrease was a result of contracted services and overtime that was not budgeted, but necessary, for snow management and inspection services and the market value adjustment of investments.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,162,865 at the close of the most recent year.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 9,452,604	\$ 8,298,889	\$ 3,919,539	\$ 4,999,015	\$ 13,372,143	\$ 13,297,904
Capital assets	<u>13,070,287</u>	<u>12,815,210</u>	<u>5,437,376</u>	<u>3,994,498</u>	<u>18,507,663</u>	<u>16,809,708</u>
Total assets	<u>\$ 22,522,891</u>	<u>\$ 21,114,099</u>	<u>\$ 9,356,915</u>	<u>\$ 8,993,513</u>	<u>\$ 31,879,806</u>	<u>\$ 30,107,612</u>
Deferred outflows of resources	<u>\$ 1,797,486</u>	<u>\$ 1,067,994</u>	<u>\$ 77,045</u>	<u>\$ 73,981</u>	<u>\$ 1,874,531</u>	<u>\$ 1,141,975</u>
Long-term liabilities outstanding	\$ 13,554,870	\$ 9,508,195	\$ 3,773,020	\$ 3,067,212	\$ 17,327,890	\$ 12,575,407
Other liabilities	<u>1,661,101</u>	<u>2,003,820</u>	<u>472,762</u>	<u>606,065</u>	<u>2,133,863</u>	<u>2,609,885</u>
Total liabilities	<u>\$ 15,215,971</u>	<u>\$ 11,512,015</u>	<u>\$ 4,245,782</u>	<u>\$ 3,673,277</u>	<u>\$ 19,461,753</u>	<u>\$ 15,185,292</u>
Deferred inflows of resources	<u>\$ 81,098</u>	<u>\$ 1,296,203</u>	<u>\$ 48,621</u>	<u>\$ 95,757</u>	<u>\$ 129,719</u>	<u>\$ 1,391,960</u>
Net position						
Net investment in capital assets	\$ 3,565,457	\$ 4,943,980	\$ 2,512,000	\$ 1,641,177	\$ 5,192,676	\$ 5,905,157
Restricted	4,122,550	4,760,951	-	-	4,122,550	4,760,951
Unrestricted	<u>1,335,301</u>	<u>(331,056)</u>	<u>2,627,557</u>	<u>3,657,283</u>	<u>4,847,639</u>	<u>4,006,227</u>
Total net position	<u>\$ 9,023,308</u>	<u>\$ 9,373,875</u>	<u>\$ 5,139,557</u>	<u>\$ 5,298,460</u>	<u>\$ 14,162,865</u>	<u>\$ 14,672,335</u>

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

Governmental activities increased the City's net position by \$233,313 to \$9,023,308.

Business-Type Activities

Business-type activities net position decreased by \$158,903. The following highlights the change in the net position of the business accounts:

- The Water Fund charges for services decreased by (\$73,615) and operating expenses increased by \$92,516. The operating loss of the Water Fund is \$44,272. Other income includes antennae rental income totaling \$98,513 together with interest income totaling (\$10,037). Net position in the water fund decreased by \$19,379. Transfers out total \$39,301 and include the Water Fund contribution to the debt service of various bond issues over the past several years and contributions for future capital equipment needs.
- The Sewer Fund charges for services decreased by \$1,988 and operating expenses increased by \$183,511. The operating loss of \$97,536 together with interest income of (\$22,776) accounted for a decrease in the Sewer Fund net position. Transfers out for contributions to debt service totaled \$24,795. The net position decreased by \$153,529.
- The Storm Water Fund charges for services increased by \$13,488 and operating expenses increased by \$20,463. The operating income totaled \$103,884. Transfers to other funds for debt service totaled \$72,077. The net position increase was \$14,005.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities (Continued)

- The City completed a utility rate study in 2022 and rates were adjusted beginning January 1, 2023, to finance ongoing operations and the 2020, 2021, and 2022 improvements.
- Beginning in 2018, the City is allocating any portion of bonds issued that include utility (water, sewer, or storm water) improvements to the respective enterprise funds. In prior years, the City has reported the liability for the bond issue in the governmental funds and transferred monies as necessary to finance the enterprise portion of the debt.
- Transfers out total \$136,173 in 2022 and include the enterprise fund contributions for debt service on bonds issued prior to 2018 and financing for future utility fund capital equipment needs.
- Bonds were issued in 2020 and were issued again in 2022 to complete all upgrades to the sanitary sewer lift stations and related technology, complete all City sewer lining projects, replace all water meters, and upgrade the related meter reading software.

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 303,557	\$ 316,717	\$ 1,318,557	\$ 1,388,086	\$ 1,622,114	\$ 1,704,803
Operating grants and contributions	158,301	295,925	52,762	-	211,063	295,925
Capital grants and contributions	707,835	308,052	-	-	707,835	308,052
General revenues						
Taxes	2,000,308	1,825,020	-	-	2,000,308	1,825,020
Grants and contributions not restricted to specific programs	762,748	1,664,365	-	-	762,748	1,664,365
Other	335,292	23,658	(49,353)	13,351	285,939	37,009
Total revenues	<u>4,268,041</u>	<u>4,433,737</u>	<u>1,321,966</u>	<u>1,401,437</u>	<u>5,590,007</u>	<u>5,835,174</u>
Expenses						
General government	1,016,927	876,485	-	-	1,016,927	876,485
Public safety	1,732,907	1,510,888	-	-	1,732,907	1,510,888
Public works	900,963	1,229,611	-	-	900,963	1,229,611
Culture and recreation	212,323	183,004	-	-	212,323	183,004
Economic development	176	461,623	-	-	176	461,623
Interest on long-term debt	307,605	243,129	-	-	307,605	243,129
Water	-	-	517,151	485,050	517,151	485,050
Sewer	-	-	700,682	554,904	700,682	554,904
Storm water	-	-	126,863	106,051	126,863	106,051
Total expenses	<u>4,170,901</u>	<u>4,504,740</u>	<u>1,344,696</u>	<u>1,146,005</u>	<u>5,515,597</u>	<u>5,650,745</u>
Increase in net position before transfers	97,140	(71,003)	(22,730)	255,432	74,410	184,429
Transfers	136,173	232,110	(136,173)	(232,110)	-	-
Increase (decrease) in net position	<u>233,313</u>	<u>161,107</u>	<u>(158,903)</u>	<u>23,322</u>	<u>74,410</u>	<u>184,429</u>
Net Position						
Beginning	9,373,875	9,212,768	5,298,460	5,275,138	14,672,335	14,487,906
Prior period adjustment	(583,880)	-	-	-	(583,880)	-
Ending	<u>\$ 9,023,308</u>	<u>\$ 9,373,875</u>	<u>\$ 5,139,557</u>	<u>\$ 5,298,460</u>	<u>\$ 14,162,865</u>	<u>\$ 14,672,335</u>

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Financial Analysis of the Government's Funds

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

Governmental Funds

The 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 unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the year.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$7,071,119. Approximately 14.50%, or \$1,025,473 of this total amount constitutes unassigned fund balance. The unassigned fund balance includes a fund balance deficit in the 2020 Improvement Project Capital Projects Fund of \$83,274.

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

Proprietary Funds

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

The proprietary funds current year net position decreased by \$158,903 is primarily due to operating loss of \$37,924 and transfers out totaling \$136,173.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund balance decreased by \$54,223 during the current year. Of the total fund balance of \$1,129,252, \$18,854 relates to prepaid items and is considered non-spendable and \$1,110,398 is unassigned and available for spending as of December 31, 2022.

The City's 2022 General Fund revenue includes \$2,424 of excess TIF revenue (reported as part of property tax revenue). General Fund property tax revenues were \$108,128 more than 2021. The City received \$187,337 in license and permit revenue compared to the estimated budget of \$183,850. The total General Fund actual revenue and transfers in were \$2,987 less than anticipated. The General Fund expenditures totaled \$2,506,836 compared to a budgeted expenditure total of \$2,455,600. The variance is \$51,236 and is primarily due to several smaller variances including snow removal and inspection services.

The total fund balance at year end is below the parameters of the City's policy of maintaining a fund balance that is approximately 40-50% of the subsequent year's budgeted expenditures. In accordance with the City's fund balance policy, the increase required to meet the minimum fund balance will be included in the next budget cycle.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2022, totaled \$18,507,663 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings, improvements, and machinery and equipment. The Street Management Plan started with the 2014 improvements and will continue thru 2023 to complete the infrastructure improvements throughout the entire City. The Street Management Plan includes capital and maintenance expenditure estimates through 2030. In addition, the City's 2020 bond issue and the bonds issued in 2022 include the financing for the major utility infrastructure improvements capitalized in 2021 and 2022. The net increase in business type capital assets totaled \$1,776,300 in the current year.

Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 824,809	\$ 775,536	\$ 46,035	\$ 46,035	\$ 870,844	\$ 821,571
Construction in Progress	35,784	109,819	-	961,039	35,784	1,070,858
Infrastructure	16,809,805	15,743,462	6,416,444	3,912,082	23,226,249	19,655,544
Buildings and Building Improvements	4,286,101	4,286,101	-	-	4,286,101	4,286,101
Improvements Other than Buildings	469,634	469,634	-	-	469,634	469,634
Machinery and Equipment	2,511,260	2,382,790	1,287,584	1,054,607	3,798,844	3,437,397
Total Capital Assets	\$ 24,937,393	\$ 23,767,342	\$ 7,750,063	\$ 5,973,763	\$ 32,687,456	\$ 29,741,105

Additional information on the City's capital assets can be found in Note 7 on pages 40-41 of this report. Pages 40 and 41 include the allocation of depreciation expense to the various governmental activities.

Long-Term Debt

At the end of the current year the City had total bonded debt, including the lease revenue bonds, of \$14,290,000. The G.O. Bonds are backed by the full faith and credit of the City. The revenue sources needed to finance the G.O. Bonds include general property taxes, special assessments, and contributions from the enterprise funds. The lease revenue bonds will be paid by the annual budget appropriations of the City Council. At the end of the current year the EDA had total bonded debt \$465,000. The G.O. Tax Increment Bonds are backed by the full faith and credit of the City. The revenue sources needed to finance the G.O. Tax Increment Bonds include tax increments.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation (G.O.)	\$ 9,900,000	\$ 8,075,000	\$ 3,550,000	\$ 3,000,000	\$ 13,450,000	\$ 11,075,000
G.O. Tax Increment	-	515,000	-	-	-	515,000
Revenue Bond Payable	840,000	890,000	-	-	840,000	890,000
Total	\$ 10,740,000	\$ 9,480,000	\$ 3,550,000	\$ 3,000,000	\$ 14,290,000	\$ 12,480,000

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

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt (Continued)

In March, 2018 Standard and Poor's (S & P) reviewed the City's rating of its long-term debt and increased the rating to AA from AA-1. The AA rating was reaffirmed with the issuance of the 2022 improvement bonds. The S & P report noted a strong economy along with the City's strong management with good financial policies, practices, and strong budgetary performance.

Additional information on the City's long-term debt can be found in Note 8 on pages 42-46.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The City's tax capacity valuation has increased again for 2022 general property taxes extending this trend over the past several years.
- The tax capacity rate has decreased from 77.83% in 2013 to an estimated 52.84% for property taxes payable in 2023.
- The 2023 General Fund budget includes estimated revenue of \$3,346,929 and estimated expenditures totaling \$3,297,816. The \$49,000 additional revenue is intended to increase fund balance in accordance with the City's policy.
- The City increased the utility rates in 2023 after completing a utility rate study. Rates were increased to finance ongoing operations and equipment and infrastructure improvements included in the 2020 and 2022 bond issue.
- The City completed the Central Avenue improvement project in 2021. The net cost to the City is approximately \$375,000 and was financed with resources available in the Streets Capital Projects Fund, an intergovernmental grant, and an assessment against a benefitting property.
- With the completion of the projects financed by the bonds issued in 2020 and the bonds issued in 2022, the City will have completed the upgrade of all sewer lift stations and the related monitoring technology, completed the lining of all sewer lines, and completed the replacement of all water meters and upgraded the meter reading and billing software.
- The 2021 Alley Capital Projects Fund has a fund balance of \$1,949,931. This represents unexpended bond proceeds from the 2022 bond issue. A portion of that project was delayed but is intended to be completed in the next two years.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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**City of Osseo
Statement of Net Position
December 31, 2022**

	Governmental Activities	Business-Type Activities	Total	Economic Development Authority Component Unit
Assets				
Cash and investments (including cash and equivalents)	\$ 7,006,961	\$ 3,247,834	\$ 10,254,795	\$ 1,685,470
Property tax receivable	14,073	-	14,073	-
Accounts receivable	24,060	441,152	465,212	18,438
Interest receivable	43,580	-	43,580	-
Due from other governments	123,407	52,762	176,169	-
Due from other funds (internal balances)	(78,062)	78,062	-	-
Due from component unit	462,284	17,460	479,744	-
Mortgages receivable	-	-	-	304,023
Special assessments receivable				
Delinquent	2,567	-	2,567	-
Deferred	1,681,003	13,237	1,694,240	-
Lease receivable	-	45,447	45,447	-
Prepaid items	18,854	23,585	42,439	-
Net pension asset	153,877	-	153,877	-
Capital assets				
Land	824,809	46,035	870,844	-
Construction in progress	35,784	-	35,784	-
Capital assets being depreciated				
Infrastructure	16,809,805	6,416,444	23,226,249	-
Buildings	4,286,101	-	4,286,101	-
Improvements	469,634	-	469,634	-
Machinery and equipment	2,511,260	1,287,584	3,798,844	-
Less accumulated depreciation	(11,867,106)	(2,312,687)	(14,179,793)	-
Total capital assets	<u>13,070,287</u>	<u>5,437,376</u>	<u>18,507,663</u>	<u>-</u>
Total assets	<u>22,522,891</u>	<u>9,356,915</u>	<u>31,879,806</u>	<u>2,007,931</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to fire relief pensions	34,743	-	34,743	-
Deferred outflows of resources related to city pensions	1,748,974	75,893	1,824,867	-
Deferred outflows of resources related to other post employment benefits	13,769	1,152	14,921	-
Total deferred outflows of resources	<u>1,797,486</u>	<u>77,045</u>	<u>1,874,531</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 24,320,377</u>	<u>\$ 9,433,960</u>	<u>\$ 33,754,337</u>	<u>\$ 2,007,931</u>
Liabilities				
Liabilities				
Accounts payable	\$ 323,672	\$ 114,227	\$ 437,899	\$ 199,431
Contracts payable	42,008	67,593	109,601	-
Salaries and benefits payable	27,092	5,607	32,699	-
Due to primary government	-	-	-	479,744
Due to other governments	18	1,486	1,504	-
Interest payable	122,834	34,325	157,159	6,106
Unearned revenue	151,370	-	151,370	-
Bonds payable, net of premiums				
Due within one year	800,000	205,000	1,005,000	100,000
Due in more than one year	10,269,611	3,496,124	13,765,735	365,000
Compensated absences payable				
Due within one year	194,107	44,524	238,631	-
Due in more than one year	26,487	-	26,487	-
Total other post employment benefits (OPEB) liability	545,232	45,606	590,838	-
Net pension liability	2,713,540	231,290	2,944,830	-
Total liabilities	<u>15,215,971</u>	<u>4,245,782</u>	<u>19,461,753</u>	<u>1,150,281</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to city pensions	27,621	3,174	30,795	-
Deferred inflows of resources related to fire relief pensions	53,477	-	53,477	-
Deferred inflows of resources related to lease receivable	-	45,447	45,447	-
Total deferred inflows of resources	<u>81,098</u>	<u>48,621</u>	<u>129,719</u>	<u>-</u>
Net Position				
Net investment in capital assets	3,565,457	2,512,000	5,192,676	-
Restricted for				
Park improvements	114,182	-	114,182	-
Debt service	3,362,206	-	3,362,206	-
Economic development authority	-	-	-	858,689
Other purposes	646,162	-	646,162	-
Unrestricted	1,335,301	2,627,557	4,847,639	(1,039)
Total net position	<u>9,023,308</u>	<u>5,139,557</u>	<u>14,162,865</u>	<u>857,650</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 24,320,377</u>	<u>\$ 9,433,960</u>	<u>\$ 33,754,337</u>	<u>\$ 2,007,931</u>

**City of Osseo
Statement of Activities
Year Ended December 31, 2022**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities			
General government	\$ 1,016,927	\$ 85,551	\$ 19,556
Public safety	1,732,907	148,975	108,368
Public works	900,963	-	-
Culture and recreation	212,323	69,031	30,377
Economic development	176	-	-
Interest and fiscal charges on long-term debt	307,605	-	-
Total governmental activities	<u>4,170,901</u>	<u>303,557</u>	<u>158,301</u>
Business-type activities			
Water	517,151	556,343	-
Sewer	700,682	540,661	52,762
Storm water	126,863	221,553	-
Total business-type activities	<u>1,344,696</u>	<u>1,318,557</u>	<u>52,762</u>
Total governmental and business-type activities	<u>\$ 5,515,597</u>	<u>\$ 1,622,114</u>	<u>\$ 211,063</u>
EDA Component Unit	<u>\$ 674,900</u>	<u>\$ -</u>	<u>\$ 28,437</u>
		General revenues	
		Property taxes	
		Franchise taxes	
		Tax increments	
		Intergovernmental	
		State aids	
		Investment earnings	
		Other general revenue	
		Transfers	
		Total general revenues and transfers	
		Change in net position	
		Net position - beginning	
		Change in accounting principle (see Note 14)	
		Net position - beginning, as restated	
		Net position - ending	

Program Revenues Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position			EDA Component Unit
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (911,820)	\$ -	\$ (911,820)	\$ -
-	(1,475,564)	-	(1,475,564)	-
707,835	(193,128)	-	(193,128)	-
-	(112,915)	-	(112,915)	-
-	(176)	-	(176)	-
-	(307,605)	-	(307,605)	-
<u>707,835</u>	<u>(3,001,208)</u>	<u>-</u>	<u>(3,001,208)</u>	<u>-</u>
-	-	39,192	39,192	-
-	-	(107,259)	(107,259)	-
-	-	94,690	94,690	-
-	-	26,623	26,623	-
<u>\$ 707,835</u>	<u>(3,001,208)</u>	<u>26,623</u>	<u>(2,974,585)</u>	<u>-</u>
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(646,463)</u>
	1,884,157	-	1,884,157	-
	116,151	-	116,151	-
	-	-	-	934,251
	87,466	-	87,466	-
	675,282	-	675,282	-
	(60,236)	(49,353)	(109,589)	(14,018)
	395,528	-	395,528	-
	136,173	(136,173)	-	-
	<u>3,234,521</u>	<u>(185,526)</u>	<u>3,048,995</u>	<u>920,233</u>
	233,313	(158,903)	74,410	273,770
	9,373,875	5,298,460	14,672,335	-
	(583,880)	-	(583,880)	583,880
	<u>8,789,995</u>	<u>5,298,460</u>	<u>14,088,455</u>	<u>583,880</u>
<u>\$ 9,023,308</u>	<u>\$ 5,139,557</u>	<u>\$ 14,162,865</u>	<u>\$ 857,650</u>	

City of Osseo
Balance Sheet - Governmental Funds
December 31, 2022

	Debt Service		
	General Fund (101, 200)	2016B G.O. Improvement Refunding Bonds (365)	2022A G.O. Bond (314)
Assets			
Cash and investments	\$ 665,885	\$ 329,550	\$ 205,017
Taxes receivable - delinquent	12,656	959	-
Special assessments receivable			
Delinquent	-	1,172	-
Deferred	6,026	423,464	409,444
Accounts receivable	24,060	-	-
Interest receivable	43,580	-	-
Due from other governments	3,851	-	-
Due from component unit	462,284	-	-
Prepaid items	18,854	-	-
	<u>1,237,196</u>	<u>755,145</u>	<u>614,461</u>
Total assets	<u>\$ 1,237,196</u>	<u>\$ 755,145</u>	<u>\$ 614,461</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 74,458	\$ -	\$ -
Contracts payable	-	-	-
Salaries and benefits payable	27,092	-	-
Due to other funds	-	-	-
Due to other governments	-	-	-
Unearned revenue	-	-	-
Total liabilities	<u>101,550</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	12,656	959	-
Unavailable revenue - special assessments	(6,262)	424,124	409,444
Total deferred inflows of resources	<u>6,394</u>	<u>425,083</u>	<u>409,444</u>
Fund Balances			
Nonspendable	18,854	-	-
Restricted	-	330,062	205,017
Committed	-	-	-
Assigned	-	-	-
Unassigned	1,110,398	-	-
Total fund balances	<u>1,129,252</u>	<u>330,062</u>	<u>205,017</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,237,196</u>	<u>\$ 755,145</u>	<u>\$ 614,461</u>

Capital Projects

<u>Streets (130)</u>	<u>2021 Alley Project (410 and 412)</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 970,446	\$ 2,204,945	\$ 2,631,118	\$ 7,006,961
-	-	458	14,073
-	-	1,395	2,567
40,273	-	801,796	1,681,003
-	-	-	24,060
-	-	-	43,580
100,000	-	19,556	123,407
-	-	-	462,284
-	-	-	18,854
<u>\$ 1,110,719</u>	<u>\$ 2,204,945</u>	<u>\$ 3,454,323</u>	<u>\$ 9,376,789</u>
\$ 12,613	\$ 219,802	\$ 16,799	\$ 323,672
-	35,212	6,796	42,008
-	-	-	27,092
-	-	78,062	78,062
-	-	18	18
-	-	151,370	151,370
<u>12,613</u>	<u>255,014</u>	<u>253,045</u>	<u>622,222</u>
-	-	458	14,073
<u>40,273</u>	<u>-</u>	<u>801,796</u>	<u>1,669,375</u>
<u>40,273</u>	<u>-</u>	<u>802,254</u>	<u>1,683,448</u>
-	-	-	18,854
-	-	2,077,809	2,612,888
-	-	37,040	37,040
1,057,833	1,949,931	369,100	3,376,864
-	-	(84,925)	1,025,473
<u>1,057,833</u>	<u>1,949,931</u>	<u>2,399,024</u>	<u>7,071,119</u>
 <u>\$ 1,110,719</u>	 <u>\$ 2,204,945</u>	 <u>\$ 3,454,323</u>	 <u>\$ 9,376,789</u>

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City of Osseo
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2022

Total fund balances - governmental funds	\$ 7,071,119
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	24,937,393
Less accumulated depreciation	(11,867,106)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(10,740,000)
Compensated absences payable	(220,594)
Total OPEB liability	(545,232)
Net pension liability	(2,713,540)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and post employment benefits that are not recognized in the in the governmental funds.	
Deferred inflows of resources related to pensions	(81,098)
Deferred outflows of resources related to pensions	1,783,717
Deferred outflows of resources related to post employment benefits	13,769
Fire Relief Association net pension asset created through contributions to a defined benefit pension plan which is not recognized in the governmental funds.	153,877
Bond premiums are reported as a liability within the Statement of Net Position and are reported as an other financing source in the year the debt is issued within the governmental funds.	(329,611)
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Property taxes	14,073
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred special assessments	1,669,375
Governmental funds do not report a liability for accrued interest until due and payable.	(122,834)
Total net position - governmental activities	\$ 9,023,308

City of Osseo
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2022

	General Fund (101, 200)	Debt Service	
		2016B G.O. Improvement Refunding Bonds (365)	2022A G.O. Bond (314)
Revenues			
Taxes	\$ 1,752,052	\$ 135,449	\$ -
Franchise taxes	128,645	-	-
Special assessments	4,131	131,359	204,436
Licenses and permits	187,337	-	-
Intergovernmental	770,379	-	-
Revenue from EDA component unit	40,000	-	-
Charges for services	27,130	-	-
Fines and forfeitures	38,916	-	-
Miscellaneous			
Investment income	(15,892)	(6,112)	581
Contributions and donations	19,000	-	-
Other	39,567	-	-
Total revenues	<u>2,991,265</u>	<u>260,696</u>	<u>205,017</u>
Expenditures			
Current			
General government	807,570	-	-
Public safety	1,324,790	-	-
Public works	237,519	475	-
Culture and recreation	136,957	-	-
Debt service			
Principal	-	250,000	-
Interest and other charges	-	57,751	-
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Total expenditures	<u>2,506,836</u>	<u>308,226</u>	<u>-</u>
Excess of revenues over (under) expenditures	484,429	(47,530)	205,017
Other Financing Sources (Uses)			
Bond issuance	-	-	-
Bond premium	-	-	-
Transfers in	87,218	73,092	-
Transfers out	(625,870)	-	-
Total other financing sources (uses)	<u>(538,652)</u>	<u>73,092</u>	<u>-</u>
Net change in fund balances	(54,223)	25,562	205,017
Fund Balances			
Beginning of year, as previously stated	1,183,475	304,500	-
Change in accounting principle (see Note 14)	-	-	-
Beginning of year, as restated	<u>1,183,475</u>	<u>304,500</u>	<u>-</u>
End of year	<u>\$ 1,129,252</u>	<u>\$ 330,062</u>	<u>\$ 205,017</u>

Capital Projects

Streets (130)	2021 Alley Project (410 & 412)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,887,501
-	-	26,932	155,577
8,760	-	167,660	516,346
-	-	-	187,337
-	-	107,679	878,058
-	-	172,869	212,869
-	-	29,390	56,520
-	-	-	38,916
(15,927)	(2,637)	(22,716)	(62,703)
-	-	96,883	115,883
-	-	41,962	81,529
<u>(7,167)</u>	<u>(2,637)</u>	<u>620,659</u>	<u>4,067,833</u>
-	-	12,774	820,344
-	-	5,560	1,330,350
-	1,447	-	239,441
-	-	38,689	175,646
-	-	880,000	1,130,000
-	85,938	164,328	308,017
-	-	38,173	38,173
-	-	92,956	92,956
58,783	926,794	11,927	997,504
-	-	59,049	59,049
<u>58,783</u>	<u>1,014,179</u>	<u>1,303,456</u>	<u>5,191,480</u>
(65,950)	(1,016,816)	(682,797)	(1,123,647)
-	2,950,000	-	2,950,000
-	128,230	-	128,230
330,486	-	810,657	1,301,453
(370,067)	-	(169,343)	(1,165,280)
<u>(39,581)</u>	<u>3,078,230</u>	<u>641,314</u>	<u>3,214,403</u>
(105,531)	2,061,414	(41,483)	2,090,756
1,163,364	(111,483)	3,287,535	5,827,391
-	-	(847,028)	(847,028)
<u>1,163,364</u>	<u>(111,483)</u>	<u>2,440,507</u>	<u>4,980,363</u>
<u>\$ 1,057,833</u>	<u>\$ 1,949,931</u>	<u>\$ 2,399,024</u>	<u>\$ 7,071,119</u>

City of Osseo
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended December 31, 2022

Total net change in fund balances - governmental funds \$ 2,090,756

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	1,170,051
Depreciation expense	(914,974)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

(39,099)

Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual

Pension expense	(77,119)
-----------------	----------

Total OPEB liabilities are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

(223,339)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on the net position in the Statement of Activities.

1,130,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest payable	(29,301)
Amortization of bond premiums	29,713

The issuance of long-term debt provides current financial resources to governmental funds and has no effect on net position. These amounts are reported in the governmental funds as a source of financing. These amounts are not shown as revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.

Bonds payable	(2,950,000)
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The governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Bond premium	(128,230)
--------------	-----------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Special assessments deferred	178,199
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Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

(3,344)

Change in net position - governmental activities

\$ 233,313

City of Osseo
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 1,753,754	\$ 1,752,052	\$ (1,702)
Franchise taxes	122,000	128,645	6,645
Special assessments	2,300	4,131	1,831
Licenses and permits	183,850	187,337	3,487
Intergovernmental	763,179	770,379	7,200
Revenue from eda component unit	-	40,000	40,000
Charges for services	41,000	27,130	(13,870)
Fines and forfeitures	48,500	38,916	(9,584)
Miscellaneous			
Investment income	25,000	(15,892)	(40,892)
Contributions and donations	14,000	19,000	5,000
Other	77,887	39,567	(38,320)
Total revenues	3,031,470	2,991,265	(40,205)
Expenditures			
Current			
General government	832,641	807,570	(25,071)
Public safety	1,282,982	1,324,790	41,808
Public works	209,951	237,519	27,568
Culture and recreation	130,026	136,957	6,931
Total expenditures	2,455,600	2,506,836	51,236
Excess of revenues over (under) expenditures	575,870	484,429	(91,441)
Other Financing Sources (Uses)			
Transfers in	50,000	87,218	37,218
Transfers out	(625,870)	(625,870)	-
Total other financing sources (uses)	(575,870)	(538,652)	37,218
Net change in fund balance	\$ -	(54,223)	\$ (54,223)
Fund Balance			
Beginning of year		1,183,475	
End of year		\$ 1,129,252	

City of Osseo
Statement of Net Position - Proprietary Funds
December 31, 2022

	Water (601)	Sewer (602)	Storm Water (604)	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 1,787,995	\$ 750,212	\$ 709,627	\$ 3,247,834
Special assessments receivable				
Deferred	5,137	4,858	3,242	13,237
Accounts receivable	174,159	186,536	80,457	441,152
Due from other funds	78,062	-	-	78,062
Due from component unit	17,460	-	-	17,460
Due from other governments	-	52,762	-	52,762
Lease receivable	45,447	-	-	45,447
Prepaid items	2,260	20,195	1,130	23,585
Total current assets	<u>2,110,520</u>	<u>1,014,563</u>	<u>794,456</u>	<u>3,919,539</u>
Noncurrent assets				
Capital assets				
Land	46,035	-	-	46,035
Infrastructure	1,177,713	4,504,308	734,423	6,416,444
Machinery and equipment	486,436	577,829	223,319	1,287,584
Total capital assets	<u>1,710,184</u>	<u>5,082,137</u>	<u>957,742</u>	<u>7,750,063</u>
Less accumulated depreciation	(679,096)	(1,447,551)	(186,040)	(2,312,687)
Net capital assets	<u>1,031,088</u>	<u>3,634,586</u>	<u>771,702</u>	<u>5,437,376</u>
Total assets	<u>3,141,608</u>	<u>4,649,149</u>	<u>1,566,158</u>	<u>9,356,915</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	33,880	33,834	8,179	75,893
Deferred outflows of resources related to post employment benefits	509	509	134	1,152
	<u>34,389</u>	<u>34,343</u>	<u>8,313</u>	<u>77,045</u>
Total assets and deferred outflows of resources	<u>\$ 3,175,997</u>	<u>\$ 4,683,492</u>	<u>\$ 1,574,471</u>	<u>\$ 9,433,960</u>
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities				
Accounts payable	\$ 13,908	\$ 95,485	\$ 4,834	\$ 114,227
Contracts payable	-	67,593	-	67,593
Salaries and benefits payable	2,508	2,424	675	5,607
Interest payable	5,146	25,241	3,938	34,325
Due to other governments	1,486	-	-	1,486
Bonds payable, due within one year	45,000	115,000	45,000	205,000
Compensated absences payable	20,490	20,490	3,544	44,524
Total current liabilities	<u>88,538</u>	<u>326,233</u>	<u>57,991</u>	<u>472,762</u>
Noncurrent liabilities				
Bonds payable, net of premiums	649,624	2,617,104	434,396	3,701,124
Total OPEB liability	20,150	20,150	5,306	45,606
Net pension liability	103,252	103,112	24,926	231,290
Less amount due within one year	(45,000)	(115,000)	(45,000)	(205,000)
Total noncurrent liabilities	<u>728,026</u>	<u>2,625,366</u>	<u>419,628</u>	<u>3,773,020</u>
Total liabilities	<u>816,564</u>	<u>2,951,599</u>	<u>477,619</u>	<u>4,245,782</u>
Deferred inflows of resources				
Deferred inflows of resources related to pensions	1,417	1,415	342	3,174
Deferred inflows of resources related to lease receivable	45,447	-	-	45,447
Total deferred inflows of resources	<u>46,864</u>	<u>1,415</u>	<u>342</u>	<u>48,621</u>
Net Position				
Net investment in capital assets	625,583	1,476,266	410,151	2,512,000
Unrestricted	1,686,986	254,212	686,359	2,627,557
Total net position	<u>2,312,569</u>	<u>1,730,478</u>	<u>1,096,510</u>	<u>5,139,557</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,175,997</u>	<u>\$ 4,683,492</u>	<u>\$ 1,574,471</u>	<u>\$ 9,433,960</u>

See notes to basic financial statements.

City of Osseo
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2022

	Water (601)	Sewer (602)	Storm Water (604)	Total
Operating revenues				
Charges for services	\$ 461,943	\$ 540,661	\$ 221,553	\$ 1,224,157
Permits, hookup fees, and penalties	899	1,301	685	2,885
Total operating revenues	<u>462,842</u>	<u>541,962</u>	<u>222,238</u>	<u>1,227,042</u>
Operating expenses				
Wages and salaries	93,132	93,132	24,523	210,787
Employee benefits	60,204	59,461	14,573	134,238
Materials and supplies	41,755	9,293	941	51,989
Repairs and maintenance	10,312	5,518	1,884	17,714
Professional services	40,066	40,131	24,889	105,086
Insurance	2,437	5,078	663	8,178
Utilities	4,102	15,216	1,497	20,815
Depreciation	72,035	221,186	40,201	333,422
Other	4,381	4,480	9,183	18,044
Service charges	178,690	186,003	-	364,693
Total operating expenses	<u>507,114</u>	<u>639,498</u>	<u>118,354</u>	<u>1,264,966</u>
Operating income (loss)	(44,272)	(97,536)	103,884	(37,924)
Nonoperating revenues/(expenses) (expenses)				
Investment income	(24,282)	(22,776)	(9,293)	(56,351)
Intergovernmental	-	52,762	-	52,762
Interest and fiscal agent fees	(10,037)	(61,184)	(8,509)	(79,730)
Other income	98,513	-	-	98,513
Total nonoperating revenues	<u>64,194</u>	<u>(31,198)</u>	<u>(17,802)</u>	<u>15,194</u>
Income before transfers	19,922	(128,734)	86,082	(22,730)
Transfers out	<u>(39,301)</u>	<u>(24,795)</u>	<u>(72,077)</u>	<u>(136,173)</u>
Change in net position	(19,379)	(153,529)	14,005	(158,903)
Net position				
Beginning of year	<u>2,331,948</u>	<u>1,884,007</u>	<u>1,082,505</u>	<u>5,298,460</u>
End of year	<u>\$ 2,312,569</u>	<u>\$ 1,730,478</u>	<u>\$ 1,096,510</u>	<u>\$ 5,139,557</u>

City of Osseo
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2022

	Water (601)	Sewer (602)	Storm Water (604)	Total
Cash Flows - Operating Activities				
Receipts from customers and users	\$ 446,271	\$ 614,568	\$ 204,803	\$ 1,265,642
Payments to suppliers	(302,750)	(440,212)	(39,176)	(782,138)
Payments to employees	(131,313)	(131,312)	(33,416)	(296,041)
Miscellaneous revenue	98,513	52,762	-	151,275
Net cash flows - operating activities	<u>110,721</u>	<u>95,806</u>	<u>132,211</u>	<u>338,738</u>
Cash Flows - Noncapital				
Financing Activities				
Payments to/from other funds	153,974	-	-	153,974
Transfer to other funds	(39,301)	(24,795)	(72,077)	(136,173)
Net cash flows - noncapital financing activities	<u>114,673</u>	<u>(24,795)</u>	<u>(72,077)</u>	<u>17,801</u>
Cash Flows - Capital and Related				
Financing Activities				
Principal Paid on Debt	(47,471)	(84,367)	(36,107)	(167,945)
Interest and fiscal charges paid on debt	(10,412)	(51,789)	(8,775)	(70,976)
Long-term debt proceeds	-	740,000	-	740,000
Acquisition of capital assets	(36,406)	(1,705,295)	-	(1,741,701)
Net cash flows - capital and related financing activities	<u>(94,289)</u>	<u>(1,101,451)</u>	<u>(44,882)</u>	<u>(1,240,622)</u>
Cash Flows - Investing Activities				
Interest and dividends received	(24,282)	(22,776)	(9,293)	(56,351)
Net change in cash and cash equivalents	106,823	(1,053,216)	5,959	(940,434)
Cash and Cash Equivalents				
January 1	<u>1,681,172</u>	<u>1,803,428</u>	<u>703,668</u>	<u>4,188,268</u>
December 31	<u>\$ 1,787,995</u>	<u>\$ 750,212</u>	<u>\$ 709,627</u>	<u>\$ 3,247,834</u>
Reconciliation of Operating				
Income to Net Cash				
Flows - Operating Activities				
Operating income	\$ (44,272)	\$ (97,536)	\$ 103,884	\$ (37,924)
Adjustments to reconcile operating income to net cash flows - operating activities				
Miscellaneous revenue	98,513	52,762	-	151,275
Depreciation expense	72,035	221,186	40,201	333,422
Accounts receivable	(17,828)	124,199	(17,678)	88,693
Due from other governments	-	(52,762)	-	(52,762)
Prepaid items	(2,260)	(4,695)	(1,130)	(8,085)
Special assessments receivable	1,257	1,169	243	2,669
Accounts payable	(18,042)	(169,798)	1,011	(186,829)
Due to other governmental units	(705)	-	-	(705)
Salaries payable	(6,112)	(6,196)	16	(12,292)
Net pension expense	15,009	14,913	2,988	32,910
Compensated absences payable	3,919	3,919	332	8,170
Total adjustments	<u>154,993</u>	<u>193,342</u>	<u>28,327</u>	<u>376,662</u>
Net cash flows - operating activities	<u>\$ 110,721</u>	<u>\$ 95,806</u>	<u>\$ 132,211</u>	<u>\$ 338,738</u>

City of Osseo
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

As a result of applying the component unit definition criteria above, a certain organization has been defined and is presented in this report as a Discretely Presented Component Unit.

1. Discretely Presented Unit

Component units are legally separate entities for which the City (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or is fiscally depended upon by the potential component unit.

In conformity with accounting principles generally accepted in the United States of America, the component unit's column in the government-wide Statement of Net Position and Statement of Activities include the financial data of the City's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the City.

The Osseo Economic Development Authority (EDA) meets the criteria to be included as a discretely presented component unit. The seven members of the governing board of the Osseo EDA are appointed by the City Council and three members are also City Council members. The tax rates established by the Osseo EDA and bonded debt must be approved by the City Council.

City of Osseo
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

City of Osseo
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds:

Major Governmental Funds:

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

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

2022A G.O. Bond – This fund accounts for the resources accumulated and payments made for principal and interest on this bond issue.

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

2021 Alley Project Fund – This fund accounts for resources accumulated and payments related to the alley project.

Proprietary Funds:

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

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

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

Component Unit:

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

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

City of Osseo
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

1. Deposits and Investments

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

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

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

2. Receivables and Payables

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

City of Osseo
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables (Continued)

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

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

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost greater than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

City of Osseo
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has two items that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and mortgage receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to lease receivable is reported in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet.

6. Compensated Absences

Employees earn paid time off (PTO) based upon the number of completed years of service. The City compensates employees for unused PTO upon termination of employment, up to a maximum of 840 hours. Employees are also entitled to payment on an annual basis for each hour of accrued PTO over the maximum accrual of 840 hours.

7. Long-Term Obligations

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

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

City of Osseo
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Pensions

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

9. Fund Balance

a. Classification

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

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

City of Osseo
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Balance (Continued)

a. Classification (Continued)

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

b. Minimum Fund Balance

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

c. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

E. Use of Estimates

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

F. Budgetary Information

1. In August of each year City staff submits to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.

City of Osseo
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Information (Continued)

6. Annual appropriated budgets are adopted during the year for the General Fund. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted. Formal budgets are not adopted for Special Revenue Funds.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balances

At December 31, 2022, the following City Funds reported deficit fund balances:

	Deficit Fund Balance
Nonmajor Governmental Funds	
Special Revenue Fund	
Twins Grant	\$ 726
Debt Service Fund	
2010A Refunding Bonds	331
Capital Projects Fund	
Hennepin County Corridor Planning	594
2020 Improvement Project	83,274

NOTE 3 – DEPOSITS AND INVESTMENTS

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

A. Deposits

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's and EDA Component Unit's deposits may not be returned to it. The City has a policy that requires the City's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2022, the City's bank balance of \$1,268,821 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. The book balance as of December 31, 2022, was \$1,238,936 for deposits.

City of Osseo
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

Investment Type	Investment Maturities			
	Fair Value	Less than One Year	1-5 Years	6-10 Years
Brokered Money Market Accounts	\$ 77,600	\$ 77,600	\$ -	\$ -
United States Treasury Securities	3,038,551	3,038,551	-	-
United States Government Bonds	1,711,800	1,711,800	-	-
Brokered Certificates of Deposit	5,873,196	1,941,559	3,931,637	-
Total	<u>\$ 10,701,147</u>	<u>\$ 6,769,510</u>	<u>\$ 3,931,637</u>	<u>\$ -</u>

Concentration of Credit Risk: The City's and Component Unit's investment policy states the City will diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. As of December 31, 2022, the City's investments follow the guidelines stated in its investment policy. No single investment was over 5% of the portfolio.

Credit Risk: The City's investment policy limits investments to those specified in the above statutes. U.S. government bonds were rated AA+ by Standard & Poor's (S&P). U.S. treasury notes were rated AA+ by S&P.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market value interest rates. The City's policy states maturities will be structured to meet cash requirements for operations and avoiding the need to sell prior to maturity.

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

The City has the following recurring fair value measurements as of December 31, 2022:

- \$10,701,147 of investments are valued using a matrix pricing model (Level 2 inputs)

Summary of cash deposits and investments as of December 31, 2022, were as follows:

Cash on hand	\$ 182
Deposits	1,238,936
Investments	<u>10,701,147</u>
Total deposits and investments	<u>\$ 11,940,265</u>

City of Osseo
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Deposits and investments are presented in the December 31, 2022, basic financial statements as follows:

	Primary Government	Component Unit
Statement of Net Position		
Cash and investments	\$ 10,254,795	\$ 1,685,470

NOTE 4 – INTERFUND ASSETS/LIABILITIES

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 462,284	\$ -
Nonmajor Governmental Funds	-	78,062
Water Fund	95,522	-
EDA Component Unit	-	479,744
Total	\$ 557,806	\$ 557,806

Interfund activity exists to help with project costs and to cover deficit cash balances and will be repaid as funds become available.

NOTE 5 – INTERFUND TRANSFERS

Transfers Out	Transfers In				Total
	General Fund	2016B G.O. Improvement Refunding Bonds	Streets	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 330,486	\$ 295,384	\$ 625,870
Streets	-	-	-	370,067	370,067
Nonmajor governmental funds	75,728	-	-	93,615	169,343
Water	-	32,813	-	6,488	39,301
Sewer	11,490	405	-	12,900	24,795
Storm Water	-	39,874	-	32,203	72,077
Total	\$ 87,218	\$ 73,092	\$ 330,486	\$ 810,657	\$ 1,301,453

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

City of Osseo
Notes to Basic Financial Statements

NOTE 6 – LEASE RECEIVABLE

The City has entered into a Tower Lease agreement with Nextera Networks for space leased. This lease was entered into in 2009 and will continue to 2023. The lease payments were \$45,818 for 2022. The City received payments of \$41,063 in principal and \$4,755 in interest payments in 2022. The deferred inflow and receivable balance related to this lease is \$45,447 as of December 31, 2022.

NOTE 7 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 775,536	\$ 49,273	\$ -	\$ 824,809
Construction in progress	109,819	35,784	(109,819)	35,784
Total capital assets not being depreciated	<u>885,355</u>	<u>85,057</u>	<u>(109,819)</u>	<u>860,593</u>
Capital assets being depreciated				
Infrastructure	15,743,462	1,066,343	-	16,809,805
Buildings	4,286,101	-	-	4,286,101
Improvements	469,634	-	-	469,634
Machinery and equipment	2,382,790	128,470	-	2,511,260
Total capital assets being depreciated	<u>22,881,987</u>	<u>1,194,813</u>	<u>-</u>	<u>24,076,800</u>
Total capital assets, cost	<u>23,767,342</u>	<u>1,279,870</u>	<u>(109,819)</u>	<u>24,937,393</u>
Less accumulated depreciation for				
Infrastructure	7,324,120	577,504	-	7,901,624
Buildings	1,997,141	122,539	-	2,119,680
Improvements	193,849	17,384	-	211,233
Machinery and equipment	1,437,022	197,547	-	1,634,569
Total accumulated depreciation	<u>10,952,132</u>	<u>914,974</u>	<u>-</u>	<u>11,867,106</u>
Total capital assets being depreciated, net	<u>11,929,855</u>	<u>279,839</u>	<u>-</u>	<u>12,209,694</u>
Governmental activities capital assets, net	<u>\$ 12,815,210</u>	<u>\$ 364,896</u>	<u>\$ (109,819)</u>	<u>\$ 13,070,287</u>

City of Osseo
Notes to Basic Financial Statements

NOTE 7 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 46,035	\$ -	\$ -	\$ 46,035
Construction in progress	961,039	1,706,900	2,667,939	-
Total capital assets not being depreciated	<u>1,007,074</u>	<u>1,706,900</u>	<u>2,667,939</u>	<u>46,035</u>
Capital assets being depreciated				
Infrastructure and improvements	3,912,082	2,504,362	-	6,416,444
Machinery and equipment	1,054,607	232,977	-	1,287,584
Total capital assets being depreciated	<u>4,966,689</u>	<u>2,737,339</u>	<u>-</u>	<u>7,704,028</u>
Total capital assets, cost	<u>5,973,763</u>	<u>4,444,239</u>	<u>2,667,939</u>	<u>7,750,063</u>
Less accumulated depreciation for				
Infrastructure and improvements	1,891,524	212,801	-	2,104,325
Machinery and equipment	87,741	120,621	-	208,362
Total accumulated depreciation	<u>1,979,265</u>	<u>333,422</u>	<u>-</u>	<u>2,312,687</u>
Total capital assets being depreciated, net	<u>2,987,424</u>	<u>2,403,917</u>	<u>-</u>	<u>5,391,341</u>
Business-type activities capital assets, net	<u>\$ 3,994,498</u>	<u>\$ 4,110,817</u>	<u>\$ 2,667,939</u>	<u>\$ 5,437,376</u>

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

Governmental activities	
General government	\$ 84,811
Public safety	174,801
Public works	636,251
Park and recreation	19,111
Total depreciation expense - governmental activities	<u>\$ 914,974</u>
Business-type activities	
Water	\$ 72,035
Sewer	221,186
Storm water	40,201
Total depreciation expense - business-type activities	<u>\$ 333,422</u>

City of Osseo
Notes to Basic Financial Statements

NOTE 8 – LONG-TERM DEBT

A. General Obligation Bonds

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

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

City of Osseo
Notes to Basic Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

B. Components of Long-Term Liabilities

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

	Interest Rate	Final Maturity	Original Issue	Principal Outstanding	Due Within One Year
Governmental activities					
G.O. Bonds					
G.O. Improvement, 2012A	2.00%-2.60%	2028	\$ 505,000	\$ 185,000	\$ 30,000
G.O. Improvement, 2014A	0.55%-4.00%	2030	500,000	295,000	35,000
G.O. Street Reconstruction Bonds, 2015A	2.00%-2.50%	2026	1,610,000	680,000	165,000
G.O. Bonds, 2016A	1.86%-2.08%	2032	1,285,000	905,000	80,000
G.O. Improvement Refunding Bonds, 2016B	1.66%-1.77%	2030	3,250,000	2,295,000	260,000
G.O. Bonds, 2017A	1.40%-3.00%	2033	700,000	540,000	45,000
G.O. Bonds, 2018A	2.30%-3.20%	2034	805,000	670,000	50,000
G.O. Improvement Bonds, 2019A	1.30%-2.25%	2035	745,000	665,000	40,000
G.O. Improvement Bonds, 2020A	2.00%-2.10%	2036	760,000	715,000	45,000
G.O. Improvement Bonds, 2022A	3.05%-3.36%	2038	2,950,000	2,950,000	-
Total G.O. Bonds			<u>13,110,000</u>	<u>9,900,000</u>	<u>750,000</u>
Public Project Lease Revenue Bonds, 2014A	1.50%-4.00%	2035	<u>1,150,000</u>	<u>840,000</u>	<u>50,000</u>
Unamortized bond premiums				329,611	-
Compensated absences				<u>220,594</u>	<u>194,107</u>
Total governmental activities long-term liabilities				<u>\$ 11,290,205</u>	<u>\$ 994,107</u>
Business-type activities					
G.O. Bonds					
G.O. Bonds, 2017A	1.40%-3.00%	2033	\$ 205,000	\$ 165,000	\$ 15,000
G.O. Improvement Bonds, 2020A	2.00%-2.10%	2041	2,825,000	2,645,000	190,000
G.O. Improvement Bonds, 2022A	3.05%-3.36%	2038	740,000	740,000	-
Total G.O. Bonds			<u>3,770,000</u>	<u>3,550,000</u>	<u>205,000</u>
Unmortized bond premiums				151,124	-
Compensated absences				<u>44,524</u>	<u>44,524</u>
Total business type activities long-term liabilities				<u>\$ 3,745,648</u>	<u>\$ 249,524</u>
EDA activities					
G.O. Bonds					
G.O. Improvement, 2014A	0.55%-4.00%	2030	\$ 510,000	\$ 165,000	\$ 55,000
G.O. Tax Increment, 2014B	2.25%-3.65%	2028	550,000	300,000	45,000
Total G.O. Bonds			<u>1,060,000</u>	<u>465,000</u>	<u>100,000</u>
Total EDA activities long-term liabilities				<u>\$ 465,000</u>	<u>\$ 100,000</u>

City of Osseo
Notes to Basic Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance
Governmental activities					
G.O. Bonds	\$ 8,075,000	\$ (215,000)	\$ 2,950,000	\$ 910,000	\$ 9,900,000
Revenue Bonds	890,000	-	-	50,000	840,000
G.O. Tax Increment Bonds	515,000	(345,000)	-	170,000	-
Unamortized bond premiums	231,094	-	128,230	29,713	329,611
Compensated absences	181,495	-	94,151	55,052	220,594
Total governmental activities long-term liabilities	<u>\$ 9,892,589</u>	<u>\$ (560,000)</u>	<u>\$ 3,172,381</u>	<u>\$ 1,214,765</u>	<u>\$ 11,290,205</u>
Business type activities					
G.O. Bonds	\$ 3,000,000	\$ -	\$ 740,000	\$ 190,000	\$ 3,550,000
Unamortized bond premiums	129,069	-	32,137	10,082	151,124
Compensated absences	36,358	-	25,598	17,432	44,524
Total business-type activities long-term liabilities	<u>\$ 3,165,427</u>	<u>\$ -</u>	<u>\$ 797,735</u>	<u>\$ 217,514</u>	<u>\$ 3,745,648</u>
EDA Activities:					
G.O. Bonds	\$ -	\$ 215,000	\$ -	\$ 50,000	\$ 165,000
G.O. Tax Increment Bonds	-	345,000	-	45,000	300,000
Total EDA Long-Term Liabilities	<u>\$ -</u>	<u>\$ 560,000</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$ 465,000</u>

The General Fund and Proprietary Funds typically liquidate the liabilities related to compensated absences.

D. Annual Debt Service Obligations

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

Year Ending December 31,	Governmental Activities			
	General Obligation Bonds		Public Revenue Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 750,000	\$ 150,160	\$ 50,000	\$ 31,375
2024	875,000	293,397	55,000	29,800
2025	950,000	220,173	55,000	27,944
2026	980,000	195,026	55,000	25,881
2027	815,000	176,663	60,000	23,725
2028-2032	3,580,000	539,772	330,000	81,000
2033-2037	1,700,000	170,704	235,000	14,300
2038	250,000	8,500	-	-
Total	<u>\$ 9,900,000</u>	<u>\$ 1,754,395</u>	<u>\$ 840,000</u>	<u>\$ 234,025</u>

City of Osseo
Notes to Basic Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

D. Annual Debt Service Obligations (Continued)

<u>Year Ending December 31,</u>	Business-Type Activities	
	General Obligation Bonds	
	Principal	Interest
2023	\$ 205,000	\$ 55,580
2024	235,000	90,632
2025	250,000	72,858
2026	260,000	66,959
2027	269,999	60,833
2028-2032	1,165,000	210,013
2033-2037	794,999	86,381
2038-2041	370,002	15,176
Total	\$ 3,550,000	\$ 658,432

<u>Year Ending December 31,</u>	EDA Activities			
	General Obligation Bonds		Tax Increment Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 55,000	\$ 3,438	\$ 45,000	\$ 9,776
2024	55,000	2,063	45,000	8,269
2025	55,000	687	50,000	6,678
2026	-	-	50,000	4,927
2027	-	-	55,000	3,011
2028	-	-	55,000	1,004
Total	\$ 165,000	\$ 6,188	\$ 300,000	\$ 33,665

E. Pay-As-You-Go TIF Notes

The City has issued TIF notes for various economic development purposes within the City. These issuances represent notes for which the City has no obligation for debt payment beyond the resources provided by tax increment revenues collected, as incorporated within the debt documents. At December 31, 2022, there were two TIF notes outstanding.

City of Osseo
Notes to Basic Financial Statements

NOTE 8 – LONG-TERM DEBT (CONTINUED)

F. Conduit Debt

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

As of December 31, 2022, the City's conduit debt consisted of the following:

Health Care Facility Revenue Note	\$ 4,555,957
Commerical Development Revenue Note	<u>2,683,708</u>
Total	<u><u>\$ 7,239,665</u></u>

City of Osseo
Notes to Basic Financial Statements

NOTE 9 – FUND BALANCES/NET POSITION

A. Fund Balance

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

	General Fund	2016B G.O. Improvement Refunding Bonds	2022A G.O. Bonds	Streets	2021 Alley Project	Nonmajor Governmental Funds	Total
Nonspendable							
Prepaid items	\$ 18,854	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,854
Restricted							
Debt service	-	330,062	205,017	-	-	1,518,197	2,053,276
Park improvements	-	-	-	-	-	114,182	114,182
Hennepin County Tree Grant	-	-	-	-	-	1,840	1,840
Comp plan grant	-	-	-	-	-	22,755	22,755
Police forfeiture	-	-	-	-	-	18,461	18,461
Trolley	-	-	-	-	-	825	825
Healthy Community Grant	-	-	-	-	-	10,412	10,412
Facilities	-	-	-	-	-	45,000	45,000
Fire apparatus	-	-	-	-	-	322,858	322,858
COVID grants	-	-	-	-	-	23,279	23,279
Total restricted	<u>-</u>	<u>330,062</u>	<u>205,017</u>	<u>-</u>	<u>-</u>	<u>2,077,809</u>	<u>2,612,888</u>
Committed							
Community fund	-	-	-	-	-	18,021	18,021
Heritage preservation	-	-	-	-	-	10,663	10,663
Cable access fees	-	-	-	-	-	8,356	8,356
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,040</u>	<u>37,040</u>
Assigned							
Streets	-	-	-	1,057,833	-	-	1,057,833
Capital projects	-	-	-	-	1,949,931	-	1,949,931
Equipment	-	-	-	-	-	143,806	143,806
Facilities improvements	-	-	-	-	-	225,294	225,294
Total assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,057,833</u>	<u>1,949,931</u>	<u>369,100</u>	<u>3,376,864</u>
Unassigned							
	<u>1,110,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,925)</u>	<u>1,025,473</u>
Total fund balance	<u>\$ 1,129,252</u>	<u>\$ 330,062</u>	<u>\$ 205,017</u>	<u>\$ 1,057,833</u>	<u>\$ 1,949,931</u>	<u>\$ 2,399,024</u>	<u>\$ 7,071,119</u>

B. Net Position

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

NOTE 10 – RISK MANAGEMENT

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

City of Osseo
Notes to Basic Financial Statements

NOTE 10 – RISK MANAGEMENT (CONTINUED)

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

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2022 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2022, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 11 – PENSION PLANS

The City participates in various pension plans. Total pension expense for the year ended December 31, 2022, was \$331,360. The components of pension expense are noted in the following plan summaries.

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

City of Osseo
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (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.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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.

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. 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 Osseo
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

Police and Fire Plan Benefits (Continued)

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022, were \$54,632. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$108,790. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$760,323 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$22,332.

City of Osseo
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

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's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0096%, at the end of the measurement period and 0.0090% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 760,323
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>22,332</u>
Total	<u><u>\$ 782,655</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$38,013 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$3,337 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 reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,351	\$ 7,599
Changes in actuarial assumptions	161,645	2,835
Net collective difference between projected and actual investment earnings	28,957	-
Changes in proportion	25,215	-
Contributions paid to PERA subsequent to the measurement date	<u>27,316</u>	<u>-</u>
Total	<u><u>\$ 249,484</u></u>	<u><u>\$ 10,434</u></u>

City of Osseo
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The \$27,316 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2023	\$ 76,014
2024	78,730
2025	(11,771)
2026	<u>68,760</u>
Total	<u>\$ 211,733</u>

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$2,184,506 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 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's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0502% at the end of the measurement period and 0.0531% 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 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid 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% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

City of Osseo
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

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 (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 recognized pension expense of \$204,280 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$18,514 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's 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 also recognized \$4,518 for the year ended December 31, 2022, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2022, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 135,098	\$ -
Changes in actuarial assumptions	1,312,237	12,024
Net collective difference between projected and actual investment earnings	-	8,337
Changes in proportion	73,653	-
Contributions paid to PERA subsequent to the measurement date	54,395	-
Total	\$ 1,575,383	\$ 20,361

City of Osseo
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

The \$54,395 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ 294,476
2024	288,952
2025	255,573
2026	464,947
2027	196,679
Total	\$ 1,500,627

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
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

City of Osseo
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

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%. 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% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation. Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% 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 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 for the Police and Fire Plan was completed in 2020 and 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:

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 have been no changes since the previous valuation.

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 was changed from 6.5% to 5.4%.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

City of Osseo
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected 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. Beginning in the fiscal year ended June 30, 2061, projected benefit payments exceed the fund's projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (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 5.4% 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% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 1,200,970	\$ 760,323	\$ 398,925
	1% Decrease in Discount Rate (4.4%)	Current Discount Rate (5.4%)	1% Increase in Discount Rate (6.4%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 3,305,969	\$ 2,184,506	\$ 1,277,870

City of Osseo
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

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.

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

A. Plan Description

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

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

B. Benefits Provided

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

C. Members Covered by Benefit Terms

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefits	-
Inactive members entitled to but not yet receiving benefits	3
Active members	<u>26</u>
Total	<u><u>29</u></u>

City of Osseo
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

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

D. Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City’s obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers: therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$19,281 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City’s net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021.

Actuarial Assumptions

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Investment rate of return	3.75 %, net of pension plan investment expense, including inflation

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

**City of Osseo
Notes to Basic Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

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

E. Net Pension Liability (Continued)

Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30 %	4.1 %
International equity	20	4.64
Fixed income	30	1.05
Real estate	-	3.54
Cash	20	-0.45
Total	<u>100.0 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 3.75%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

City of Osseo
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

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

F. Changes in the Net Pension Liability

Discount Rate (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2022	\$ 330,485	\$ 473,544	\$ (143,059)
Changes for the year			
Service cost	20,231	-	20,231
Interest cost	14,905	-	14,905
Changes of assumptions	9,408	-	9,408
Difference between expected and actual experience	(7,702)	-	(7,702)
State contributions	-	22,727	(22,727)
Other additions	-	27,837	(27,837)
Change in benefit terms	-	-	-
Administrative expense	-	(2,904)	2,904
Net changes	36,842	47,660	(10,818)
Balances at December 31, 2022	\$ 367,327	\$ 521,204	\$ (153,877)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 4.25%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75%) or 1-percentage-point higher (4.75%) than the current rate:

	1% Decrease in Discount Rate (2.75%)	Current Discount Rate (3.75%)	1% Increase in Discount Rate (4.75%)
City's net pension liability (asset)	\$ (138,730)	\$ (153,877)	\$ (168,481)

Pension Plan Fiduciary Net Position

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

City of Osseo
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

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

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

For the year ended December 31, 2022, the City recognized pension expense of (\$15,770). 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
Difference between expected and actual economic experience	\$ -	\$ 27,073
Changes in actuarial assumptions	15,462	-
Net difference between projected and actual earnings on pension plan investments	-	26,404
Contributions paid to the Association subsequent to the measurement date	19,281	-
Total	\$ 34,743	\$ 53,477

The \$19,281 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	
2024	\$ (6,357)
2025	(15,093)
2026	(8,202)
2027	(3,128)
Thereafter	(1,594)
Total	(3,641)
	\$ (38,015)

**City of Osseo
Notes to Basic Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

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

H. Payable to the Pension Plan

Required and actual employer contributions to the plan during 2022 were \$0. In addition, the City passes through state aid allocated to the plan in accordance with state statutes. For 2022, the state aid was \$19,281. Members of the Association are not allowed to make voluntary contributions to the plan.

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

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

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The City provides a single-employer defined benefit healthcare plan to eligible retirees (as required by *Minnesota Statute* 471.61) and police or firefighters disabled in the line of duty (as required by *Minnesota Statute* § 299A.465). The City will contribute 65% of the cost of health insurance premiums per month for those who have retired with at least 12 years of continuous service and have reached the age of 50. The City contribution applies only to the cost of individual coverage for the retiree and ceases upon the retiree reaching age 65. As of December 31, 2022, there was one retiree participating in the City's group health plan.

B. Benefits Provided

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

C. Contributions

The City makes direct subsidy payments towards retiree health insurance premiums. For the year 2022, the City contributed \$10,233.

D. Members

As of December 31, 2021, the following were covered by the benefit terms:

Active employees or beneficiaries currently receiving benefits	10
Active employees entitled to but waiving receiving benefit payments	4
Retirees electing coverage	1
	15
Total	15

City of Osseo
Notes to Basic Financial Statements

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	1.84%, net of investment expense
Inflation	2.50%
Healthcare cost trend increases	6.8% initially, decreasing to an ultimate rate of 3.9%
Mortality assumption	
General employee	From the July 1, 2022 PERA of Minnesota General Employees Retirement Plan actuarial valuation, Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.
Police and fire	From the July1, 2022 PERA of Minnesota Public Employees 'Police & Fire Plan actuarial valuation, Pub-2010 Public Safety mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

The actuarial assumptions used in the December 31, 2021, valuation was based on the results of an actuarial experience study for the period January 1, 2021 through December 31, 2021.

The discount rate used to measure the total OPEB liability was 1.84% based on 20 year municipal G.O. AA Index Bonds.

City of Osseo
Notes to Basic Financial Statements

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability

The City's total OPEB liability of \$590,838 was measured as of December 31, 2022, and was determined by an actuarial valuation as of December 31, 2021.

	<u>Total OPEB Liability</u>
Balances at January 1, 2022	\$ 341,606
Changes for the year	
Service cost	28,966
Interest	7,309
Changes of assumptions	21,453
Differences between expected and actual economic experience	201,737
Benefit payments	<u>(10,233)</u>
Net changes	<u>249,232</u>
Balances at December 31, 2022	<u>\$ 590,838</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.00% in 2021 to 1.84% in 2022.

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 1.84% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability/(Asset)		
1% decrease in Discount Rate (0.84%)	Current Discount Rate (1.84%)	1% increase in Discount Rate (2.84%)
\$ 651,990	\$ 590,838	\$ 534,757

City of Osseo
Notes to Basic Financial Statements

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

Total OPEB Liability/(Asset)		
1% decrease in Trend Rate (5.8% decreasing to 2.9%)	Current Trend Rate (6.8% decreasing to 3.9%)	1% increase in Trend Rate (7.8% decreasing to 4.9%)
\$ 512,993	\$ 590,838	\$ 680,689

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$243,534. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 14,921	\$ -
Total	\$ 14,921	\$ -

The \$14,921 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2023.

NOTE 13 – TAX INCREMENT FINANCING

The City has entered into five Tax Increment Financing agreements which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures*. The City's authority to enter into these agreements comes from *Minnesota Statute § 469*. The City entered into these agreements for the purpose of economic development.

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City through tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

City of Osseo
Notes to Basic Financial Statements

NOTE 13 – TAX INCREMENT FINANCING (CONTINUED)

During the year ended December 31, 2022, the City generated \$934,251 in tax increment revenue and made \$391,567 in payments to developers, in addition to debt service payments.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2022, the City implemented GASB Statement No. 87, Leases. This resulted in the City recognizing a lease receivable and deferred inflow of \$86,510 as of January 1, 2022. GASB Statement No. 87, Leases, requires leases that were in effect prior to implementation year be recognized as if they were issues as of January 1, 2022. Due to this, there is no effect on the beginning net position of the City.

For the year ended December 31, 2021, the City formally presented the EDA as a blended component unit. An evaluation of the EDA's governance and operations during the current year indicated the criteria for blending the component unit with the City are no longer being met. A change in accounting principle to remove the EDA from the governmental funds and governmental activities of the City in the amount of \$847,028 and \$583,880, respectively, was made. As of December 31, 2022, the EDA is presented as a discretely presented component unit of the City.

NOTE 15 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* establishes that a Subscription-Based Information Technology Arrangement (SBITA) results in a right-to-use subscription asset and a corresponding liability. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability.

REQUIRED SUPPLEMENTARY INFORMATION

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

	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022
Total OPEB Liability					
Service cost	\$ 13,643	\$ 15,998	\$ 15,947	\$ 24,662	\$ 28,966
Interest	8,258	7,994	9,088	8,618	7,309
Differences between expected and actual experience	-	-	9,776	740	201,737
Changes of assumptions	11,216	(9,541)	35,956	24,824	21,453
Benefit payments	(9,660)	(11,737)	(10,161)	(11,945)	(10,233)
Net change in total OPEB liability	<u>23,457</u>	<u>2,714</u>	<u>60,606</u>	<u>46,899</u>	<u>249,232</u>
Beginning of year	<u>207,930</u>	<u>231,387</u>	<u>234,101</u>	<u>294,707</u>	<u>341,606</u>
End of year	<u>\$ 231,387</u>	<u>\$ 234,101</u>	<u>\$ 294,707</u>	<u>\$ 341,606</u>	<u>\$ 590,838</u>
Covered payroll	\$ 1,079,576	\$ 1,027,560	\$ 1,305,259	\$ 1,212,685	\$ 1,280,750
Total OPEB liability as a percentage of covered payroll	21.43%	22.78%	22.58%	28.19%	46.01%

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

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

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0067%	\$ 347,229	\$ -	\$ -	\$ 385,040	90.18%	78.19%
2016	0.0079%	641,441	8,374	649,815	490,693	130.72%	68.91%
2017	0.0082%	523,483	6,545	530,028	525,307	99.65%	75.90%
2018	0.0090%	499,283	16,386	515,669	602,507	82.87%	79.53%
2019	0.0088%	486,532	14,999	501,531	620,267	78.44%	80.23%
2020	0.0088%	527,600	16,321	543,921	626,627	84.20%	79.06%
2021	0.0090%	384,340	11,769	396,109	647,067	59.40%	87.00%
2022	0.0096%	760,323	22,332	782,655	720,987	105.46%	76.67%

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

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

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0370%	\$ 420,407	N/A	\$ 420,407	\$ 329,346	127.65%	86.61%
2016	0.0440%	1,765,797	N/A	1,765,797	420,920	419.51%	63.88%
2017	0.0400%	540,048	N/A	540,048	408,716	132.13%	85.43%
2018	0.0424%	448,124	N/A	448,124	446,370	100.39%	88.84%
2019	0.0460%	483,506	N/A	483,506	474,572	101.88%	89.26%
2020	0.0480%	628,371	\$ 14,896	643,267	530,282	118.50%	87.19%
2021	0.0531%	405,097	18,431	423,528	627,706	64.54%	93.66%
2022	0.0502%	2,184,506	95,444	2,279,950	609,429	358.45%	70.53%

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

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

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 27,183	\$ 27,183	\$ -	\$ 362,440	7.5%
2016	36,551	36,551	-	487,347	7.5%
2017	35,995	35,995	-	479,933	7.5%
2018	44,164	44,164	-	588,853	7.5%
2019	47,668	47,668	-	635,573	7.5%
2020	46,638	46,638	-	621,840	7.5%
2021	54,025	54,025	-	720,333	7.5%
2022	54,632	54,632	-	728,427	7.5%

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

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

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	\$ 67,659	\$ 67,659	\$ -	\$ 417,648	16.20%
2016	69,638	69,638	-	429,864	16.20%
2017	73,661	73,661	-	454,698	16.20%
2018	72,946	72,946	-	450,284	16.20%
2019	82,367	82,367	-	485,941	16.95%
2020	105,014	105,014	-	593,299	17.70%
2021	112,051	112,051	-	633,056	17.70%
2022	108,790	108,790	-	614,633	17.70%

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

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

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

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

Measurement Date		
2019	2020	2021
\$ 19,620	\$ 14,959	\$ 20,231
12,721	12,205	14,905
(16,784)	-	(7,702)
770	4,641	9,408
-	56,692	-
<u>(45,058)</u>	<u>-</u>	<u>-</u>
<u>(28,731)</u>	<u>88,497</u>	<u>36,842</u>
<u>270,719</u>	<u>241,988</u>	<u>330,485</u>
<u>\$ 241,988</u>	<u>\$ 330,485</u>	<u>\$ 367,327</u>
\$ 16,052	\$ 20,724	\$ 22,727
51,586	45,018	27,837
(45,058)	-	-
(900)	(900)	(2,904)
<u>-</u>	<u>146</u>	<u>-</u>
21,680	64,988	47,660
<u>386,876</u>	<u>408,556</u>	<u>473,544</u>
<u>\$ 408,556</u>	<u>\$ 473,544</u>	<u>\$ 521,204</u>
<u>\$ (166,568)</u>	<u>\$ (143,059)</u>	<u>\$ (153,877)</u>
168.8%	143.3%	141.9%
n/a	n/a	n/a
n/a	n/a	n/a

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

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

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

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 16,052</u>	<u>\$ 16,919</u>	<u>\$ 17,727</u>	<u>\$ 9,281</u>
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a

City of Osseo
Notes to Required Supplementary Information

General Employees Fund

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

City of Osseo
Notes to Required Supplementary Information

General Employees Fund (Continued)

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Osseo
Notes to Required Supplementary Information

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

City of Osseo
Notes to Required Supplementary Information

Police and Fire Fund

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.
- The single discount rate was changed from 6.5% to 5.4%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

City of Osseo
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2019 Changes (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

City of Osseo
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

City of Osseo
Notes to Required Supplementary Information

Volunteer Fire Fighter's Relief Association

2022 Changes

Changes in Actuarial Assumptions

- The discount rate decreased from 4.24% to 3.75%.
- The disability, mortality and withdrawal assumptions were updated from the rates used in the July 1, 2019 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2022 Minnesota PERA Police & Fire Plan actuarial valuation.

Changes in Plan Provisions

- None

2021 Changes

Changes in Actuarial Assumptions

- The discount rate decreased from 4.75% to 4.24%.

Changes in Plan Provisions

- The lump sum multiplier was changed from \$1,600 to \$2,000.

2020 Changes

Changes in Actuarial Assumptions

- The mortality assumptions were updated from the rates used in the July 1, 2017, PERA Police and Fire Plan actuarial valuation to the rates used in the July 1, 2019, PERA Police and Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.75% to 2.5%.

Changes in Plan Provisions

- None

2019 Changes

Changes in Actuarial Assumptions

- None

Changes in Plan Provisions

- None

City of Osseo
Notes to Required Supplementary Information

Post Employment Health Care Plan

2022 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.00% to 1.84% based on updated 20-year municipal bond rates.
- Health care trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, mortality, and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan and 7/1/2019 PERA Police & Fire Plan valuations to the rates used in the 7/1/2022 valuations.
- The percent of future retirees not eligible for an explicit subsidy assumed to elect coverage at retirement changed from 50% to 25% to reflect recent plan experience.
- The retirement age assumption of future retirees not eligible for an explicit subsidy was changed from 62 to 63 years old to reflect recent plan experience.

2021 Changes

Changes in Actuarial Assumptions

- The Discount rate decreased from 2.75% to 2.00%

2020 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.71% to 2.75% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Salary increase rates were updated from the rates used in the 7/1/2017 PERA General Employees Plan and 7/1/2017 Police & Fire Plan valuations to the rates used in the 7/1/2019 Police & Fire Plan valuations to the rates used in the 7/1/2019 valuations.
- Mortality rates were updated from the RP-2014 tables to the rates used in the 7/1/2019 PERA General Employees Plan and 7/1/2019 Police & Fire Plan actuarial valuations.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward looking market expectations.

Changes in Plan Provisions

- Retiree premiums were updated to current levels.

2019 Changes

Changes in Actuarial Assumptions

- The Discount rate increased from 3.31% to 3.71%

City of Osseo
Notes to Required Supplementary Information

Post Employment Health Care Plan (Continued)

2018 Changes

Changes in Plan Provisions

- The City switched from age-based rates to a blended rate for health insurance.
- The City implemented GASB 75 in 2018.

Changes in Actuarial Assumptions

- The Discount rate decrease from 3.81% to 3.31%.

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

SUPPLEMENTARY INFORMATION

City of Osseo
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 1,753,754	\$ 1,752,052	\$ (1,702)
Franchise taxes	122,000	128,645	6,645
Special assessments	2,300	4,131	1,831
Licenses and permits	183,850	187,337	3,487
Intergovernmental revenue			
Local government aid	649,929	649,929	-
Fire aid	26,250	19,281	(6,969)
Police aid	80,000	87,879	7,879
Other grants and aids	7,000	13,290	6,290
Total intergovernmental revenue	<u>763,179</u>	<u>770,379</u>	<u>7,200</u>
Revenue from eda component unit	-	40,000	40,000
Charges for services			
General government	13,000	6,963	(6,037)
Public safety	10,000	783	(9,217)
Culture and recreation	18,000	19,384	1,384
Total charges for services	<u>41,000</u>	<u>27,130</u>	<u>(13,870)</u>
Fines and forfeitures	<u>48,500</u>	<u>38,916</u>	<u>(9,584)</u>
Miscellaneous revenues			
Investment income	25,000	(15,892)	(40,892)
Contributions and donations	14,000	19,000	5,000
Other	77,887	39,567	(38,320)
Total miscellaneous revenues	<u>116,887</u>	<u>42,675</u>	<u>(74,212)</u>
Total revenues	<u>3,031,470</u>	<u>2,991,265</u>	<u>(40,205)</u>
Expenditures			
General government			
Mayor and council	37,041	34,401	(2,640)
Administrative and finance	433,593	406,659	(26,934)
Other general government	362,007	366,510	4,503
Total general government	<u>832,641</u>	<u>807,570</u>	<u>(25,071)</u>
Public safety			
Police			
Current	1,094,103	1,086,596	(7,507)
Fire			
Current	155,279	193,847	38,568

City of Osseo
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2021

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
Public safety (continued)			
Building inspections			
Current	\$ 33,600	\$ 44,347	\$ 10,747
Total public safety	1,282,982	1,324,790	41,808
Public works			
Streets and highways			
Street maintenance and storm sewers	209,951	237,519	27,568
Culture and recreation			
Current	130,026	136,957	6,931
Total expenditures	2,455,600	2,506,836	51,236
Excess of revenues over (under) expenditures	575,870	484,429	(91,441)
Other Financing Sources (Uses)			
Transfers in	50,000	87,218	37,218
Transfers out	(625,870)	(625,870)	-
Total other financing sources (uses)	(575,870)	(538,652)	37,218
Net change in fund balances	\$ -	(54,223)	\$ (54,223)
Fund Balance			
Beginning of year		1,183,475	
End of year		\$ 1,129,252	

**City of Osseo
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022**

	Special Revenue			
	Police Forfeiture (116)	Trolley (204)	Park Improvement (205)	CHeC - Healthy Communities Grant (241)
Assets				
Cash and investments	\$ 18,461	\$ 890	\$ 114,200	\$ 10,412
Taxes receivable - delinquent	-	-	-	-
Special assessments receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Due from other governments	-	-	-	-
	<u>\$ 18,461</u>	<u>\$ 890</u>	<u>\$ 114,200</u>	<u>\$ 10,412</u>
Total assets	<u>\$ 18,461</u>	<u>\$ 890</u>	<u>\$ 114,200</u>	<u>\$ 10,412</u>
Liabilities				
Accounts payable	\$ -	\$ 65	\$ -	\$ -
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Unearned Revenue	-	-	-	-
Due to other governments	-	-	18	-
Total liabilities	<u>-</u>	<u>65</u>	<u>18</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	18,461	825	114,182	10,412
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>18,461</u>	<u>825</u>	<u>114,182</u>	<u>10,412</u>
	<u>\$ 18,461</u>	<u>\$ 890</u>	<u>\$ 114,200</u>	<u>\$ 10,412</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,461</u>	<u>\$ 890</u>	<u>\$ 114,200</u>	<u>\$ 10,412</u>

Special Revenue

Cable TV (240)	Community Fund (250, 251, 252, 253, 254, 255, 256, 257, 258)	Heritage Preservation (260)	Comp Plan Grant (150)	Hennepin County Tree Assessment Grant (242)	COVID-19 Aid (230)	Twins Grant (244)
\$ 16,722	\$ 18,021	\$ 10,663	\$ 3,199	\$ 1,840	\$ 174,649	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	19,556	-	-	-
<u>\$ 16,722</u>	<u>\$ 18,021</u>	<u>\$ 10,663</u>	<u>\$ 22,755</u>	<u>\$ 1,840</u>	<u>\$ 174,649</u>	<u>\$ -</u>
\$ 8,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	726
-	-	-	-	-	151,370	-
-	-	-	-	-	-	-
<u>8,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,370</u>	<u>726</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	22,755	1,840	23,279	-
8,356	18,021	10,663	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(726)
<u>8,356</u>	<u>18,021</u>	<u>10,663</u>	<u>22,755</u>	<u>1,840</u>	<u>23,279</u>	<u>(726)</u>
<u>\$ 16,722</u>	<u>\$ 18,021</u>	<u>\$ 10,663</u>	<u>\$ 22,755</u>	<u>\$ 1,840</u>	<u>\$ 174,649</u>	<u>\$ -</u>

**City of Osseo
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022**

	Debt Service			
	Special Revenue Total	2018A Improvement Bonds (309, 310)	2019 Improvement Bonds (311, 312)	2017A Improvement Bonds (308)
Assets				
Cash and investments	\$ 369,057	\$ 203,046	\$ 11,624	\$ 142,261
Taxes receivable - delinquent	-	-	-	-
Special assessments receivable				
Delinquent	-	-	-	295
Deferred	-	131,035	133,796	105,052
Due from other governments	19,556	-	-	-
	<u>388,613</u>	<u>334,081</u>	<u>145,420</u>	<u>247,608</u>
Total assets	<u>\$ 388,613</u>	<u>\$ 334,081</u>	<u>\$ 145,420</u>	<u>\$ 247,608</u>
Liabilities				
Accounts payable	\$ 8,431	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-
Due to other funds	726	-	-	-
Unearned Revenue	151,370	-	-	-
Due to other governments	18	-	-	-
Total liabilities	<u>160,545</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	131,035	133,796	105,052
Total deferred inflows of resources	<u>-</u>	<u>131,035</u>	<u>133,796</u>	<u>105,052</u>
Fund Balances				
Restricted	191,754	203,046	11,624	142,556
Committed	37,040	-	-	-
Assigned	-	-	-	-
Unassigned	(726)	-	-	-
Total fund balances	<u>228,068</u>	<u>203,046</u>	<u>11,624</u>	<u>142,556</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 388,613</u>	<u>\$ 334,081</u>	<u>\$ 145,420</u>	<u>\$ 247,608</u>

Debt Service

2010A Refunding Bonds (380)	2012A Improvement Bonds (371)	2014A Improvement Bond (301)	Police Building Debt Service Fund (395)	2015A Improvement Bonds (305)	2016A Improvement Bonds (306, 307)
\$ -	\$ 74,377	\$ 118,238	\$ 121,381	\$ 211,715	\$ 458,713
458	-	-	-	-	-
-	127	-	-	-	973
-	49,870	50,971	-	-	167,138
-	-	-	-	-	-
<u>\$ 458</u>	<u>\$ 124,374</u>	<u>\$ 169,209</u>	<u>\$ 121,381</u>	<u>\$ 211,715</u>	<u>\$ 626,824</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
331	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
458	-	-	-	-	-
-	49,870	50,971	-	-	167,138
<u>458</u>	<u>49,870</u>	<u>50,971</u>	<u>-</u>	<u>-</u>	<u>167,138</u>
-	74,504	118,238	121,381	211,715	459,686
-	-	-	-	-	-
-	-	-	-	-	-
(331)	-	-	-	-	-
<u>(331)</u>	<u>74,504</u>	<u>118,238</u>	<u>121,381</u>	<u>211,715</u>	<u>459,686</u>
<u>\$ 458</u>	<u>\$ 124,374</u>	<u>\$ 169,209</u>	<u>\$ 121,381</u>	<u>\$ 211,715</u>	<u>\$ 626,824</u>

**City of Osseo
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022**

	<u>Debt Service</u>		<u>Capital Projects</u>	
	2020 Improvement Bonds (313)	Debt Service Total	Police Equipment (115)	Fire Equipment (120)
Assets				
Cash and investments	\$ 175,447	\$ 1,516,802	\$ 7,789	\$ 36,282
Taxes receivable - delinquent	-	458	-	-
Special assessments receivable				
Delinquent	-	1,395	-	-
Deferred	163,934	801,796	-	-
Due from other governments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 339,381</u>	<u>\$ 2,320,451</u>	<u>\$ 7,789</u>	<u>\$ 36,282</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 450	\$ 2,388
Contracts payable	-	-	-	-
Due to other funds	-	331	-	-
Unearned Revenue	-	-	-	-
Due to other governments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>331</u>	<u>450</u>	<u>2,388</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	458	-	-
Unavailable revenue - special assessments	163,934	801,796	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>163,934</u>	<u>802,254</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	175,447	1,518,197	-	-
Committed	-	-	-	-
Assigned	-	-	7,339	33,894
Unassigned	-	(331)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>175,447</u>	<u>1,517,866</u>	<u>7,339</u>	<u>33,894</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 339,381</u>	<u>\$ 2,320,451</u>	<u>\$ 7,789</u>	<u>\$ 36,282</u>

Capital Projects

Facilities Fund (135)	Equipment Fund (110)	Hennepin County Corridor Planning (243)	2020 Improvement Project (409)	Capital Projects Total	Total Nonmajor Governmental Funds
\$ 270,294	\$ 430,894	\$ -	\$ -	\$ 745,259	\$ 2,631,118
-	-	-	-	-	458
-	-	-	-	-	1,395
-	-	-	-	-	801,796
-	-	-	-	-	19,556
<u>\$ 270,294</u>	<u>\$ 430,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 745,259</u>	<u>\$ 3,454,323</u>
\$ -	\$ 5,463	\$ -	\$ 67	\$ 8,368	\$ 16,799
-	-	-	6,796	6,796	6,796
-	-	594	76,411	77,005	78,062
-	-	-	-	-	151,370
-	-	-	-	-	18
-	<u>5,463</u>	<u>594</u>	<u>83,274</u>	<u>92,169</u>	<u>253,045</u>
-	-	-	-	-	458
-	-	-	-	-	801,796
-	-	-	-	-	802,254
45,000	322,858	-	-	367,858	2,077,809
-	-	-	-	-	37,040
225,294	102,573	-	-	369,100	369,100
-	-	(594)	(83,274)	(83,868)	(84,925)
<u>270,294</u>	<u>425,431</u>	<u>(594)</u>	<u>(83,274)</u>	<u>653,090</u>	<u>2,399,024</u>
<u>\$ 270,294</u>	<u>\$ 430,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 745,259</u>	<u>\$ 3,454,323</u>

City of Osseo
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

	Special Revenue			
	Police Forfeiture (116)	Trolley (204)	Park Improvement (205)	CHeC - Healthy Communities Grant (241)
Revenues				
Franchise taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	-	657	-	-
Revenue from eda component unit	-	-	-	-
Charges for services	-	-	29,390	-
Miscellaneous				
Investment income	(203)	-	(2,460)	-
Contributions and donations	2,869	-	-	-
Other	-	-	-	-
Total revenues	<u>2,666</u>	<u>657</u>	<u>26,930</u>	<u>-</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	1,463	-	-	-
Culture and recreation	-	862	19,750	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	50	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	59,049	-
Total expenditures	<u>1,513</u>	<u>862</u>	<u>78,799</u>	<u>-</u>
Excess of revenues over (under) expenditures	1,153	(205)	(51,869)	-
Other Financing Sources (Uses)				
Sources (uses)				
Transfers in	-	-	35,064	-
Transfers out	-	-	-	-
sources (uses)	<u>-</u>	<u>-</u>	<u>35,064</u>	<u>-</u>
Net change in fund balances	1,153	(205)	(16,805)	-
Fund Balances				
Beginning of year	<u>17,308</u>	<u>1,030</u>	<u>130,987</u>	<u>10,412</u>
Change in accounting principle (Note 14)	-	-	-	-
Beginning of year, as restated	<u>17,308</u>	<u>1,030</u>	<u>130,987</u>	<u>10,412</u>
End of year	<u>\$ 18,461</u>	<u>\$ 825</u>	<u>\$ 114,182</u>	<u>\$ 10,412</u>

Special Revenue

Cable TV (240)	Community Fund (250, 251, 252, 253, 254, 255, 256, 257, 258)	Heritage Preservation (260)	Comp Plan Grant (150)	Hennepin County Tree Assessment Grant (242)	COVID-19 Aid (230)	Twins Grant (244)	EDA General
\$ 26,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	19,556	-	87,466	-	-
-	-	-	-	-	-	-	-
(441)	(7)	(145)	-	-	-	-	-
-	20,720	-	-	-	-	-	-
-	700	100	-	-	-	-	-
<u>26,491</u>	<u>21,413</u>	<u>(45)</u>	<u>19,556</u>	<u>-</u>	<u>87,466</u>	<u>-</u>	<u>-</u>
6,830	-	-	5,944	-	-	-	-
-	-	-	-	-	300	-	-
-	17,152	925	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,072	-	-	-	-	-	-	-
31,424	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>45,326</u>	<u>17,152</u>	<u>925</u>	<u>5,944</u>	<u>-</u>	<u>300</u>	<u>-</u>	<u>-</u>
(18,835)	4,261	(970)	13,612	-	87,166	-	-
-	-	-	-	-	-	-	-
(10,000)	-	-	-	-	(63,887)	-	-
<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,887)</u>	<u>-</u>	<u>-</u>
(28,835)	4,261	(970)	13,612	-	23,279	-	-
37,191	13,760	11,633	9,143	1,840	-	(726)	312,335
-	-	-	-	-	-	-	(312,335)
<u>37,191</u>	<u>13,760</u>	<u>11,633</u>	<u>9,143</u>	<u>1,840</u>	<u>-</u>	<u>(726)</u>	<u>-</u>
\$ 8,356	\$ 18,021	\$ 10,663	\$ 22,755	\$ 1,840	\$ 23,279	\$ (726)	\$ -

City of Osseo
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

	Special Revenue Total	Debt Service		
		2018A Improvement Bonds (309, 310)	2019 Improvement Bonds (311, 312)	2017A Improvement Bonds (308)
Revenues				
Franchise taxes	\$ 26,932	\$ -	\$ -	\$ -
Special assessments	-	31,996	21,388	21,131
Intergovernmental	107,679	-	-	-
Revenue from eda component unit	-	-	-	-
Charges for services	29,390	-	-	-
Miscellaneous				
Investment income	(3,256)	(2,119)	(191)	1,129
Contributions and donations	23,589	-	-	-
Other	800	-	-	-
Total revenues	<u>185,134</u>	<u>29,877</u>	<u>21,197</u>	<u>22,260</u>
Expenditures				
Current				
General government	12,774	-	-	-
Public safety	1,763	-	-	-
Culture and recreation	38,689	-	-	-
Debt service				
Principal	-	45,000	40,000	40,000
Interest and other charges	-	20,471	16,690	16,905
Capital outlay				
General government	7,072	-	-	-
Public safety	31,474	-	-	-
Public works	-	-	-	-
Culture and recreation	59,049	-	-	-
Total expenditures	<u>150,821</u>	<u>65,471</u>	<u>56,690</u>	<u>56,905</u>
Excess of revenues over (under) expenditures	34,313	(35,594)	(35,493)	(34,645)
Other Financing Sources (Uses)				
Sources (uses)				
Transfers in	35,064	34,433	33,323	58,034
Transfers out	(73,887)	-	-	-
Total other financing sources (uses)	<u>(38,823)</u>	<u>34,433</u>	<u>33,323</u>	<u>58,034</u>
Net change in fund balances	(4,510)	(1,161)	(2,170)	23,389
Fund Balances				
Beginning of year	<u>544,913</u>	<u>204,207</u>	<u>13,794</u>	<u>119,167</u>
Change in accounting principle (Note 14)	<u>(312,335)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Beginning of year, as restated	<u>232,578</u>	<u>204,207</u>	<u>13,794</u>	<u>119,167</u>
End of year	<u>\$ 228,068</u>	<u>\$ 203,046</u>	<u>\$ 11,624</u>	<u>\$ 142,556</u>

Debt Service

2010A Refunding Bonds (380)	2011A Refunding Bonds (385)	2012A Improvement Bonds (371)	2014A Improvement Bond (301)	Police Building Debt Service Fund (395)	2015A Improvement Bonds (305)	2016A Improvement Bonds (306, 307)	2020 Improvement Bonds (313)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	18,048	14,992	-	-	31,710	28,395
-	-	-	-	-	-	-	-
-	172,869	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(874)	-	(841)	(1,203)	545	(1,577)	(5,402)	(1,623)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(874)</u>	<u>172,869</u>	<u>17,207</u>	<u>13,789</u>	<u>545</u>	<u>(1,577)</u>	<u>26,308</u>	<u>26,772</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
190,000	170,000	30,000	30,000	50,000	160,000	80,000	45,000
3,230	2,869	5,512	11,613	33,450	16,975	21,388	15,225
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>193,230</u>	<u>172,869</u>	<u>35,512</u>	<u>41,613</u>	<u>83,450</u>	<u>176,975</u>	<u>101,388</u>	<u>60,225</u>
(194,104)	-	(18,305)	(27,824)	(82,905)	(178,552)	(75,080)	(33,453)
-	-	11,490	31,328	82,125	168,895	60,646	34,999
-	-	-	-	-	-	-	-
-	-	<u>11,490</u>	<u>31,328</u>	<u>82,125</u>	<u>168,895</u>	<u>60,646</u>	<u>34,999</u>
(194,104)	-	(6,815)	3,504	(780)	(9,657)	(14,434)	1,546
<u>193,773</u>	<u>-</u>	<u>81,319</u>	<u>114,734</u>	<u>122,161</u>	<u>221,372</u>	<u>474,120</u>	<u>173,901</u>
-	-	-	-	-	-	-	-
<u>193,773</u>	<u>-</u>	<u>81,319</u>	<u>114,734</u>	<u>122,161</u>	<u>221,372</u>	<u>474,120</u>	<u>173,901</u>
\$ (331)	\$ -	\$ 74,504	\$ 118,238	\$ 121,381	\$ 211,715	\$ 459,686	\$ 175,447

City of Osseo
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

	Debt Service		Capital Projects	
	EDA Debt Service	Debt Service Total	Police Equipment (115)	Fire Equipment (120)
Revenues				
Franchise taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	167,660	-	-
Intergovernmental	-	-	-	-
Revenue from eda component unit	-	172,869	-	-
Charges for services	-	-	-	-
Miscellaneous				
Investment income	-	(12,156)	-	-
Contributions and donations	-	-	1,208	72,086
Other	-	-	-	-
Total revenues	<u>-</u>	<u>328,373</u>	<u>1,208</u>	<u>72,086</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	3,797	-
Culture and recreation	-	-	-	-
Debt service				
Principal	-	880,000	-	-
Interest and other charges	-	164,328	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	732	43,463
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>1,044,328</u>	<u>4,529</u>	<u>43,463</u>
Excess of revenues over (under) expenditures	-	(715,955)	(3,321)	28,623
Other Financing Sources (Uses)				
Sources (uses)				
Transfers in	-	515,273	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>515,273</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(200,682)	(3,321)	28,623
Fund Balances				
Beginning of year	<u>363,935</u>	<u>2,082,483</u>	<u>10,660</u>	<u>5,271</u>
Change in accounting principle (Note 14)	<u>(363,935)</u>	<u>(363,935)</u>	<u>-</u>	<u>-</u>
Beginning of year, as restated	<u>-</u>	<u>1,718,548</u>	<u>10,660</u>	<u>5,271</u>
End of year	<u>\$ -</u>	<u>\$ 1,517,866</u>	<u>\$ 7,339</u>	<u>\$ 33,894</u>

Capital Projects

Facilities Fund (135)	Equipment Fund (110)	Hennepin County Corridor Planning (243)	2020 Improvement Project (409)	EDA Capital Projects	Capital Projects Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,932
-	-	-	-	-	-	167,660
-	-	-	-	-	-	107,679
-	-	-	-	-	-	172,869
-	-	-	-	-	-	29,390
(2,969)	(4,335)	-	-	-	(7,304)	(22,716)
-	-	-	-	-	73,294	96,883
-	41,162	-	-	-	41,162	41,962
<u>(2,969)</u>	<u>36,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,152</u>	<u>620,659</u>
-	-	-	-	-	-	12,774
-	-	-	-	-	3,797	5,560
-	-	-	-	-	-	38,689
-	-	-	-	-	-	880,000
-	-	-	-	-	-	164,328
-	31,101	-	-	-	31,101	38,173
-	17,287	-	-	-	61,482	92,956
-	5,195	-	6,732	-	11,927	11,927
-	-	-	-	-	-	59,049
<u>-</u>	<u>53,583</u>	<u>-</u>	<u>6,732</u>	<u>-</u>	<u>108,307</u>	<u>1,303,456</u>
(2,969)	(16,756)	-	(6,732)	-	(1,155)	(682,797)
127,660	132,660	-	-	-	260,320	810,657
(82,125)	(13,331)	-	-	-	(95,456)	(169,343)
<u>45,535</u>	<u>119,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,864</u>	<u>641,314</u>
42,566	102,573	-	(6,732)	-	163,709	(41,483)
<u>227,728</u>	<u>322,858</u>	<u>(594)</u>	<u>(76,542)</u>	<u>170,758</u>	<u>660,139</u>	<u>3,287,535</u>
-	-	-	-	(170,758)	(170,758)	(847,028)
<u>227,728</u>	<u>322,858</u>	<u>(594)</u>	<u>(76,542)</u>	<u>-</u>	<u>489,381</u>	<u>2,440,507</u>
<u>\$ 270,294</u>	<u>\$ 425,431</u>	<u>\$ (594)</u>	<u>\$ (83,274)</u>	<u>\$ -</u>	<u>\$ 653,090</u>	<u>\$ 2,399,024</u>

**City of Osseo
Combining Balance Sheet -
EDA Component Unit
December 31, 2022**

	<u>General Fund</u>	<u>Debt Service</u>		
	<u>Economic Development Authority (801)</u>	<u>TIF 2-4 Bell Tower TIF (817)</u>	<u>TIF 2-9, 5 Central (836)</u>	<u>Total</u>
Assets				
Cash and investments	\$ 705,397	\$ 9,136	\$ 215,764	\$ 224,900
Accounts receivable	-	-	-	-
Mortgages receivable	304,023	-	-	-
Total assets	<u>\$ 1,009,420</u>	<u>\$ 9,136</u>	<u>\$ 215,764</u>	<u>\$ 224,900</u>
Liabilities				
Accounts payable	\$ 5,490	\$ 10,175	\$ 100,235	\$ 110,410
Due to primary government	462,284	-	-	-
Total liabilities	<u>467,774</u>	<u>10,175</u>	<u>100,235</u>	<u>110,410</u>
Deferred Inflows of Resources				
Unavailable revenue - mortgages	304,023	-	-	-
Fund Balances				
Restricted	237,623	-	115,529	115,529
Unassigned	-	(1,039)	-	(1,039)
Total fund balances	<u>237,623</u>	<u>(1,039)</u>	<u>115,529</u>	<u>114,490</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,009,420</u>	<u>\$ 9,136</u>	<u>\$ 215,764</u>	<u>\$ 224,900</u>

Capital Projects

TIF 2-5 Realife Co-op (806)	TIF 2-6 Celtic Crossing Condos (819)	Bell Tower TIF (820)	TIF 2-8 Lancor Lyndes Inn (825)	Hall Sweeney TIF (840)	Total	Total EDA Funds
\$ 94,560	\$ 94,897	\$ 474,299	\$ 91,417	\$ -	\$ 755,173	\$ 1,685,470
-	-	-	-	18,438	18,438	18,438
-	-	-	-	-	-	304,023
<u>\$ 94,560</u>	<u>\$ 94,897</u>	<u>\$ 474,299</u>	<u>\$ 91,417</u>	<u>\$ 18,438</u>	<u>\$ 773,611</u>	<u>\$ 2,007,931</u>
\$ 54,352	\$ 21,270	\$ -	\$ 6,931	\$ 978	\$ 83,531	\$ 199,431
-	-	-	-	17,460	17,460	479,744
<u>54,352</u>	<u>21,270</u>	<u>-</u>	<u>6,931</u>	<u>18,438</u>	<u>100,991</u>	<u>679,175</u>
-	-	-	-	-	-	304,023
40,208	73,627	474,299	84,486	-	672,620	1,025,772
-	-	-	-	-	-	(1,039)
<u>40,208</u>	<u>73,627</u>	<u>474,299</u>	<u>84,486</u>	<u>-</u>	<u>672,620</u>	<u>1,024,733</u>
<u>\$ 94,560</u>	<u>\$ 94,897</u>	<u>\$ 474,299</u>	<u>\$ 91,417</u>	<u>\$ 18,438</u>	<u>\$ 773,611</u>	<u>\$ 2,007,931</u>

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**City of Osseo
 Reconciliation of the Balance Sheet to
 the Statement of Net Position - EDA Component Unit
 December 31, 2022**

Total fund balances - component unit	\$ 1,024,733
<p>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:</p>	
Bond principal payable	(465,000)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Second mortgage principal and accrued interest	304,023
<p>Governmental funds do not report a liability for accrued interest due and payable.</p>	
	<u>(6,106)</u>
Total net position - component unit	<u><u>\$ 857,650</u></u>

City of Osseo
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances - EDA Component Unit
Year Ended December 31, 2022

	Special Revenue	Debt Service		
	Economic Development Authority (801)	TIF 2-4 Bell Tower TIF (817)	TIF 2-9, 5 Central (836)	Total
Revenues				
Tax increments	\$ -	\$ 296,891	\$ 439,346	\$ 736,237
Miscellaneous				
Investment income	(7,673)	(4,875)	-	(4,875)
Refunds and reimbursements	-	-	-	-
Total revenues	<u>(7,673)</u>	<u>292,016</u>	<u>439,346</u>	<u>731,362</u>
Expenditures				
Current				
Economic development	27,039	18,924	203,043	221,967
Debt service				
Principal	-	-	95,000	95,000
Interest and other charges	-	-	15,971	15,971
Intergovernmental				
Payments to primary government for				
Debt service and tif administration	40,000	172,869	-	172,869
Total expenditures	<u>67,039</u>	<u>191,793</u>	<u>314,014</u>	<u>505,807</u>
Excess of revenues over (under) expenditures	(74,712)	100,223	125,332	225,555
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	(475,000)	-	(475,000)
Total other financing sources (uses)	<u>-</u>	<u>(475,000)</u>	<u>-</u>	<u>(475,000)</u>
Net change in fund balances	(74,712)	(374,777)	125,332	(249,445)
Fund Balances				
Beginning of year	<u>312,335</u>	<u>373,738</u>	<u>(9,803)</u>	<u>363,935</u>
End of year	<u>\$ 237,623</u>	<u>\$ (1,039)</u>	<u>\$ 115,529</u>	<u>\$ 114,490</u>

Capital Projects

TIF 2-5 Realife Co-op (806)	TIF 2-6 Celtic Crossing Condos (819)	Bell Tower TIF (820)	TIF 2-8 Lancor Lyndes Inn (825)	Hall Sweeney TIF (840)	Total	Total EDA Funds
\$ 117,443	\$ 45,034	\$ -	\$ 35,537	\$ -	\$ 198,014	\$ 934,251
(769)	-	(701)	-	-	(1,470)	(14,018)
-	-	-	-	28,437	28,437	28,437
<u>116,674</u>	<u>45,034</u>	<u>(701)</u>	<u>35,537</u>	<u>28,437</u>	<u>224,981</u>	<u>948,670</u>
115,106	41,534	-	13,042	28,437	198,119	447,125
-	-	-	-	-	-	95,000
-	-	-	-	-	-	15,971
-	-	-	-	-	-	212,869
<u>115,106</u>	<u>41,534</u>	<u>-</u>	<u>13,042</u>	<u>28,437</u>	<u>198,119</u>	<u>770,965</u>
1,568	3,500	(701)	22,495	-	26,862	177,705
-	-	475,000	-	-	475,000	475,000
-	-	-	-	-	-	(475,000)
<u>-</u>	<u>-</u>	<u>475,000</u>	<u>-</u>	<u>-</u>	<u>475,000</u>	<u>-</u>
1,568	3,500	474,299	22,495	-	501,862	177,705
<u>38,640</u>	<u>70,127</u>	<u>-</u>	<u>61,991</u>	<u>-</u>	<u>170,758</u>	<u>847,028</u>
<u>\$ 40,208</u>	<u>\$ 73,627</u>	<u>\$ 474,299</u>	<u>\$ 84,486</u>	<u>\$ -</u>	<u>\$ 672,620</u>	<u>\$ 1,024,733</u>

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City of Osseo
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
to the Statement of Activities - EDA Component Unit
Year Ended December 31, 2022

Total Net Change in Fund Balances - Component Unit	\$ 177,705
Amounts reported for governmental activities in the Statement of Activities are different because:	
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net assets in the Statement of Activities.	95,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>1,065</u>
Change in Net Position - Component Unit	<u><u>\$ 273,770</u></u>

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Minnesota Legal Compliance

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Osseo, Minnesota as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 26, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to 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.



Minneapolis, Minnesota
July 26, 2023

FORM OF LEGAL OPINION

(See following pages)

§ _____
GENERAL OBLIGATION EQUIPMENT CERTIFICATES, SERIES 2024A
CITY OF OSSEO
HENNEPIN COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Osseo, Hennepin County, Minnesota (the "Issuer"), of its § _____ General Obligation Equipment Certificates, Series 2024A, bearing a date of original issue of May 30, 2024 (the "Certificates"). 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 any offering material relating to the Certificates, 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 Certificates according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Certificates are a valid and binding general obligation 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 Certificates 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 Certificates to the original purchaser, the interest on the Certificates 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 Certificates 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 Certificates 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 Certificates in gross income and taxable net income retroactive to the date of issuance of the Certificates.

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

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.

Dated at Minneapolis, Minnesota, this ___ day of _____, 2024.

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 Osseo, Minnesota (the "Issuer"), in connection with the issuance of its \$ _____ General Obligation Equipment Certificates, Series 2024A (the "Certificates"). The Certificates are being issued pursuant to a Resolution adopted on May 13, 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 Certificates, 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 Certificates.

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

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

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

"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 Certificates:

- (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 Certificates, or other material events affecting the tax status of the Certificates;
- (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 Certificates, 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 Certificates.

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 Certificates, 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: _____, 2024.

CITY OF OSSEO, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

TERMS OF PROPOSAL

**\$400,000* GENERAL OBLIGATION EQUIPMENT CERTIFICATES, SERIES 2024A
CITY OF OSSEO, MINNESOTA**

Proposals for the purchase of \$400,000* General Obligation Equipment Certificates, Series 2024A (the "Certificates") of the City of Osseo, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on May 13, 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 Certificates upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Certificates are being issued pursuant to Minnesota Statutes, Section 412.301 and Chapter 475, as amended, by the City, for the purpose of financing the acquisition of capital equipment. The Certificates are general obligations of the City, for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Certificates will be dated May 30, 2024, will be issued as fully registered Certificates 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	\$60,000	2028	\$65,000	2030	\$70,000
2027	65,000	2029	70,000	2031	70,000

ADJUSTMENT OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2025, to the registered owners of the Certificates 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 Certificates 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 Certificates 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 Certificates, 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 Certificates. So long as Cede & Co. is the registered owner of the Certificates, 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 Certificates.

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

The Certificates are being offered without the option of prior optional redemption.

DELIVERY

On or about May 30, 2024, the Certificates 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 Certificates is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Certificates 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 Certificates 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 Certificates. The legal opinion will state that the Certificates are valid and binding general obligations of the City; provided that the rights of the owners of the Certificates and the enforceability of the Certificates 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 Certificates 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 Certificates. Prospective purchasers of the Certificates 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 Certificates, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Certificates 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 \$394,000 plus accrued interest on the principal sum of \$400,000 from date of original issue of the Certificates to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$8,000 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 Certificates 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 Certificates 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 Certificates is adjourned, recessed, or continued to another date without award of the Certificates having been made.

AWARD

The Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Certificates.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Certificates 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 Certificates 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 Certificates. 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 Certificates pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Certificates 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 Certificates, 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 Certificates 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 Certificates) will apply to the initial sale of the Certificates (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 Certificates to the bidder who submits a firm offer to purchase the Certificates 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 Certificates, 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 Certificates 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 Certificates. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Certificates: (1) the first price at which 10% of a maturity of the Certificates (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 Certificates (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 Certificates 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 Certificates, that the underwriters will neither offer nor sell unsold Certificates 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 Certificates 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 Certificates 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Certificates, 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 Certificates 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, 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 Certificates 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, 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 Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Certificates.

(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 Certificates have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Certificates of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Certificates, 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Certificates 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 Certificates to any person that is a related party to an underwriter participating in the initial sale of the Certificates 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 Certificates 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 Certificates 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 Certificates to the public),
- (iii) a purchaser of any of the Certificates 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 Certificates 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 Certificates 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 Osseo, Minnesota

PROPOSAL FORM

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

May 13, 2024

RE: \$400,000* General Obligation Equipment Certificates, Series 2024A (the "Certificates")
DATED: May 30, 2024

For all or none of the above Certificates, 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 \$394,000) plus accrued interest to date of delivery for fully registered Certificates bearing interest rates and maturing in the stated years as follows:

_____ % due	2026	_____ % due	2028	_____ % due	2030
_____ % due	2027	_____ % due	2029	_____ % due	2031

The City reserves the right to increase or decrease the principal amount of the Certificates 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%.) Certificates 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 \$8,000 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 Certificates 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 Certificates 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 Certificates to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about January 1, 1900.

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 Certificates.

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 Certificates within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Certificates 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 Certificates.

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from May 30, 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 Osseo, Minnesota, on May 13, 2024.

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