



CITY OF
Otsego
MINNESOTA

Annual Comprehensive Financial Report
For the Year Ended December 31, 2023



School Knoll Park Improvements Project (Completed in 2023)

City of Otsego, Minnesota



Annual Comprehensive Financial Report

For the Year Ended
December 31, 2023

Adam Flaherty
City Administrator

Prepared by:
Finance Department

Member of the:

Government Finance Officers' Association
of the United States and Canada

CITY OF OTSEGO, MINNESOTA
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June 6, 2024

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Otsego.

Transmitted herewith is the Annual Comprehensive Financial Report of the City of Otsego for the fiscal year ended December 31, 2023.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City following the policies and procedures specified by the City's system of internal control. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

To the best of our knowledge and belief, the enclosed data is accurate, in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures deemed necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Minnesota Statutes require that the financial statements of the City be audited annually by the State Auditor, or a Certified Public Accountant selected by the City Council. These financial statements have been audited by BerganKDV (the Auditors). The Auditors expressed an unmodified opinion on the financial statements, and their opinion letter is included as the first component within the financial section of this report.

The Auditors have also issued several other reports on compliance with Government Auditing Standards and Minnesota Legal Compliance. These reports have been issued under separate cover.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY

The first town site in Otsego was originally platted in 1857 in what was once known as the Big Woods, heavily laden with deciduous trees, and interspersed with rivers, ponds, and prairies. The first settlers to the area were of European descent settling the area in 1852. On April 5, 1858, Otsego Township was established. The area remained a township until 1990 when it was incorporated into the City of Otsego to serve its residents more fully and to manage growth.

Otsego is located at the confluence of the Mississippi and Crow Rivers approximately thirty miles northwest of Minneapolis. The Mississippi River runs along the northern and eastern borders of the City and the Crow River runs along the southern border in the far eastern part of the City until it enters the Mississippi River.

The City is located in the northeast corner of Wright County and covers an area of about 30.5 square miles. The State Demographer's most recent population estimate was 22,705, compared with 19,966 from the 2020 US Census. Otsego is both the largest and fastest growing city in Wright County and outpaces growth in neighboring cities outside Wright County.

The City operates under the "Optional Plan A" form of government as defined in Minnesota Statutes. Under this plan, the government of the City is directed by a City Council consisting of an elected mayor and four elected councilmembers at large. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The mayor and councilmembers serve four year terms with two councilmembers elected to four year terms every two years. The mayor is also elected to a four year term.

The City provides its residents and businesses a full range of municipal services consisting of the construction & maintenance of highways, streets, and other infrastructure, park facilities, recreational opportunities, and general administrative services. The City services also provide public utilities including water, sanitary sewer and storm water services accounted for in enterprise funds. Police protection has been provided for more than 25 years through an agreement with the Wright County Sheriff's department which provides 50 hours of service every day. Fire suppression and emergency response services are provided through agreements with the neighboring cities of Albertville, Elk River, and Rogers, with each agreement having geographical boundaries based upon response times.

Financial planning and control for the City of Otsego are based on the annual Operating Budget and the multi-year Capital Improvement Plan. Under Minnesota Statutes, a preliminary property tax levy must be adopted by the City Council no later than September 30th of each year for the ensuing year's collection. This establishes a maximum levy that may subsequently be lowered but may not be increased at the time of final adoption. A ceiling on the increase of the annual property tax levy is established from time to time by the Minnesota Legislature. Such a limit was not in place for taxes payable 2023 and 2024.

Effective establishment of this levy means that a preliminary operating budget must be prepared. The City Administrator, with the assistance of the Finance Director and management staff, prepares such a budget each year and presents it along with the preliminary levy for City Council review. The City Council is required to adopt a final tax levy and annual budget each December for the subsequent year, which begins on January 1. Departments may make transfers of appropriations within their department. However, transfers of budget appropriations between departments need authorization of the City Administrator. The legal level of budgetary control is at the fund level, so any appropriation transfers between funds need the approval of the City Council.

In addition, a Capital Improvement Plan covering a ten-year period is reviewed and revised during the annual budget process. This includes projects for which the City may issue debt and/or assess portions of the cost to adjacent or benefiting property owners. Because there are limited funds available each year and the City does not wish to issue excessive amounts of debt, these projects are reviewed and reprioritized each year.

ECONOMIC CONDITION

Otsego continues to experience strong residential and commercial growth due to its ideal location. The City is 30 miles from downtown Minneapolis, the center of the Twin Cities metropolitan area and has excellent transportation access with Interstate 94 and State Highway 101. The City maintains a Comprehensive Plan document for land use and development to manage and encourage growth.

The residential growth can be expressed with the 221 new residential construction permits issued during 2023. The average number of new residential construction permits over the past five years is 335. The latest estimates developed by the City show total households at 7,916 or a growth of 51 percent over the past ten years.

The City is expecting for this trend in residential housing growth to continue into the future as well. There have been several builders continuing to develop properties and go through the final platting process.

The taxable market value of property within the City increased \$657 million (22.27 percent) to a total of \$3,608,349,843 for taxes payable 2024. According to Wright County, for taxes payable 2024, there was approximately \$176 million of value added for new residential, commercial, and industrial development. The remaining portion of the growth would be due to market driven factors. The increased taxable value translates into increased tax capacity and has allowed the City to maintain or slightly decrease the property tax rate for eleven consecutive years. The City's tax rate for payable 2024 is 23.109, a decrease of 21.86% compared to the previous year.

As the City has continued to grow over the years, commercial development has paced well behind residential and industrial sectors. The City is seeing this trend change course during 2023 and 2024. The City had a busy 2023 with completed projects including Due North Car Wash, ALDI, Michael's, Smile Orthodontics, New Century Service, Blu Dot, Dakota Supply Group and Satellite Shelters. A few projects started in 2023 are nearing completion and should be open for service early in 2024 including Starbuck's, Kennedy Vision, and the Little Gym. The City approved a number of projects in 2023 that have not broken ground, but are expected to begin construction in 2024 including O2B Kids Daycare, Christian Brothers Automotive, R&L Carriers, and a retail center with spaces for three future tenants.

The City has recently received development applications which have not been approved by the City Council, but include the expansion of the Coborn's Grocery Store, a new retail building including tenants of a hardware store and a pet store, and most recently an application from Costco for a new store and gas station to be constructed at the northwest corner of Maciver Avenue and 60th Street. Given the economic importance of this type of development, the City is navigating planning efforts to supply the infrastructure necessary to accommodate such development.

LONG-TERM FINANCIAL PLANNING

The City has adopted and annually updates a ten-year Capital Improvement Plan (CIP) to facilitate the growth and maintenance of public infrastructure, community facilities and capital equipment. Projects in the CIP demonstrate the importance of developing long range financial planning strategies to facilitate the growth and prosperity of the City. The process assists with both short- and long-range financial planning needs by:

- Prioritizing capital projects and equipment acquisitions
- Estimating resource needs and related cash flows
- Identifying adequate and sustainable funding sources

MAJOR INITIATIVES

With all of the growth that has been experienced in Otsego, the City has identified the need to expand our future planning, and has illustrated this by developing a Strategic Plan. Within this Plan, the City has developed a practical vision of what Otsego should be in three to five years. The following list outlines the City's strategic directions with certain examples of initiatives that have been accomplished in 2023 or set as goals in 2024.

- Positioning for Growth.
 - *Continued Construction of the West Wastewater Facility Expansion Project*
 - *Established the Fire & Emergency Services Department*
 - *Completed facility designs for future City Hall & Public Works*
 - *Authorized a space needs study for the Fire & Emergency Services Building*
- Empowering the Organization.
 - *Conducted an Employee Survey to gauge employee engagement*
 - *Continued Administrator & Department group discussions*
 - *Established an annual all-employee team building and training session*
- Engaging Stakeholders.
 - *Conducted Neighborhood and Community Surveys for Park Plans*
 - *Budgeted for a Communications Specialist staff position*
 - *Obtained County and Federal grant funding for multiple projects*

RELEVANT FINANCIAL POLICIES

The City Council has approved a fund balance policy that established the minimum fund balance requirements of the General Fund at forty-five percent of the subsequent year's expenditures. The policy also includes the annual review of the fund balance reserves of all other funds and the criteria for the use of reserves. Reserve balances are reviewed annually as part of the budget/financial planning process and at the time the Capital Improvement Plan is approved by the City Council.

The financial management staff of the City of Otsego have developed and implemented internal controls designed to protect the City's assets from loss, abuse, theft, or other misappropriation. These controls provide reasonable assurance of the safety of the City's assets while recognizing that management estimates and judgements as to the cost of such controls are also important to deriving maximum benefit from these controls.

Policies relating to investment of City funds, billing and collection of public utility charges, management of long-term debt, purchasing, fund balances and general accounting procedures have been developed. In addition, goals and objectives have been established for internal and external financial reporting and for long-term financial planning strategies.

FINANCIAL REPORTING AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Otsego for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2022. This was the 11th consecutive year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized annual comprehensive financial report that satisfied both accounting principles generally accepted in the United States and applicable federal, state and local legal requirements.

A Certificate of Achievement is valid for a period of one year. It is expected that the 2023 Annual Comprehensive Financial Report continues to meet the Certificate of Achievement program requirements and it will be submitted to the GFOA to determine the eligibility for another Certificate.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the skill, effort, and dedication of the City's staff. Further, the City Council's support to promote and sustain the highest standards of professionalism in the financial management of the City of Otsego is acknowledged and appreciated.

Respectfully submitted,



Adam Flaherty
City Administrator & Finance Director

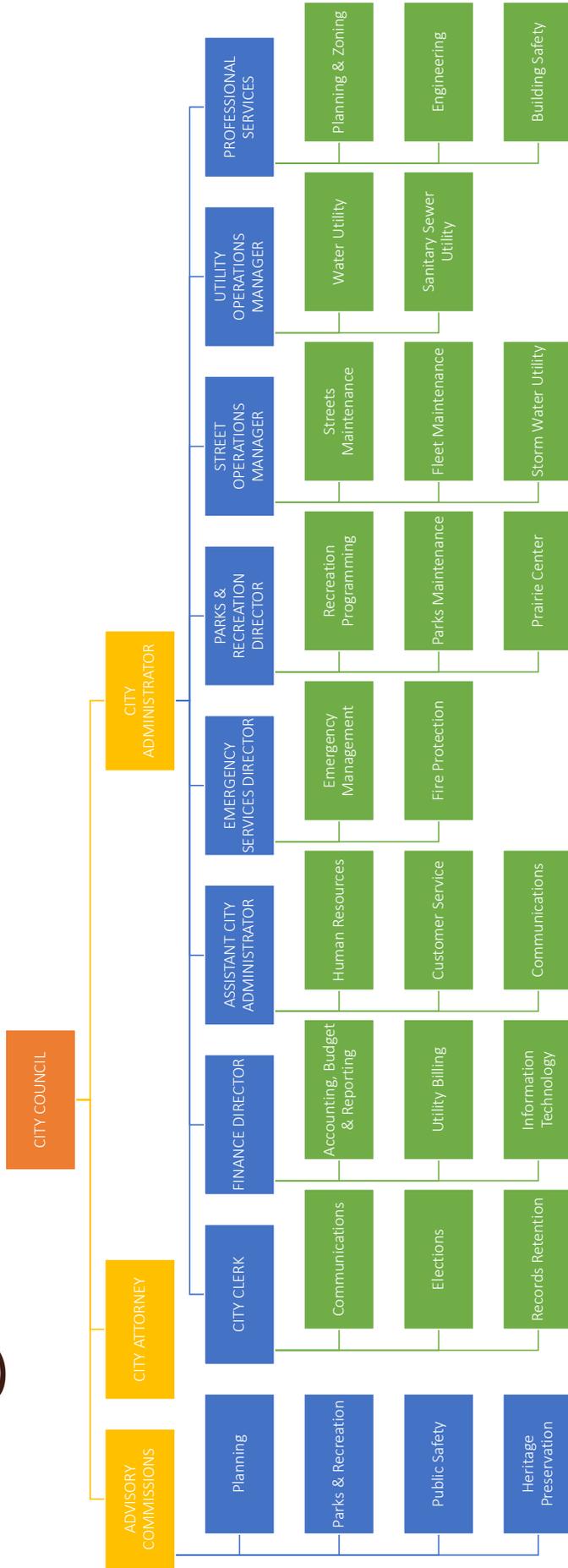
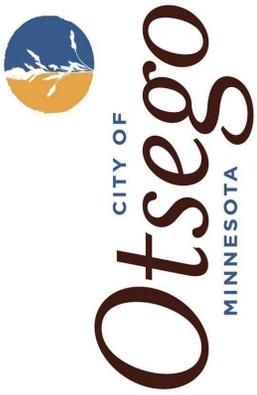
CITY OF OTSEGO, MINNESOTA
ELECTED OFFICIALS AND ADMINISTRATION

ELECTED OFFICIALS

Name	Position	Term Expires
Jessica Stockamp	Mayor	December 31, 2024
Jeff Dahl	Council Member	December 31, 2024
Brittany Moores	Council Member	December 31, 2024
Tina Goede	Council Member	December 31, 2026
Ryan Dunlap	Council Member	December 31, 2026

ADMINISTRATION

Name	Position
Audra Etzel	City Clerk
Adam Flaherty	City Administrator & Finance Director
Sabrina Hille	Assistant City Administrator & Human Resources
Kevin Lamson	Street Operations Manager
Nick Jacobs	Parks & Recreation Director
Kurt Neidermeier	Public Utilities Manager
David Kendall	City Attorney
Daniel Licht	City Planner
Ron Wagner	City Engineer





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
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Presented to

**City of Otsego
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Otsego, Minnesota, as of and for the year ended December 31, 2023, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Otsego, Minnesota, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 the City of Otsego and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City of Otsego'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.

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

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Otsego's internal control. Accordingly, no such opinion is expressed.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Otsego'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 Otsego's basic financial statements. The accompanying combining and individual fund statements and schedules identified in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2024, on our consideration of the City of Otsego's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Otsego's internal control over financial reporting and compliance.



St. Cloud, Minnesota
June 6, 2024

As management of the City of Otsego, 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 fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-6 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$165,489,299 (net position). Of this amount, \$60,391,810 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$16,041,130 (10.73%) from the previous year. The net position of the governmental activities increased \$6,316,457 (9.14%). The increase is primarily attributable to the investment in public assets and infrastructure by the City and housing developers in the community. This infrastructure consists of streets, trail systems and park additions. The business type activities increased \$9,724,673 (12.11%) due to a combination of connection fees to the City's public utility system, and similar to the governmental activities, the investment in public assets and infrastructure.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$30,700,012, which is an increase of \$3,044,532 (11.01%) from the previous year. Of the total fund balance, the unassigned portion is \$2,069,035, which is free from any internal or external constraints upon its use.
- The General fund has a fund balance of \$4,981,515 at the close of the current fiscal year. During 2023, the fund balance increased \$30,072 (0.61%) from the previous year. The increase in fund balance was net of a transfer of \$710,829, made in accordance with the City's fund balance policy, the transfer was made to the Capital Improvements fund. The policy indicates that any fund balance exceeding 45% of the subsequent years budget will be transferred, and set aside for future capital expenditures. There is \$338,076 (6.79%) of fund balance that is nonspendable, which is a combination of prepaid items and land held for resale. The remaining fund balance is either restricted, \$465,819 (9.35%), assigned, \$342,861 (6.88%) or is unassigned, \$3,834,759 (76.98%).
- The City issued \$34,045,359 of General Obligation Sewer Revenue Notes to finance the construction of the West Wastewater Treatment Facility Expansion. The City paid off \$26,215,000 of General Obligation Temporary Sewer Revenue Bonds in conjunction with the issuance of the 2023A Note. The City's total outstanding bonded debt decreased by \$9,754,880 (16.65%) during the year.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's overall financial position is stable, improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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, special assessments and earned but unused personal time off).

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 & recreation, economic development, and interest on long-term debt. The business-type activities of the City include: water utility, sanitary sewer utility and storm water utility.

The government-wide financial statements can be found on pages 28 through 29 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. The funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 financial decisions. Both the governmental funds balance sheet and governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 19 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the following: General fund, the Debt Service fund, the Pavement Management fund, the Capital Improvements fund, and the Development & Builder Escrows fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements or schedules, elsewhere in this report.

The City adopts an annual appropriated budget for the General Fund, the Debt Service Fund, Tax Increment District No. 1, Tax Increment District No. 3, and Tax Increment District No. 4 special revenue funds. A budgetary comparison statement has been provided in the basic financial statements for the General fund.

The basic governmental fund financial statements can be found on pages 30 through 37 of this report.

Proprietary Funds: Proprietary funds provide similar information to the government-wide financial statements, but in more detail. The City maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sanitary sewer and storm water utilities. All of the City's enterprise funds are considered to be major funds, and separate information is provided for each of them in the basic financial statements.

The basic proprietary fund financial statements can be found on pages 38 through 40 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41 through 71 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information in relation to the City's net pension liability. The schedules and related notes can be found on pages 73 through 78 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 80 through 105 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$165,489,299 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$95,159,856 or 57.50%) reflects its investment in capital assets, which includes: land, infrastructure, buildings, and machinery & equipment, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF OTSEGO - SUMMARY OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current Assets	\$ 40,027,059	\$ 39,253,266	\$ 40,231,550	\$ 57,606,553	\$ 80,258,609	\$ 96,859,819
Capital Assets	47,738,125	44,955,325	100,194,097	81,430,682	147,932,222	126,386,007
Total Assets	<u>87,765,184</u>	<u>84,208,591</u>	<u>140,425,647</u>	<u>139,037,235</u>	<u>228,190,831</u>	<u>223,245,826</u>
Deferred Outflows of Resources	365,540	569,758	123,770	203,274	489,310	773,032
Long-term Liabilities	4,125,336	5,031,666	43,370,123	53,104,742	47,495,459	58,136,408
Other Liabilities	7,078,343	8,574,870	6,534,668	5,164,266	13,613,011	13,739,136
Total Liabilities	<u>11,203,679</u>	<u>13,606,536</u>	<u>49,904,791</u>	<u>58,269,008</u>	<u>61,108,470</u>	<u>71,875,544</u>
Deferred Inflows of Resources	1,496,823	2,058,048	585,549	637,097	2,082,372	2,695,145
Net Investment in Capital Assets	44,222,133	40,938,214	50,937,723	47,080,808	95,159,856	88,019,022
Restricted	9,937,633	8,427,066	-	-	9,937,633	8,427,066
Unrestricted	21,270,456	19,748,485	39,121,354	33,253,596	60,391,810	53,002,081
Total Net Position	<u>\$ 75,430,222</u>	<u>\$ 69,113,765</u>	<u>\$ 90,059,077</u>	<u>\$ 80,334,404</u>	<u>\$ 165,489,299</u>	<u>\$ 149,448,169</u>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net position (6.01%) represents resources that are subject to external restrictions on how they may be used. The unrestricted portion (36.49%) may be used to meet the City's ongoing obligations to citizens and creditors.

The governmental activities experienced increases in both current and capital assets, with the increase of current assets being nominal. The increase in capital assets can be illustrated with street renewal projects, park improvements, vehicles and equipment, facility planning, and developer infrastructure contributions. The decrease in liabilities is primarily contributed to the decrease in Development & Builder Fund deposits payable, and with long-term liabilities decreasing as a result of continued debt service payments.

The current assets of the business-type activities decreased primarily due to the defeasance of the temporary bond financing for the sanitary sewer expansion project with some offset as a result from continued growth in development, which generates revenues such as water and sewer access fees. The capital asset increases were attributable to ongoing investment in the utility systems infrastructure and the construction of projects such as the West Wastewater Treatment Facility, East-West Watermain Connection, and Well No. 10. The long-term liabilities decreased with the defeasance of the 2022A Sewer Revenue bonds, but offset with the issuance of the 2023A PFA Revenue Note.

CITY OF OTSEGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

CITY OF OTSEGO - CHANGES IN NET POSITION

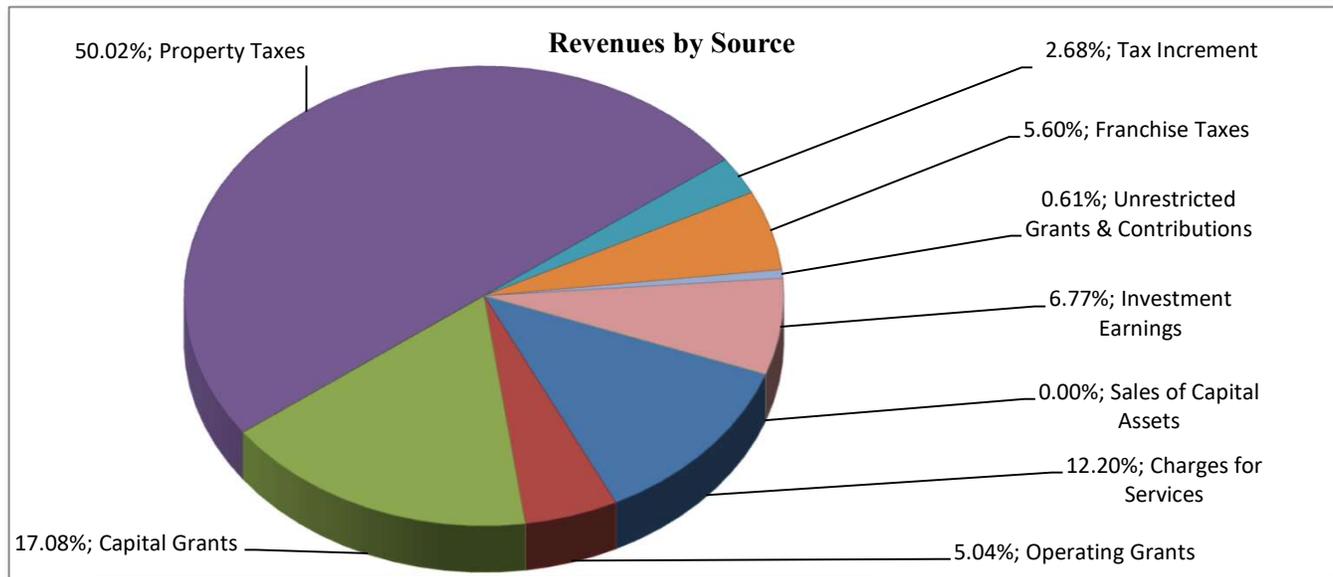
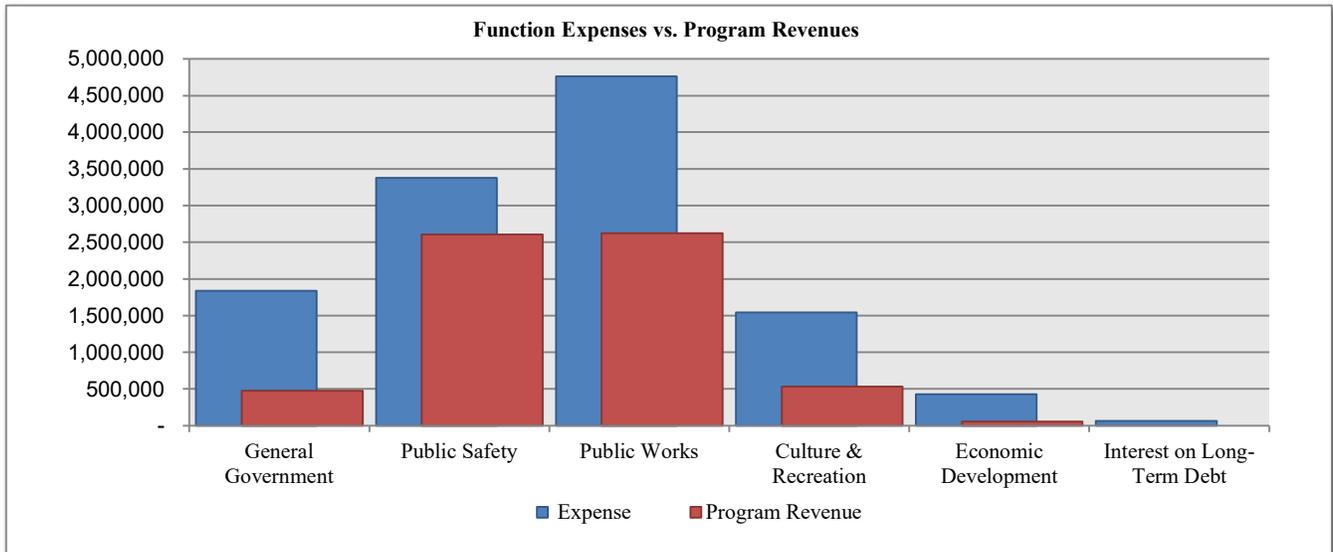
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program Revenues						
Charges for Services	\$ 2,237,454	\$ 3,372,368	\$ 7,952,180	\$ 6,701,241	\$ 10,189,634	\$ 10,073,609
Operating Grants and Contributions	924,558	399,743	-	-	924,558	399,743
Capital Grants and Contributions	3,133,926	4,631,372	6,264,410	9,754,695	9,398,336	14,386,067
General Revenues						
Property Taxes	9,177,125	8,583,996	38,000	36,000	9,215,125	8,619,996
Tax Increment	491,535	436,817	-	-	491,535	436,817
Franchise Taxes	1,026,846	345,108	-	-	1,026,846	345,108
Grants and Contributions not						
Restricted to Specific Programs	111,798	152,452	-	-	111,798	152,452
Unrestricted Investment Earnings	1,242,417	(870,574)	2,704,796	(1,232,893)	3,947,213	(2,103,467)
Other General Revenues	822	11,956	537	-	1,359	11,956
Total Revenues	18,346,481	17,063,238	16,959,923	15,259,043	35,306,404	32,322,281
Expenses						
General Government	1,838,849	1,849,685	-	-	1,838,849	1,849,685
Public Safety	3,378,313	3,101,633	-	-	3,378,313	3,101,633
Public Works	4,761,125	4,559,629	-	-	4,761,125	4,559,629
Culture and Recreation	1,541,099	1,396,260	-	-	1,541,099	1,396,260
Economic Development	429,054	499,481	-	-	429,054	499,481
Interest on Long-term Debt	67,854	92,945	-	-	67,854	92,945
Water Utility	-	-	2,434,158	2,311,989	2,434,158	2,311,989
Sanitary Sewer Utility	-	-	4,590,454	4,084,200	4,590,454	4,084,200
Storm Water Utility	-	-	224,368	218,612	224,368	218,612
Total Expenses	12,016,294	11,499,633	7,248,980	6,614,801	19,265,274	18,114,434
Increase Before Transfers	6,330,187	5,563,605	9,710,943	8,644,242	16,041,130	14,207,847
Transfers	322,750	293,500	(322,750)	(293,500)	-	-
Transfers - Capital Assets	(336,480)	(61,500)	336,480	61,500	-	-
Change in Net Position	6,316,457	5,795,605	9,724,673	8,412,242	16,041,130	14,207,847
Net Position - January 1	69,113,765	63,318,160	80,334,404	71,922,162	149,448,169	135,240,322
Net Position - December 31	\$ 75,430,222	\$ 69,113,765	\$ 90,059,077	\$ 80,334,404	\$ 165,489,299	\$ 149,448,169

Governmental Activities

Governmental activities resulted in an increase of the City's net position by \$6,316,457. Key elements of this change is as follows:

- Revenues increased \$1,283,243 due to a full-year implementation of franchise taxes on natural gas and electricity utilities and from operating grants and contributions, the result of new state-aid revenues for affordable housing and public safety. Revenues from investment earnings were also a significant positive change from the prior year. Notable decreases of revenues in charges for services and capital grants and contributions were the result of decreased pace of new housing construction with higher interest rates and market pricing conditions of existing residential homes.
- Expenses increased \$516,661 compared to the previous year, with a concentration in public safety, public works and culture and recreation functions of the City. Drivers for increases in expenses from the previous year would include contracted public safety costs for law enforcement, fire protection and building safety. Personnel costs would be a second driver with increased wages and new hires.

Below are specific graphs which provide comparisons of the governmental activities revenues and expenses:

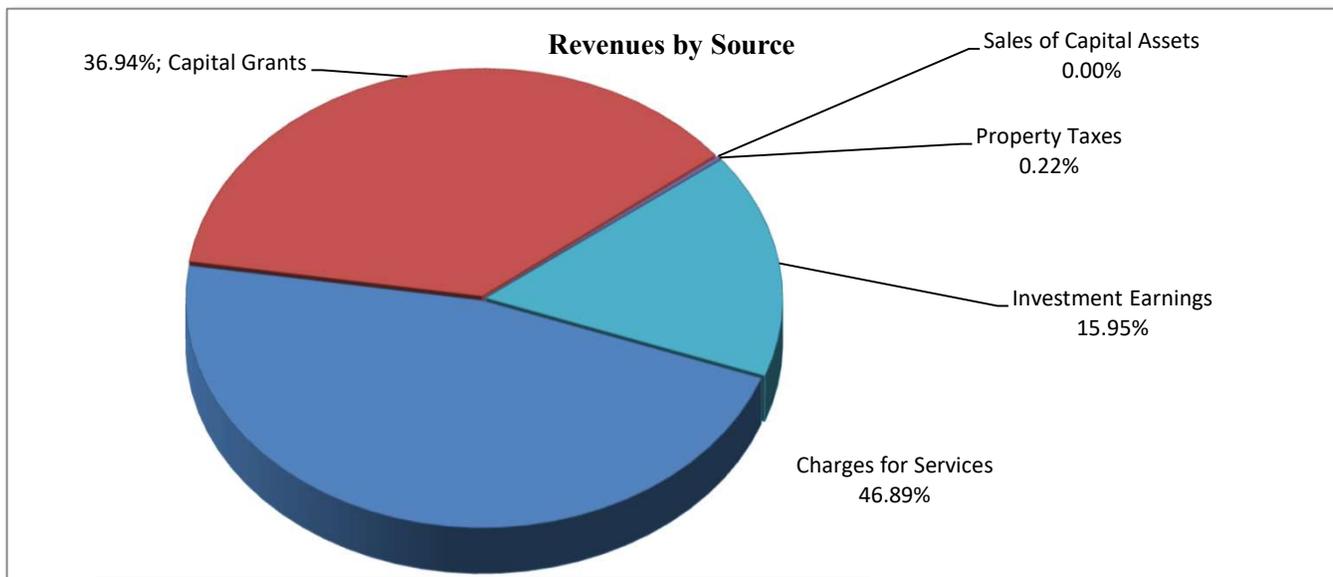
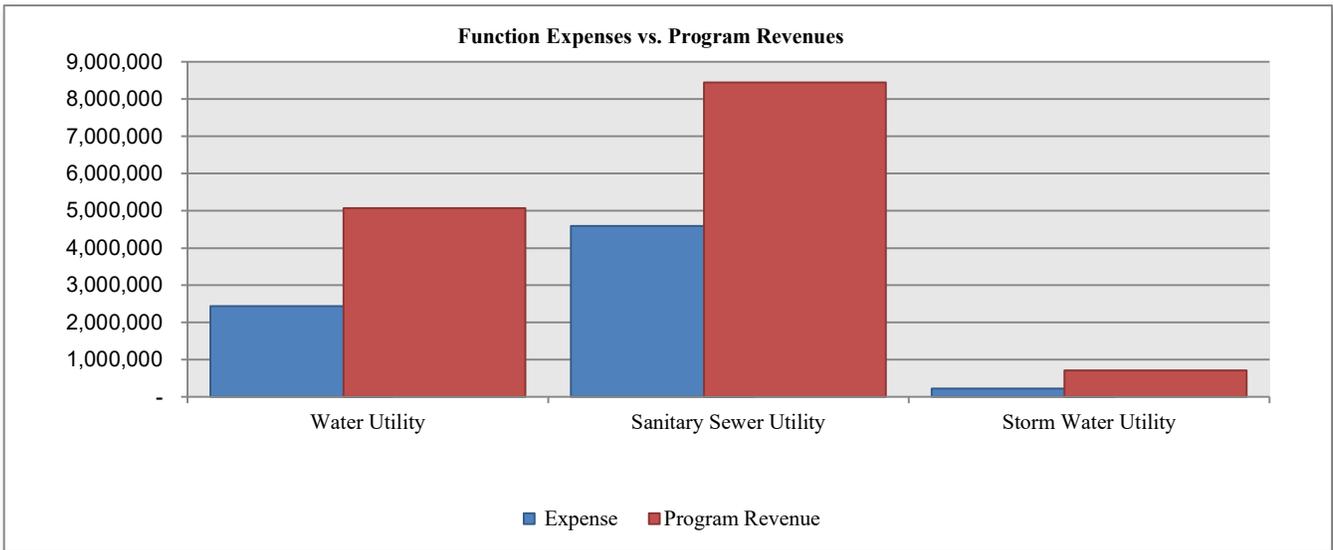


Business-type Activities

Business-type activities resulted in an increase of net position by \$9,724,673. Key elements of this change are as follows:

- Revenues increased \$1,700,880 when compared to the previous year. Factors of this increase include investment earnings, which were positively impacted by the general stability of interest rates during the year. Charges for services was a positive change as the utility customer base continues to grow, rate adjustments, and additional usage from drier than normal weather conditions. The decrease in capital grants and contributions was the result of fewer new home permits being issued and the respective utility availability and connection fees. This decrease was offset some with an intergovernmental capital grant for the construction of the sewer expansion.
- Expenses increased \$634,179 with increases amongst each utility function. The largest increase occurred in the sanitary sewer utility which had increases in personnel, supplies, utilities, and depreciation expenses.
- Revenues exceeding expenses is attributable to the new development within the City. Charges for services are adequately covering the expenses, with capital grants and contributions resulting in the increase and will provide for future debt service and capital projects.

Below are specific graphs which provide comparisons of the business-type activities revenues and expenses:



Financial Analysis of the Government's Funds

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 useful measure of a government's net resources available at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$30,700,012, which is an increase of \$3,044,532 (11.01%) from the previous year. The unassigned fund balance, which is not subject to internal or external constraints upon its use, \$2,069,035 (6.74% of total).

Major Funds

The General fund is the primary operating fund of the City. At the end of the current fiscal year, total fund balance is \$4,981,515, an increase of \$30,072 (0.61%). The increase in fund balance was net of a transfer of \$710,829, made in accordance with the City's fund balance policy, with the transfer going to the Capital Improvements fund to be set aside for future capital projects. Revenues exceeded the budget by \$500,292, and exceeded actual expenditures by \$418,942. There were decreases in assets and liabilities of the fund as cash balance and unearned revenue for ARPA grant funding were reclassified from the General fund to the Fire Reserve fund. As a measure of the General fund's liquidity, it may be useful to compare both unassigned and total fund balance, to total fund expenditures. The unassigned fund balance, which is \$3,834,759, represents 49.56% of the current year General fund expenditures. Total General fund balance represents 64.38% of those same expenditures

The Debt Service fund has a total fund balance of \$1,147,451 at the end of the year, a decrease of \$38,922 (3.28%) from the previous year. There were no new bond issuances in the fund during the year, and there were \$685,000 of principal payments.

The Pavement Management fund has a fund balance of \$5,692,164 at the end of the year, an increase of \$140,540 (2.53%) from the previous year. Expenditures for the year totaled \$2,498,180, which were for the annual street renewal project and annual pavement preservation projects including mill and overlay, crack filling, fog sealing, seal coating and micro-surfacing.

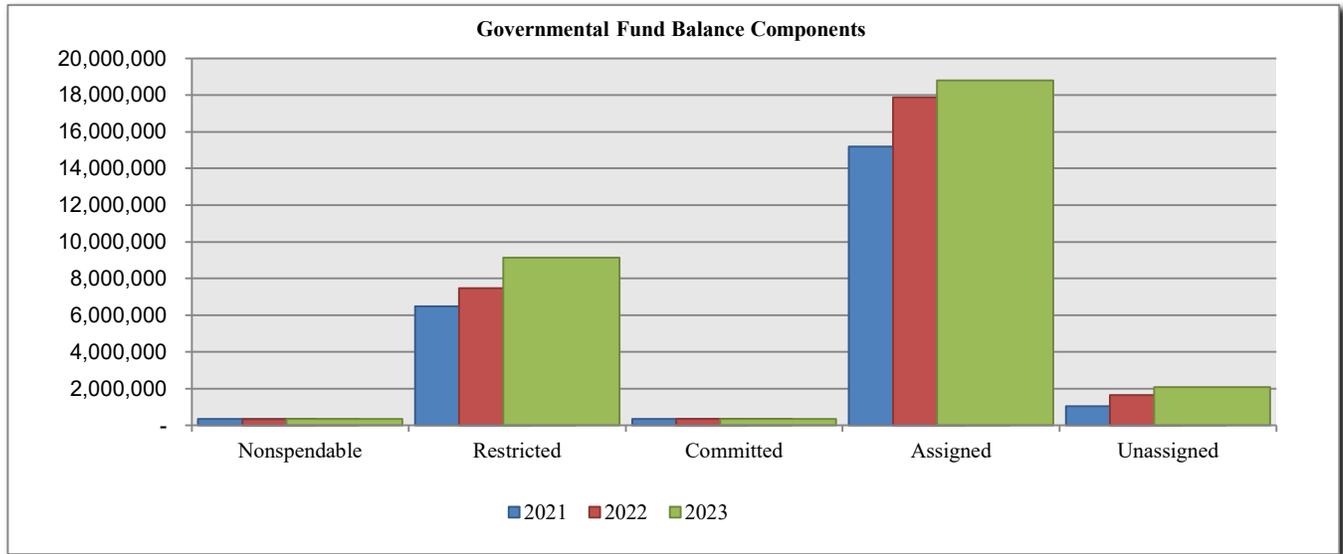
The Capital Improvements fund has a fund balance of \$7,558,150 at the end of year, an increase of \$1,236,003 (19.55%) from the previous year. An interfund transfer in the amount of \$710,829 and property taxes were the primary reason for the increase in fund balance, which is assigned for future City buildings and infrastructure improvement projects. Expenditures for the year were \$1,247,398 which the City invested into design services for a future City Hall, expansion of public works facility, and construction of a cold storage building.

The Development & Builder Escrows fund has no fund balance at the end of the current fiscal year. The fund has assets in the amount of \$4,097,295, all of which are cash and investment balances that offset the accounts and deposits payable within the fund. The revenues and expenditures in this fund correlate with the level of development activity within the City.

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

The enterprise funds have a combined ending net position of \$90,059,077, an increase of \$9,724,673 (12.11%). There are two components to net position in the enterprise funds, unrestricted (\$39,121,354 or 43.44%) and net investment in capital assets (\$50,937,723 or 56.56%). As a measure of liquidity, the unrestricted net position amounts to 641.23% of the current year operating expenses. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Below is a graph with comparative amounts for each fund balance component for fiscal years 2021, 2022 and 2023:



The City's Unassigned fund balance is currently \$2,069,035, and represents 6.74% of total governmental fund balance. The City also has four other components of fund balance, including Nonspendable (1.10%), Restricted (29.78%), Committed (1.13%) and Assigned (61.25%).

- Nonspendable fund balance represents the amount of assets the City has invested in prepaid items and land assets held for resale. This fund balance component can largely fluctuate with the timing of certain payments (e.g. insurance premiums) and the net realizable value of the land assets being held by the City for future resale.
- The City's restricted fund balance is the result of external constraints placed upon it. The source of that constraint includes debt service, park development, affordable housing programs, lawful gambling, public safety, and tax increments. This component of fund balance has been on an increasing trend as the result of fees collected on new development for park dedication. New components of this fund balance in 2023 is the result of state-aid funding for affordable housing programs and public safety, with the funds being limited to uses outlined in Minnesota Statutes.
- The committed fund balances are within the City's special revenue funds for Street Lighting and Revolving Loans. This fund balance component has remained consistent over the past three years.
- Assigned fund balances are primarily associated with the City's capital project funds. The fund balance in this component is the result of the City accumulating resources for future capital improvement projects and capital equipment purchases.

A more detailed breakdown of the fund balance components can be found in the basic financial statements and accompanying financial statement footnotes.

General Fund Budgetary Highlights

During the year, there were no amendments to the General fund budget. The budgeted revenues and expenditures resulted in no change in fund balance. Actual results for the fiscal year were an increase of \$30,072 (0.61%). The key elements of this change are as follows:

- Actual revenues exceeded the budget by \$500,292 (6.53%). The largest revenue variance was provided by intergovernmental sources, which were over budget by \$483,221. This variance was the result of additional public safety state-aid grants approved by the Minnesota Legislature during the 2023 session, and amounts to \$465,819 of restricted fund balance at year-end. The next most significant variance was for investment earnings, which exceeded the budget by \$219,571 as the result of market conditions for interest rates which provided an increase in the fair market value of the City's investment portfolio compared with the prior year. Other notable variances were from licenses and permits, which was under budget by \$150,754, and from property taxes, which was under budget by \$100,893. The revenue for licenses and permits was less than budget due to new residential permits being less than forecasted in the budget. The variance for property taxes was the result of several prior year tax court settlements from the State of Minnesota.
- Actual expenditures were less than budget by \$239,250 (3.00%). The largest variance was within the general government function which was under budget by \$85,134, and is primarily the result of an unused contingency budget within the City Council department. The next largest variance, in the public safety function, which was under budget by \$85,037. Mostly within the Building Inspections department, this variance was the result of fewer new residential home permits which resulted in fewer hours of contracted services. Other functions under budget included Public Works, Economic Development, and Capital Outlay. The only function over budget, Culture and Recreation was over budget by \$13,740, as a result of contracted services in the Parks Maintenance department exceeding the budget.
- Transfers in were as budgeted, and represent annual contributions from the Water and Sanitary Sewer utility funds that help manage the property tax levy.
- Transfers out were not budgeted for during 2023. The actual transfer out of \$710,829 is in accordance with the City's fund balance policy. That policy outlines that any General fund balance exceeding 45% of the subsequent year's expenditure budget will be transferred, and assigned for future capital items.

The ending unassigned fund balance of the General fund (\$3,834,759) represents 40.71% of the adopted 2024 budget.

Capital Asset and Debt Administration

Capital Assets: The City's investment in capital assets for its governmental and business-type activities at the end of the current year, amounts to \$147,932,222 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, street and utility infrastructure, parks equipment, trails, machinery and equipment and construction in progress. The City's investment in capital assets increased \$21,561,802 (17.06%) from the previous year.

Major capital asset events during the current year included the following:

- The City updated its machinery & equipment fleet with several new pieces of equipment. The City maintains a ten-year capital improvement plan budget which schedules equipment and vehicle replacements and additions.
- The 2023 street renewal project was completed during the year. This project improved the condition of street infrastructure within the Vasseur's Oak Grove Estates, Otsego Acres, Hidden Valley, and Deer Field Acres residential subdivisions.
- The City received contributed infrastructure from housing developers. These assets include: streets, trail systems, and public utility infrastructure. These assets are paid for and installed by the developer, are inspected by the City Engineer to City standards, and are later accepted by the City, who is responsible for future maintenance and replacement.
- The City continued construction of the West Wastewater Treatment Facility Expansion which will increase the treatment capacity of the west sewer system. The project will also bring the treatment processes to the most current technologies available in order to meet current and future regulatory requirements. An additional component of the project will be the construction of an Administration building that will provide staff workspaces, vehicle storage, and customer service accessibility.
- The City initiated several drinking water system projects, that include the East-West Watermain Connection, Well No. 11, and Water Treatment Improvements at Wellhouse 4. These projects increase capacity, system redundancy, and quality for the drinking water system.
- The City completed design phases for construction of future City Buildings including a standalone City Hall facility, the expansion of the warm storage functions of the Public Works facility, and for a new cold storage facility for public works and park maintenance. The initiation of construction phases for these projects is currently unknown and is subject to additional review by the City Council.
- The City completed improvements to the City's first neighborhood park, School Knoll Park, which included an updated play structure, improvements to the basketball court, additional landscaping, and other site improvements. The City also completed design phases for projects scheduled for construction in the next year, including construction of Ashwood Park and improvements to Carrick's Landing.

CITY OF OTSEGO - CAPITAL ASSETS
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 4,278,161	\$ 4,278,161	\$ 759,721	\$ 741,333	\$ 5,037,882	\$ 5,019,494
Construction in Progress	1,092,466	50,128	25,365,280	5,994,416	26,457,746	6,044,544
Buildings and Improvements	3,955,436	3,996,488	15,787,127	16,210,154	19,742,563	20,206,642
Land Improvements	3,945,895	3,515,353	146,334	-	4,092,229	3,515,353
Machinery and Equipment	2,043,789	1,899,269	1,399,036	1,233,464	3,442,825	3,132,733
Infrastructure	32,422,378	31,215,926	56,736,599	57,251,852	89,158,977	88,467,778
	<u>\$ 47,738,125</u>	<u>\$ 44,955,325</u>	<u>\$ 100,194,097</u>	<u>\$ 81,431,219</u>	<u>\$ 147,932,222</u>	<u>\$ 126,386,544</u>

Additional information on the City's capital assets can be found in Note 3 (C) on pages 54 through 55 of this report.

Long-Term Debt: At the end of the current year, the City had outstanding long-term bonded debt of \$48,836,609.

CITY OF OTSEGO - OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ 3,055,000	\$ 3,740,000	\$ -	\$ -	\$ 3,055,000	\$ 3,740,000
Notes from Direct Borrowings	-	-	35,586,609	15,696,489	35,586,609	15,696,489
General Obligation Revenue Bonds	-	-	10,195,000	39,155,000	10,195,000	39,155,000
Unamortized Premiums	234,506	277,111	954,563	1,215,203	1,189,069	1,492,314
Compensated Absences	136,799	125,130	44,506	36,765	181,305	161,895
Total	<u>\$ 3,426,305</u>	<u>\$ 4,142,241</u>	<u>\$ 46,780,678</u>	<u>\$ 56,103,457</u>	<u>\$ 50,206,983</u>	<u>\$ 60,245,698</u>

Revenue streams for the repayment of the outstanding debt liabilities include: special assessments upon benefitting properties, fees from new connections to the water and sanitary sewer utility systems, and property tax levies. Should any of these sources of revenues prove inadequate, all outstanding bonds are backed by the full faith and credit of the City.

During 2023, the City issued \$34,045,359 of General Obligation PFA Revenue Note, Series 2023 for the purpose of financing the eligible project costs of the Clean Water State Revolving Fund project to improve treatment and for expansion of the West Wastewater Treatment Facility. This note provided the permanent financing for this project and provided the City the ability to defease the Series 2022A bond in the amount of \$26,215,000, which was an interim financing solution until the Minnesota Public Facilities Authority had the necessary funds in the Clean Water State Revolving Fund to provide long-term financing of the project.

The City made scheduled principal payments of \$4,290,278 during the year with the outstanding debt of the City decreasing by 16.65%.

The City maintained it's long term bond rating of AA+, with a stable outlook, and was assigned a short term rating of SP-1+ from Standard & Poor's Rating Services.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total Estimated Market Value. The current debt limitation for the City is \$88,533,510, with \$1,357,659 in debt outstanding that is applicable to the limit.

Additional information on the City's long-term debt can be found in Note 3 (F) on pages 58 through 61 of this report.

Economic Factors and Next Year's Budget and Rates

The following economic factors were identified by the City as potentially having an impact on the financial future of the City, and were considered in preparation of the 2024 operating budgets and capital improvement plans.

- The Taxable Market Value of real estate and personal property within the City increased 22.27% for taxes payable 2024. This increase is driven by both new construction within the City as well as market driven valuation increases.
- New construction in the residential sector continues within the City. During 2023, the City issued 221 building permits for new residential construction, which brings the five year average to 388. The City also continues to see builders final platting new developments for future years construction.
- Development of commercial and industrial properties was strong during 2023 with a total of eight completed development projects. The City has approved several additional commercial and industrial developments that have will initiate construction in 2024.
- The City continued construction of the City's West Wastewater Treatment Facility. The project, first identified in the City's Master Sewer Plan, will provide for not only expansion of the facility, but will change the way the City completes the treatment processing within sanitary sewer operations. Construction of this facility will continue through the spring of 2025.
- The City has continued planning efforts for development of the Fire & Emergency Services Department that is expected to initiate operations in January 2027. The City has entered contracts for the purchase of four apparatus that will be used in the operations of the department and have significant build lead times. The City has entered into design phases to complete a Facility Space Needs Analysis for the Fire & Emergency Services Building. Design is expected to be complete in the fall of 2024 with competitive bids to follow, and ground breaking of the facility in the spring of 2025.
- The City continues to expand upon and make improvements to the Capital Improvement Plan (CIP). The adopted CIP for 2024 plans for capital purchasing ten years into the future. These long range planning efforts assure that the City is always looking into the future and that the City is adequately planning from a financial resources standpoint.

Requests for Information

This financial report is designed to provide a general overview of the City of Otsego'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: Finance Director, 13400 90th Street NE, Otsego, MN 55330.



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CITY OF OTSEGO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 37,495,014	\$ 33,402,729	\$ 70,897,743
Receivables			
Interest	288,371	-	288,371
Accounts	231,775	927,164	1,158,939
Taxes	125,652	-	125,652
Special Assessments	1,529,172	1,719,067	3,248,239
Leases	-	230,862	230,862
Due from Other Governments	18,999	3,863,390	3,882,389
Land Held for Resale	202,200	-	202,200
Prepaid Items	135,876	88,338	224,214
Capital Assets			
Nondepreciable	5,370,627	26,125,001	31,495,628
Depreciable, Net of Accumulated Depreciation	42,367,498	74,069,096	116,436,594
Total Assets	<u>87,765,184</u>	<u>140,425,647</u>	<u>228,190,831</u>
DEFERRED OUTFLOWS OF RESOURCES			
General Employees Retirement Plan Pension Resources	365,540	123,770	489,310
LIABILITIES			
Accounts Payable	427,111	2,475,944	2,903,055
Deposits Payable	4,068,169	-	4,068,169
Due to Other Governments	13,792	31,425	45,217
Accrued Salaries Payable	58,042	19,675	77,717
Accrued Interest Payable	44,440	195,364	239,804
Unearned Revenue	1,979,429	-	1,979,429
Compensated Absences Payable			
Due Within One Year	27,360	8,901	36,261
Due in More than One Year	109,439	35,605	145,044
Bonds Payable			
Due Within One Year	460,000	2,335,000	2,795,000
Due in More than One Year	2,829,506	8,814,563	11,644,069
Notes from Direct Borrowings			
Due Within One Year	-	1,468,359	1,468,359
Due in More than One Year	-	34,118,250	34,118,250
General Employees Retirement Plan Net Pension Payable			
Due in More than One Year	1,186,391	401,705	1,588,096
Total Liabilities	<u>11,203,679</u>	<u>49,904,791</u>	<u>61,108,470</u>
DEFERRED INFLOWS OF RESOURCES			
Grants for Subsequent Years	1,148,198	-	1,148,198
General Employees Retirement Plan Pension Resources	348,625	118,042	466,667
Antenna Rental Leases	-	230,862	230,862
Deferred Gain on Refunding	-	236,645	236,645
Total Deferred Inflows of Resources	<u>1,496,823</u>	<u>585,549</u>	<u>2,082,372</u>
NET POSITION			
Net Investment in Capital Assets	44,222,133	50,937,723	95,159,856
Restricted			
Debt Service	1,931,847	-	1,931,847
Lawful Gambling Programs	138,020	-	138,020
Affordable Housing	52,757	-	52,757
Tax Increment Financing	375,370	-	375,370
Park Development	6,508,026	-	6,508,026
Public Safety	931,613	-	931,613
Unrestricted	21,270,456	39,121,354	60,391,810
Total Net Position	<u>\$ 75,430,222</u>	<u>\$ 90,059,077</u>	<u>\$ 165,489,299</u>

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

CITY OF OTSEGO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	<u>General</u>	<u>Debt Service</u>
ASSETS		
Cash and Investments	\$ 4,469,925	\$ 1,148,139
Receivables		
Interest	288,371	-
Accounts	3,916	-
Taxes		
Current	22,341	-
Delinquent	101,821	-
Special Assessments		
Current	-	-
Deferred	6,000	827,797
Delinquent	2,100	1,039
Due from Other Governments	1,785	-
Due from Other Funds	-	-
Land Held for Resale	202,200	-
Prepaid Items	135,876	-
	<u>5,234,335</u>	<u>1,976,975</u>
LIABILITIES		
Accounts Payable	74,461	688
Accrued Salaries Payable	58,042	-
Deposits Payable	-	-
Due to Other Governments	10,396	-
Due to Other Funds	-	-
Unearned Revenue	-	-
Total Liabilities	<u>142,899</u>	<u>688</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	101,821	-
Unavailable Revenue - Special Assessments	8,100	828,836
Grants for Subsequent Years	-	-
Total Deferred Inflows of Resources	<u>109,921</u>	<u>828,836</u>
FUND BALANCES		
Nonspendable	338,076	-
Restricted	465,819	1,147,451
Committed	-	-
Assigned	342,861	-
Unassigned	3,834,759	-
Total Fund Balances	<u>4,981,515</u>	<u>1,147,451</u>
	<u>\$ 5,234,335</u>	<u>\$ 1,976,975</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,234,335</u>	<u>\$ 1,976,975</u>

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

<u>Pavement Management</u>	<u>Capital Improvements</u>	<u>Development & Builder Escrows</u>	<u>Other Nonmajor Governmental</u>	<u>Total Governmental</u>
\$ 5,573,912	\$ 7,105,100	\$ 4,097,295	\$ 15,100,643	\$ 37,495,014
-	-	-	-	288,371
210,522	-	-	17,337	231,775
-	-	-	-	22,341
-	-	-	1,490	103,311
177	-	-	-	177
428,738	223,414	-	39,198	1,525,147
709	-	-	-	3,848
17,214	-	-	-	18,999
-	617,526	-	-	617,526
-	-	-	-	202,200
-	-	-	-	135,876
<u>6,231,272</u>	<u>7,946,040</u>	<u>4,097,295</u>	<u>15,158,668</u>	<u>40,644,585</u>
109,661	164,476	29,126	48,699	427,111
-	-	-	-	58,042
-	-	4,068,169	-	4,068,169
-	-	-	3,396	13,792
-	-	-	617,526	617,526
-	-	-	1,979,429	1,979,429
<u>109,661</u>	<u>164,476</u>	<u>4,097,295</u>	<u>2,649,050</u>	<u>7,164,069</u>
-	-	-	1,490	103,311
429,447	223,414	-	39,198	1,528,995
-	-	-	1,148,198	1,148,198
<u>429,447</u>	<u>223,414</u>	<u>-</u>	<u>1,188,886</u>	<u>2,780,504</u>
-	-	-	-	338,076
-	-	-	7,528,837	9,142,107
-	-	-	347,330	347,330
5,692,164	7,558,150	-	5,210,289	18,803,464
-	-	-	(1,765,724)	2,069,035
<u>5,692,164</u>	<u>7,558,150</u>	<u>-</u>	<u>11,320,732</u>	<u>30,700,012</u>
<u>\$ 6,231,272</u>	<u>\$ 7,946,040</u>	<u>\$ 4,097,295</u>	<u>\$ 15,158,668</u>	<u>\$ 40,644,585</u>



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CITY OF OTSEGO, MINNESOTA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Fund Balances - Governmental Funds	\$ 30,700,012
Amounts reported for the governmental activities within the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds.	
Cost of Capital Assets	69,459,990
Accumulated Depreciation	(21,721,865)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in governmental funds.	
Bonds Payable	(3,055,000)
Unamortized Premium on Bonds Payable	(234,506)
Accrued Interest Payable	(44,440)
Compensated Absences Payable	(136,799)
General Employees Retirement Plan Net Pension Payable	(1,186,391)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore, are unavailable in governmental funds.	
Delinquent Property Taxes Receivable	103,311
Special Assessments Receivable	1,528,995
Deferred resources from pensions reported in governmental activities are not financial resources and are not payable in the current period, therefore are not reported in governmental funds.	
GERF Pension Deferred Outflows of Resources	365,540
GERF Pension Deferred Inflows of Resources	(348,625)
Total Net Position - Governmental Activities	<u>\$ 75,430,222</u>

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

CITY OF OTSEGO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>General</u>	<u>Debt Service</u>
REVENUES		
Property Taxes	\$ 5,253,657	\$ 544,416
Tax Increments	-	-
Franchise Taxes	126,594	-
Licenses and Permits	1,544,769	-
Intergovernmental	575,521	-
Charges for Services	272,290	-
Special Assessments	10,389	222,746
Fines and Forfeitures	32,109	-
Investment Earnings (net)	295,571	-
Miscellaneous	45,441	-
Total Revenues	<u>8,156,341</u>	<u>767,162</u>
EXPENDITURES		
Current		
General Government	1,663,191	-
Public Safety	3,318,255	-
Public Works	1,688,881	-
Culture and Recreation	942,485	-
Economic Development	91,788	-
Capital Outlay		
General Government	15,216	-
Public Safety	4,953	-
Public Works	5,715	-
Culture and Recreation	6,915	-
Debt Service		
Principal	-	685,000
Interest	-	119,406
Fiscal Agent Fees	-	1,678
Total Expenditures	<u>7,737,399</u>	<u>806,084</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>418,942</u>	<u>(38,922)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	320,600	-
Sales of Capital Assets	1,359	-
Transfers Out	(710,829)	-
Total Other Financing Sources (Uses)	<u>(388,870)</u>	<u>-</u>
Net Change in Fund Balance	30,072	(38,922)
Fund Balance - January 1	<u>4,951,443</u>	<u>1,186,373</u>
Fund Balance - December 31	<u>\$ 4,981,515</u>	<u>\$ 1,147,451</u>

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

<u>Pavement Management</u>	<u>Capital Improvements</u>	<u>Development & Builder Escrows</u>	<u>Other Nonmajor Governmental</u>	<u>Total Governmental</u>
\$ 1,100,000	\$ 1,424,282	\$ -	\$ 857,325	\$ 9,179,680
-	-	-	490,045	490,045
900,252	-	-	-	1,026,846
-	-	-	-	1,544,769
296,100	26,176	-	1,427,411	2,325,208
-	-	370,534	550,713	1,193,537
107,985	27,144	-	8,861	377,125
-	-	-	-	32,109
232,320	246,738	-	467,788	1,242,417
2,063	114,274	-	66,537	228,315
<u>2,638,720</u>	<u>1,838,614</u>	<u>370,534</u>	<u>3,868,680</u>	<u>17,640,051</u>
-	-	104,035	-	1,767,226
-	-	-	-	3,318,255
-	-	266,499	-	1,955,380
-	-	-	-	942,485
-	-	-	337,266	429,054
-	472,812	-	9,357	497,385
-	-	-	108,524	113,477
2,498,180	774,586	-	774,450	4,052,931
-	-	-	1,030,436	1,037,351
-	-	-	-	685,000
-	-	-	-	119,406
-	-	-	-	1,678
<u>2,498,180</u>	<u>1,247,398</u>	<u>370,534</u>	<u>2,260,033</u>	<u>14,919,628</u>
<u>140,540</u>	<u>591,216</u>	<u>-</u>	<u>1,608,647</u>	<u>2,720,423</u>
-	710,829	-	68,192	1,099,621
-	-	-	-	1,359
-	(66,042)	-	-	(776,871)
-	<u>644,787</u>	<u>-</u>	<u>68,192</u>	<u>324,109</u>
140,540	1,236,003	-	1,676,839	3,044,532
<u>5,551,624</u>	<u>6,322,147</u>	<u>-</u>	<u>9,643,893</u>	<u>27,655,480</u>
<u>\$ 5,692,164</u>	<u>\$ 7,558,150</u>	<u>\$ -</u>	<u>\$ 11,320,732</u>	<u>\$ 30,700,012</u>

CITY OF OTSEGO, MINNESOTA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

Total Net Change in Fund Balances - Governmental Funds	\$ 3,044,532
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation.	
Capital Outlays	4,341,703
Depreciation Expense	(2,046,697)
Assets Contributed by Developers	824,811
Contributions of capital assets to the proprietary funds decrease net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	
	(336,480)
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net position differs from the change in fund balance by the cost of the capital assets sold.	
	(537)
The repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal Repayments	685,000
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 the 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.	
	53,230
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property Taxes	(2,555)
Tax Increments	1,490
Special Assessments	(118,138)
In the statement of activities, personnel expenses are recognized as they are accrued, however these expenses do not consume current financial resources, and under the modified accrual basis of accounting, are not reported in the governmental funds until they are due.	
Compensated Absences	(11,670)
GERF Pension	(118,232)
Change in Net Position - Governmental Activities	<u>\$ 6,316,457</u>

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

CITY OF OTSEGO, MINNESOTA
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Property Taxes	\$ 5,354,550	\$ 5,253,657	\$ (100,893)
Franchise Taxes	133,000	126,594	(6,406)
Licenses and Permits	1,695,523	1,544,769	(150,754)
Intergovernmental	92,300	575,521	483,221
Charges for Services	268,776	272,290	3,514
Special Assessments	4,400	10,389	5,989
Fines and Forfeitures	24,000	32,109	8,109
Investment Earnings (net)	76,000	295,571	219,571
Miscellaneous	7,500	45,441	37,941
Total Revenues	<u>7,656,049</u>	<u>8,156,341</u>	<u>500,292</u>
EXPENDITURES			
Current			
General Government	1,748,325	1,663,191	(85,134)
Public Safety	3,403,292	3,318,255	(85,037)
Public Works	1,727,827	1,688,881	(38,946)
Culture and Recreation	928,745	942,485	13,740
Economic Development	113,360	91,788	(21,572)
Capital Outlay			
General Government	35,100	15,216	(19,884)
Public Safety	3,000	4,953	1,953
Public Works	10,000	5,715	(4,285)
Culture and Recreation	7,000	6,915	(85)
Total Expenditures	<u>7,976,649</u>	<u>7,737,399</u>	<u>(239,250)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(320,600)</u>	<u>418,942</u>	<u>739,542</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	320,600	320,600	-
Sales of Capital Assets	-	1,359	1,359
Transfers Out	-	(710,829)	(710,829)
Total Other Financing Sources (Uses)	<u>320,600</u>	<u>(388,870)</u>	<u>(709,470)</u>
Net Change in Fund Balance	-	30,072	30,072
Fund Balance - January 1	<u>4,951,443</u>	<u>4,951,443</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 4,951,443</u>	<u>\$ 4,981,515</u>	<u>\$ 30,072</u>

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

CITY OF OTSEGO, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Water Utility	Sanitary Sewer Utility	Storm Water Utility	Total Enterprise
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 10,192,118	\$ 22,419,754	\$ 790,857	\$ 33,402,729
Receivables				
Accounts	313,649	605,799	7,716	927,164
Special Assessments				
Current	1,280	-	268	1,548
Delinquent	179	-	816	995
Due from Other Governments	-	3,863,390	-	3,863,390
Prepaid Items	21,360	66,978	-	88,338
Total Current Assets	<u>10,528,586</u>	<u>26,955,921</u>	<u>799,657</u>	<u>38,284,164</u>
Noncurrent Assets				
Receivables				
Leases	230,862	-	-	230,862
Special Assessments				
Deferred	473,092	1,211,522	31,910	1,716,524
Capital Assets				
Land	217,010	542,711	-	759,721
Buildings and Building Improvements	109,096	16,561,654	-	16,670,750
Land Improvements	151,380	-	-	151,380
Machinery and Equipment	620,784	1,796,212	32,200	2,449,196
Infrastructure	32,842,744	40,657,804	8,209,738	81,710,286
Construction in Progress	4,458,694	20,788,390	118,196	25,365,280
Total Capital Assets	<u>38,399,708</u>	<u>80,346,771</u>	<u>8,360,134</u>	<u>127,106,613</u>
Less: Accumulated Depreciation	<u>(9,245,484)</u>	<u>(16,781,404)</u>	<u>(885,628)</u>	<u>(26,912,516)</u>
Net Capital Assets	<u>29,154,224</u>	<u>63,565,367</u>	<u>7,474,506</u>	<u>100,194,097</u>
Total Noncurrent Assets	<u>29,858,178</u>	<u>64,776,889</u>	<u>7,506,416</u>	<u>102,141,483</u>
Total Assets	<u>40,386,764</u>	<u>91,732,810</u>	<u>8,306,073</u>	<u>140,425,647</u>
DEFERRED OUTFLOWS OF RESOURCES				
General Employees Retirement Plan Pension Resources	30,950	92,820	-	123,770
LIABILITIES				
Current Liabilities				
Accounts Payable	597,729	1,877,712	503	2,475,944
Due to Other Governments	31,425	-	-	31,425
Accrued Salaries Payable	4,919	14,756	-	19,675
Accrued Interest Payable	43,417	151,947	-	195,364
Bonds Payable	1,000,600	1,334,400	-	2,335,000
Notes from Direct Borrowings	-	1,468,359	-	1,468,359
Compensated Absences Payable	2,225	6,676	-	8,901
Total Current Liabilities	<u>1,680,315</u>	<u>4,853,850</u>	<u>503</u>	<u>6,534,668</u>
Noncurrent Liabilities				
Bonds Payable (net)	5,797,069	3,017,494	-	8,814,563
Notes from Direct Borrowings	-	34,118,250	-	34,118,250
Compensated Absences Payable	8,901	26,704	-	35,605
General Employees Retirement Plan Net Pension Payable	100,451	301,254	-	401,705
Total Noncurrent Liabilities	<u>5,906,421</u>	<u>37,463,702</u>	<u>-</u>	<u>43,370,123</u>
Total Liabilities	<u>7,586,736</u>	<u>42,317,552</u>	<u>503</u>	<u>49,904,791</u>
DEFERRED INFLOWS OF RESOURCES				
General Employees Retirement Plan Pension Resources	29,518	88,524	-	118,042
Antenna Rental Leases	230,862	-	-	230,862
Deferred Gain on Refunding	85,192	151,453	-	236,645
Total Deferred Inflows of Resources	<u>345,572</u>	<u>239,977</u>	<u>-</u>	<u>585,549</u>
NET POSITION				
Net Investment in Capital Assets	21,739,082	21,724,135	7,474,506	50,937,723
Unrestricted	10,746,324	27,543,966	831,064	39,121,354
Total Net Position	<u>\$ 32,485,406</u>	<u>\$ 49,268,101</u>	<u>\$ 8,305,570</u>	<u>\$ 90,059,077</u>

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

CITY OF OTSEGO, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Water Utility	Sanitary Sewer Utility	Storm Water Utility	Total Enterprise
OPERATING REVENUES				
Charges for Services	\$ 3,517,118	\$ 4,082,829	\$ 143,961	\$ 7,743,908
OPERATING EXPENSES				
Personal Services	267,474	638,885	8,778	915,137
Supplies	584,431	403,471	689	988,591
Insurance	20,857	65,974	-	86,831
Utilities	167,662	438,922	-	606,584
Services and Other Charges	418,218	411,537	20,125	849,880
Depreciation	882,583	1,576,558	194,776	2,653,917
Total Operating Expenses	<u>2,341,225</u>	<u>3,535,347</u>	<u>224,368</u>	<u>6,100,940</u>
Operating Income (Loss)	<u>1,175,893</u>	<u>547,482</u>	<u>(80,407)</u>	<u>1,642,968</u>
NONOPERATING REVENUES (EXPENSES)				
Antenna Rental	96,181	-	-	96,181
Intergovernmental	-	737,311	-	737,311
Property Taxes	-	-	38,000	38,000
Investment Earnings (net)	447,460	2,230,779	26,557	2,704,796
Sales of Capital Assets	-	537	-	537
Miscellaneous Revenue	29,910	82,181	-	112,091
Interest and Fiscal Agent Fees	(92,933)	(1,055,107)	-	(1,148,040)
Total Nonoperating Revenues (Expenses)	<u>480,618</u>	<u>1,995,701</u>	<u>64,557</u>	<u>2,540,876</u>
Income (Loss) Before Capital Contributions and Transfers	1,656,511	2,543,183	(15,850)	4,183,844
Capital Contributions - Connection Fees	1,119,710	3,161,324	-	4,281,034
Capital Contributions - Developer Assets	308,100	378,909	559,056	1,246,065
Capital Contributions - Governmental Funds	-	-	336,480	336,480
Transfers Out	(80,150)	(242,600)	-	(322,750)
Change in Net Position	3,004,171	5,840,816	879,686	9,724,673
Net Position - January 1	<u>29,481,235</u>	<u>43,427,285</u>	<u>7,425,884</u>	<u>80,334,404</u>
Net Position - December 31	<u>\$ 32,485,406</u>	<u>\$ 49,268,101</u>	<u>\$ 8,305,570</u>	<u>\$ 90,059,077</u>

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

CITY OF OTSEGO, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Water Utility	Sanitary Sewer Utility	Storm Water Utility	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 3,360,930	\$ 3,939,573	\$ 144,653	\$ 7,445,156
Other Operating Receipts	126,091	82,718	-	208,809
Payments to Suppliers	(1,206,827)	(1,532,428)	(21,165)	(2,760,420)
Payments to Employees	(259,311)	(614,500)	(8,778)	(882,589)
Net Cash Flows Provided by Operating Activities	<u>2,020,883</u>	<u>1,875,363</u>	<u>114,710</u>	<u>4,010,956</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property Taxes	-	-	38,000	38,000
Transfers Out	(80,150)	(242,600)	-	(322,750)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>(80,150)</u>	<u>(242,600)</u>	<u>38,000</u>	<u>(284,750)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(4,157,443)	(14,254,230)	-	(18,411,673)
Principal Paid on Revenue Bonds	(1,125,800)	(27,834,200)	-	(28,960,000)
Interest Paid on Revenue Bonds	(231,689)	(1,159,514)	-	(1,391,203)
Note Proceeds from Direct Borrowings	-	16,908,334	-	16,908,334
Principal Paid on Direct Borrowings	-	(860,278)	-	(860,278)
Interest Paid on Direct Borrowings	-	(181,230)	-	(181,230)
Intergovernmental Capital Grant	-	737,311	-	737,311
Connection Fees	1,202,281	3,433,087	-	4,635,368
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(4,312,651)</u>	<u>(23,210,720)</u>	<u>-</u>	<u>(27,523,371)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on Investments	447,460	2,230,779	26,557	2,704,796
Net Increase (Decrease) in Cash and Cash Equivalents	(1,924,458)	(19,347,178)	179,267	(21,092,369)
Cash and Cash Equivalents - January 1	12,116,576	41,766,932	611,590	54,495,098
Cash and Cash Equivalents - December 31	<u>\$ 10,192,118</u>	<u>\$ 22,419,754</u>	<u>\$ 790,857</u>	<u>\$ 33,402,729</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 1,175,893	\$ 547,482	\$ (80,407)	\$ 1,642,968
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:				
Depreciation	882,583	1,576,558	194,776	2,653,917
GERF Pension Activity	5,257	15,667	-	20,924
Other Income Related to Operations	126,091	82,718	-	208,809
(Increase) Decrease in Assets & Deferred Outflows of Resources:				
Accounts Receivable	(120,893)	(141,212)	(1,140)	(263,245)
Special Assessments	(35,295)	2,087	1,832	(31,376)
Due from Other Governments	-	(4,131)	-	(4,131)
Prepaid Items	(3,359)	(10,543)	-	(13,902)
Increase (Decrease) in Liabilities & Deferred Inflows of Resources:				
Accounts Payable	(24,509)	(201,981)	(351)	(226,841)
Due to Other Governments	12,209	-	-	12,209
Accrued Salaries Payable	971	2,912	-	3,883
Compensated Absences Payable	1,935	5,806	-	7,741
Net Cash Flows Provided by Operating Activities	<u>\$ 2,020,883</u>	<u>\$ 1,875,363</u>	<u>\$ 114,710</u>	<u>\$ 4,010,956</u>
NONCASH FINANCING ACTIVITIES				
Amortization of Premium on Bonds Payable	\$ 132,273	\$ 207,250	\$ -	\$ 339,523
Acquisition of Capital Assets on Account	\$ 532,281	\$ 1,751,276	\$ -	\$ 2,283,557
Contribution of Capital Assets - Developer	\$ 308,100	\$ 378,909	\$ 559,056	\$ 1,246,065
Contribution of Capital Assets - Governmental Funds	\$ -	\$ -	\$ 336,480	\$ 336,480

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Otsego, Minnesota (the City) was incorporated in 1990 after being an established township since 1858. The City operates under the "Optional Plan A" form of government, as defined in Minnesota statutes. The governing body of the City (City Council) consists of an elected Mayor, and four elected Council members, all of which are elected at-large and serve four year staggered terms. The City Council exercises legislative authority and determines all matters of policy.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units by the Governmental Accounting Standards Board (GASB).

The City includes all funds, organizations, institutions, agencies, departments, boards, and offices that are not legally separate from the City. 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 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.

Blended component units, although legally separate, are, in substance, part of the government's operations. A blended component unit is reported as if it were a fund of the City throughout the year. It is included at both the government-wide and fund financial reporting levels.

A description of the City's blended component unit follows:

The City of Otsego Economic Development Authority (EDA) – The City of Otsego EDA is a legal entity separate from the City. Although legally separate, the City of Otsego EDA is reported as if it were part of the primary government because the Board of Commissioners is made up of the Mayor and four Council members and the City has operational responsibility over the City of Otsego EDA. It is this criterion that results in the EDA being reported as a blended component unit within the primary government, although there is currently no financial activity for the City of Otsego EDA. Separate financial statements would not be prepared for the City of Otsego EDA, even if there was financial activity.

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 and its component units. *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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported instead as *general 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 and special assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

General Fund - This is the City's primary operating fund, and accounts for all of the general financial resources of the City, except those required to be accounted for in another fund. Most of the current day-to-day operations of the City are financed from this fund.

Debt Service Fund - This fund is used to account for the collection of property taxes, special assessments and other resources which are used to repay the principal and interest on debt issued for various improvements in the City.

Pavement Management Fund - This fund was established to provide funds and to account for the expenditure of such funds, for costs associated with the City's street maintenance and replacement plan adopted annually within the Capital Improvement Plan. Annual projects may include: fog & seal coating, crack filling, paint striping, patching and asphalt overlays.

Capital Improvements Fund - This fund was established to accumulate resources that may be used to internally finance future City projects.

Development and Builder Escrows Fund - This fund was established to receipt funds and to account for the expenditure of such funds, for costs associated within residential, commercial and industrial developments in the City.

The City reports the following major enterprise funds:

Water Utility Fund - This fund accounts for the operations of the public water utility system. The resources accumulated are primarily from system user charges and system connection fees. The accumulated funds are then used to pay for the operational costs of pumping and distributing water to the system customers. The fund also accumulates resources to finance certain capital improvements and to pay the debt service associated with the water utility.

Sanitary Sewer Utility Fund - This fund accounts for the operations of the public sewer utility system. The resources accumulated are primarily from system user charges and system connection fees. The accumulated funds are then used to pay for the operational costs of collection and treatment of sewage from the system. The fund also accumulates resources to finance certain capital improvements and to pay the debt service associated with the sewer utility.

Storm Water Utility Fund - This fund accounts for the operations of the storm water collection system. The resources accumulated are primarily from system user charges and property taxes. The accumulated funds are then used to pay for the operational costs of collection and treatment of surface water runoff that does not require treatment.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for 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 revenue and expenses.

D. DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and investments with a maturity of three months or less when from the date of acquisition. All of the deposits and investments allocated to the proprietary funds are considered to meet this criteria.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

Minnesota statute §118A.04 governs the investment of public funds and outlines the allowable investment types. The City's investment policy is more restrictive than statute, and authorizes the City to invest in the following:

- a] Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- b] Shares of investment companies registered under the Federal Securities Act of 1940, and received the highest credit rating and is rated in one of the two highest categories by at least one nationally recognized statistical rating agency.
- c] Obligations of any state or local government with taxing powers rated "A" for general obligations or with a rating of "AA" or better for revenue backed obligations, with the ratings being provided by a national bond rating service.
- d] Commercial paper issued by a United States corporation or their Canadian subsidiaries that is rated in the highest quality by at least two nationally recognized rating agencies.
- e] Time deposits that are fully insured by the Federal Deposit Insurance Corporation.

Certain investments for the City are reported at fair value as disclosed in Note 3 (A). 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; and Level 3 inputs are significant unobservable inputs.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 79, the Minnesota Municipal Investment Pool (4M) securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Amounts invested in the 4M Plus must be deposited for a minimum of 14 days. Withdrawals made prior to the 14-day requirement will be subject to a penalty equal to 7 days interest on the amount withdrawn. Term Series investments are designed to be held to maturity. If an investment made in a Term Series is withdrawn prior to the maturity date of that Series, seven days notice of redemption is required, and a penalty will likely be assessed.

E. RECEIVABLES AND PAYABLES

Accounts Receivable

Receivables include amounts billed for services provided by the City before year-end. Receivables within the enterprise funds do include unbilled charges for services provided from the middle of December to the end of the year, as the City bills for those services mid-month. The City currently has not established an allowance for doubtful accounts for either trade or utility charge receivables. The City annually certifies unpaid trade and utility charge receivable to Wright County for collection in the following year, and is the primary factor in reporting the receivables at a gross amount, rather than net of allowance.

Leases

The City is a lessor for several noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and proprietary fund financial statements.

At the commencement of a lease, the City measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments receive. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term in a systematic and rational manner.

Key estimates and judgements include how the City determines: 1) the discount rate, 2) the lease term, 3) lease receipts, and 4) the amortization. The City determines the discount rate for leases based on the applicable State and Local Government Securities (SLGS) rate. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

Property Taxes

The City Council annually adopts a property tax levy and certifies it to Wright County in December. The County allocates this levy across taxable properties in the City based on valuations assessed in the prior year. These taxes become an enforceable lien against the property on January 1st, and are recorded as receivables by the City as of that date.

Tax statements are generated and mailed by the County to the respective taxpayers, with half of the total due on May 15th and the second half due on October 15th. The County is also the collecting agency, and remits the amounts collected to the City with primary settlements in June and December, and a minor settlement in January.

Property taxes that are unpaid as of December 31st, are then classified as delinquent. Delinquent taxes receivable include the past six years of uncollected taxes and are fully offset by a deferred inflow of resources for those collections not received within 60 days of year-end in the governmental fund financial statements.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments have been offset by a deferred inflow of resources for those collections not received within 60 days after year end in the governmental fund financial statements.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as “due to/from other funds.” All short-term interfund receivables and payables at December 31, 2023 are planned to be eliminated in 2024. Long-term interfund loans are classified as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

F. 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 reported using the consumption method and recorded as expenditures/expenses at the time of consumption rather than when purchased.

G. ASSETS HELD FOR RESALE

Assets held for resale represent various parcels of land that are currently owned by the City with the intent to sell in the future to create economic development activity within the City. The assets are reported at their net realizable value in the General fund. During the year ended December 31, 2023, management has reviewed the reported values of the assets.

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets such as easements and computer software, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost in excess of the amounts in the table below and with an estimated useful life in excess of three years. All land assets are recorded by the City with no assigned cost threshold. 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.

Infrastructure	\$	100,000
Buildings and Building Improvements		50,000
Land Improvements		25,000
Machinery and Equipment		5,000

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.

Capital assets of the City, are depreciated using the straight line method over the following estimated useful lives:

Infrastructure	25 - 40 years
Buildings and Building Improvements	10 - 40 years
Land Improvements	5 - 20 years
Machinery and Equipment	3 - 15 years

I. DEFERRED OUTFLOWS 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, deferred outflows of resources, 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 then. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

J. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused personal time-off (PTO) benefits. All PTO pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured, for example, as a result of an employee retirement or resignation. The General fund is typically used to liquidate the compensated absences payable for governmental activities.

K. 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 amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

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.

L. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to or deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the net pension liability for governmental activities. The Water Utility and Sanitary Sewer Utility funds would be used to liquidate the net pension liability for business-type activities.

M. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement was to improve accounting and financial reporting for postemployment benefits other than pensions (OPEB). The City has no plans that would result in an OPEB liability and, therefore, the City anticipates it will not incur any future explicit or implicit OPEB costs for its employees, and therefore, no liability will be recorded.

N. SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, Subscription Based Information Technology Arrangements (SBITA). The primary objective of this Statement was to improve accounting and financial reporting of SBITA's by providing uniform guidance that will result in greater consistency in practice. The City has no SBITA's that would result in an intangible asset and corresponding subscription liability.

N. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, statements of financial position or balance sheets 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has four types of items which qualify for reporting in this category. One item, unavailable revenue, which arises only under a modified accrual basis of accounting, therefore, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from sources such as: property taxes and special assessments not collected within 60 days of year-end. The statement of net position and governmental funds also report deferred inflows of grants for subsequent years due to timing requirements not being met at year-end. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The second item presented by the City are deferred inflows of resources on the statement of net position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years. The third item presented by the City on the government-wide statement of net position and on the proprietary funds statement of net position are deferred inflows of resources related to a deferred gain on a refunding bond issuance which will be amortized over the remaining life of the debt issuance. The fourth item, Antenna Rental Leases, is reported in both the government-wide and proprietary funds statements of net position.

O. FUND EQUITY

Fund equity in the fund financial statements is classified as fund balance for governmental funds and net position for proprietary funds. Fund equity in the government-wide financial statements is classified as net position for both governmental and business-type activities.

Fund Balance – In the fund financial statements, governmental funds report fund balance in classifications that disclose restraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – consists of amounts that are not in spendable form or are required to be maintained intact.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of internally imposed constraints. These constraints are imposed by formal action (resolution) of the City Council, which is the highest level of decision making authority.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City’s intended use. These constraints are established by the City Council or, pursuant to council resolution, the City Administrator or the Finance Director.

Unassigned – is the residual classification for the General fund and also reflects negative residual amounts in other funds.

When committed, assigned, or unassigned resources are available for an allowable use, it is the City’s policy to use resources in the following order; 1) committed, 2) assigned, and 3) unassigned.

The City has formally adopted a fund balance policy for the General Fund. The policy establishes a year-end target fund balance amount of 45% of the next year’s operating budget for cash flow needs.

Net Position – Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position can be displayed in the three following classifications:

Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and further reduced by the outstanding balance of any long-term debt used to build or acquire the respective capital assets.

Restricted – reported when there are limitations of use through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

Unrestricted – all remaining net position is reported in this classification.

When both restricted and unrestricted net position are available for an allowable use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

P. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from such estimates.

Q. BUDGETARY INFORMATION

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for the General fund, the Series 2018A and Series 2020A Debt Service funds, Tax Increment District No. 1, Tax Increment District No. 3, and Tax Increment District No. 4 special revenue funds. All annual appropriations lapse at year-end. The City does not use encumbrance accounting.

In June of each year, General fund departments submit requests for appropriations to the City Administrator so that a budget may be prepared. The requested budget appropriations are presented and reviewed with the City Council. The proposed General fund budget and preliminary property tax levy must be certified to Wright County prior to September 30. The City Council holds public hearings and a final budget is adopted in early December, with the final property tax levy required to be certified to Wright County prior to the end of December.

The appropriated budget is prepared by fund and department. The City's department heads are authorized to make transfers of budgeted appropriations within a department. Any transfers of appropriations between a department needs authorization of the City Administrator. The legal level of budgetary control is at the fund level, so any appropriations transfers between funds needs the approval of the City Council. There were no transfers of budgeted appropriations or budget amendments during the year.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. DEFICIT FUND EQUITY

Deficit fund equity exists at December 31, 2023 in the following fund:

Non-Major Governmental Funds:	
Capital Project Funds	
MSA Construction	\$ 1,765,724

The deficit is being funded through internal borrowing. The MSA Construction fund deficit will be repaid with State-Aid funding from 2024 through 2025, which has been advanced to the City for the 85th Street and Maciver Avenue street extension project.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

Minnesota Statutes require that all City deposits with financial institutions be protected by federal deposit insurance, corporate surety bonds or collateral. The fair value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that all securities pledged as collateral be placed in safekeeping in a restricted account at the Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At year-end, the City's carrying amount of deposits was \$782,006, and a bank balance of \$1,512,796.

Custodial credit risk for the City's deposits would arise in the event of a bank failure, where the City's deposits may not be returned to it. As of year-end, the City's bank balance 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 in the City's name.

As of December 31, 2023 the City had the following investments:

Investment Type	Fair Value	Investment Maturities (In Years)		
		< 1	1 - 3	3 - 5
Negotiable Certificates of Deposit	\$ 24,841,078	\$ 6,743,086	\$ 10,737,777	\$ 7,360,215
U.S. Government Agency Securities	20,816,042	5,748,074	6,956,872	8,111,096
Municipal Bonds	7,945,658	1,362,463	3,689,187	2,894,008
External Investment Pool	16,477,630	16,477,630	-	-
Brokered Money Market Accounts	34,729	34,729	-	-
Total	\$ 70,115,137	\$ 30,365,982	\$ 21,383,836	\$ 18,365,319

The external investment pool and brokered money market investments are valued at amortized cost. All of the remaining City investments have recurring fair value measurements using a matrix pricing model (level 2 inputs).

CITY OF OTSEGO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

As of December 31, 2023, the City's investments in U.S. Government Agency Securities and Municipal Bonds carried the following ratings as well as their respective concentration percentage when compared to the total investment portfolio. An indication of "NR" in the ratings below mean that the respective rating organization has not provided a rating on the respective investment.

Investment Type	Moody's Rating	S & P Rating	Fair Value	Portfolio Concentration %
U.S. Government Agency Securities				
Federal Farm Credit Bank (FFCB)	Aaa	AA+	\$ 4,878,994	6.96%
Federal Home Loan Bank (FHLB)	Aaa	AA+	10,610,258	15.13%
Federal Home Loan Mortgage Corporation (FHLMC)	Aaa	AA+	1,621,182	2.31%
Federal National Mortgage Association (FNMA)	Aaa	AA+	3,705,608	5.29%
Total			\$ 20,816,042	29.69%
Municipal Bonds				
City of Minneapolis, Minnesota	Aa1	AAA	869,048	1.24%
Shakopee School District, MN	Aa1	NR	691,785	0.99%
City of New York NY	Aa2	AA	914,780	1.30%
State of Oregon	Aa1	AA+	493,415	0.70%
Lake of the Woods School District, MN	NR	AAA	626,777	0.89%
State of Mississippi	Aa2	AA	1,398,885	2.00%
State of California	Aa2	AA-	473,520	0.68%
Canutillo School District, TX	Aaa	NR	521,411	0.74%
Multnomah County School District, TX	Aa2	AA	675,653	0.96%
Sunnyvale School District, CA	NR	AAA	335,689	0.48%
City of Salem, OR	Aa2	NR	495,870	0.71%
Town of Wilmington, MA	NR	AA+	448,825	0.64%
Total			\$ 7,945,658	11.33%

The following is a summary of total deposits and investments as of December 31, 2023 and presented in the basic financial statements in the Statement of Net Position:

Deposits	\$ 782,006
Investments	70,115,137
Petty Cash and Change Funds	600
Total	\$ 70,897,743

CITY OF OTSEGO, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2023

Interest Rate Risk – This is the risk that the fair values of the securities in the City's investment portfolio would decrease due to changes in market interest rates. The City identifies interest rate risk within the second and fourth objectives of the City's investment policy, which are liquidity and return on investment. The City attempts to limit its exposure to interest rate risk by keeping the investment portfolio sufficiently liquid to meet cash flow requirements, while still attempting to obtain a reasonable return on investment. The City also addresses interest rate risk by attempting to create proportions in the maturities of the City's investment portfolio which places longer term investments higher on the yield curve than those shorter term investments.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limits allowable investments to those that are in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy also addresses credit risk by further limiting investments to the list provided within Note 1-D.

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of the City's investment in any single issuer. The first objective of the City's investment policy is safety. To obtain this objective, diversification is to be considered in the type of investment, maturity and the issuer of the respective investments. Each of the City's certificates of deposit are purchased in amounts not exceeding federal deposit insurance. The tables above outline the concentrations of the City's other investment types, including U.S. Government Agency Securities and Municipal Bonds.

More than 5 percent of the City's investments are in Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), and Federal National Mortgage Association (FNMA). These investments are 6.96 percent, 15.13 percent, 5.29 percent respectively, of the City's total investments.

Custodial Credit Risk – This is the risk that in the event of the failure of a counterparty to an investment, the City will not be able to recover the value of an investment or collateral securities that are in possession of an outside party. In accordance with the City's investment policy, all investment securities shall be held by a single safekeeping agent in the name of the City.

B. LEASE RECEIVABLE

The City has implemented GASB 87 effective December 31, 2022 and has recognized a Lease Receivable and respective Deferred Inflow of Resources in the amount of \$230,862. Leases included in the lease receivable are the leased space above Water Towers No. 1 and No. 3 to several communication companies. Lease terms are as follows:

Lessee	2023 Lease Revenue	2023 Lease Receivable	Annual Lease Adjustment Factor	Renewal Options
T-Mobile	\$ 37,346	\$ 62,546	4%	n/a
Nextera Wireless	18,980	69,864	4%	Three Terms of 5-Years
Verizon Wireless	39,855	98,452	5%	n/a

CITY OF OTSEGO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 4,278,161	\$ -	\$ -	\$ 4,278,161
Construction in Progress	50,128	2,612,383	(1,570,045)	1,092,466
Total Capital Assets, not Being Depreciated	4,328,289	2,612,383	(1,570,045)	5,370,627
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	6,562,050	118,751	-	6,680,801
Land Improvements	7,213,383	707,930	(94,610)	7,826,703
Machinery and Equipment	4,762,154	492,929	(24,594)	5,230,489
Infrastructure	41,883,284	2,468,086	-	44,351,370
Total Capital Assets, Being Depreciated	60,420,871	3,787,696	(119,204)	64,089,363
Less Accumulated Depreciation for:				
Buildings and Building Improvements	2,565,562	159,803	-	2,725,365
Land Improvements	3,698,030	277,388	(94,610)	3,880,808
Machinery and Equipment	2,862,885	347,872	(24,057)	3,186,700
Infrastructure	10,667,358	1,261,634	-	11,928,992
Total Accumulated Depreciation	19,793,835	2,046,697	(118,667)	21,721,865
Total Capital Assets Being Depreciated - Net	40,627,036	1,740,999	(537)	42,367,498
Governmental Activities Capital Assets - Net	\$ 44,955,325	\$ 4,353,382	\$ (1,570,582)	\$ 47,738,125

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

Governmental Activities:	
General Government	\$ 30,409
Public Safety	12,729
Public Works	1,580,903
Culture and Recreation	422,656
Total Depreciation Expense - Governmental Activities	\$ 2,046,697

CITY OF OTSEGO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 741,333	\$ 18,388	\$ -	\$ 759,721
Construction in progress	5,994,416	19,522,244	(151,380)	25,365,280
Total Capital Assets, not Being Depreciated	6,735,749	19,540,632	(151,380)	26,125,001
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	16,670,750	-	-	16,670,750
Land Improvements	-	151,380	-	151,380
Machinery and Equipment	2,098,882	350,314	-	2,449,196
Infrastructure	80,184,437	1,525,849	-	81,710,286
Total Capital Assets, Being Depreciated	98,954,069	2,027,543	-	100,981,612
Less Accumulated Depreciation for:				
Buildings and Building Improvements	460,596	423,027	-	883,623
Land Improvements	-	5,046	-	5,046
Machinery and Equipment	865,418	184,742	-	1,050,160
Infrastructure	22,932,585	2,041,102	-	24,973,687
Total Accumulated Depreciation	24,258,599	2,653,917	-	26,912,516
Total Capital Assets Being Depreciated - Net	74,695,470	(626,374)	-	74,069,096
Business-type Activities Capital Assets - Net	\$ 81,431,219	\$ 18,914,258	\$ (151,380)	\$ 100,194,097

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

Business-type Activities:	
Water Utility	\$ 882,583
Sanitary Sewer Utility	1,576,558
Storm Water Utility	194,776
Total Depreciation Expense - Business-type Activities	\$ 2,653,917

CITY OF OTSEGO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

D. CONSTRUCTION COMMITMENTS

At December 31, 2023 the City had construction project contracts in progress. The commitments related to remaining contract balances are summarized as follows:

<u>Fund & Project</u>	<u>Contract Amount</u>	<u>Remaining Commitment</u>
Water Utility		
Well #11	\$ 388,346	\$ 209,991
Sanitary Sewer Utility		
West Wastewater Treatment Facility Expansion	<u>34,228,113</u>	<u>17,010,223</u>
Total	<u>\$ 34,616,459</u>	<u>\$ 17,220,214</u>

E. INTERFUND BALANCES AND TRANSFERS

At December 31, 2023, the composition of balances for due to/from other funds of the City were as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
Capital Improvements	\$ 617,526	\$ -
Nonmajor Governmental Funds:		
MSA Construction	<u>-</u>	<u>617,526</u>
Total	<u>\$ 617,526</u>	<u>\$ 617,526</u>

Interfund due to/from balances are representative of lending/borrowing arrangements to cover deficit cash balances at the end of the fiscal year. The balance in the Municipal State-Aid for Construction fund will be repaid with State-Aid funding for the 85th Street and Maciver Avenue extension projects.

CITY OF OTSEGO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Transfers between funds made during the year ended December 31, 2023 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
General	\$ 320,600	\$ 710,829
Capital Improvements	710,829	66,042
Nonmajor Governmental Funds:		
Parks Capital Equipment	66,042	-
Revolving Capital Equipment	2,150	-
Total Governmental Funds	<u>1,099,621</u>	<u>776,871</u>
Major Proprietary Funds:		
Water Utility	-	80,150
Sanitary Sewer Utility	-	242,600
Total Proprietary Funds	<u>-</u>	<u>322,750</u>
 Total All Funds	 <u>\$ 1,099,621</u>	 <u>\$ 1,099,621</u>

Interfund transfers allow the City to allocate financial resources to the funds that receive benefit from services provided by another fund or to provide additional capital and infrastructure funding. In addition, interfund transfers are occasionally authorized to allow redistribution of resources between funds for the most efficient use of funds. In 2023, the following transfers were made between funds:

- The General fund transferred \$710,829 to the Capital Improvements fund. This transfer was in accordance with the City's fund balance policy, where any balance exceeding the minimum fund balance is set aside for future capital items.
- The Capital Improvements fund transferred \$66,042 to the Parks Capital Equipment fund to cover projects costs in excess of the estimated budget costs for the Kittredge Park Shelter Repair project.
- The Water Utility and Sanitary Sewer Utility funds transferred \$80,150 and \$240,450 respectively to the General fund as an annual contribution to help manage the property tax levy.
- The Sanitary Sewer Utility fund transferred \$2,150 to the Revolving Capital Equipment fund as payment for the purchase of a mower for the West Wastewater Treatment Facility.

F. LONG-TERM DEBT

Governmental Activities

The City issued general obligation bonds to provide funding for the acquisition and construction of major capital facilities and construction of infrastructure in the governmental activities. General obligation bonds have also been issued to refinance general obligation improvement bonds, which were originally intended to be fully repaid with collections of special assessments. All long-term indebtedness outstanding is backed by the full faith and credit of the City. Bonds in the governmental activities will be retired with future property tax levies and collections of special assessments. In the event that a deficiency exists because of unpaid or delinquent taxes or special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are available. At the end of the current year, there are \$1,976,975 of assets accumulated in the debt service funds for future debt service. Included within those accumulated assets, there are \$1,039 of delinquent special assessments receivable, of which collection is uncertain.

	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Payable 12/31/23
General Obligation Bonds:					
Improvement Bonds, Series 2018A	3.00 - 3.13%	7/11/2018	2/1/2034	\$ 2,305,000	\$ 1,580,000
Refunding Bonds 2020A	1.03 - 1.11%	11/17/2020	2/1/2028	2,950,000	1,475,000
Total - Bonded Indebtedness				<u>\$ 5,255,000</u>	3,055,000
Other Liabilities:					
Unamortized Premium on Issuance of Bonds					234,506
Compensated Absences Payable					<u>136,799</u>
Total Governmental Activities					<u><u>\$ 3,426,305</u></u>

Annual debt service requirements to maturity for governmental activities long-term indebtedness are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 460,000	\$ 98,406
2025	480,000	81,556
2026	495,000	64,081
2027	525,000	45,756
2028	540,000	26,606
2029 - 2033	485,000	35,841
2034	70,000	1,094
Total	<u>\$ 3,055,000</u>	<u>\$ 353,340</u>

CITY OF OTSEGO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Business-type Activities

The City issued general obligation bonds to provide funding for the acquisition and construction of major capital facilities and construction of infrastructure in the business-type activities. All long-term indebtedness outstanding is backed by the full faith and credit of the City. Bonds in the business-type activities will be retired with the net revenues of the Water and Sanitary Sewer funds. (Net revenues are defined as the excess of gross revenues and earnings over the normal, reasonable and current costs of operating and maintenance). In the event that a deficiency exists because of inadequate net revenues at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are available. At the end of the current year, the Water and Sanitary Sewer funds provided net revenues of \$6,004,409, which accounts for a debt-service coverage ratio of 19.13%.

	Interest Rates	Date	Final Maturity Date	Original Issue	Payable 12/31/23
General Obligation Bonds:					
Revenue Bonds, Series 2019A	4.00 - 4.00%	12/19/2019	12/1/2026	\$ 3,525,000	\$ 3,525,000
Revenue Bonds, Series 2021A	1.00 - 3.00%	9/23/2021	2/1/2037	4,345,000	4,130,000
Revenue Bonds, Series 2021B	5.00 - 5.00%	9/23/2021	12/1/2026	7,390,000	2,540,000
Note from Direct Borrowing:					
G.O. PFA Revenue Note, 2020	1.16%	4/27/2020	8/20/2040	17,199,866	14,850,000
G.O. PFA Revenue Note, 2023	2.84%	11/9/2023	8/20/2043	34,045,359	20,736,609
Sub-Total				<u>\$ 66,505,225</u>	45,781,609
Other Liabilities:					
Unamortized Premium on Issuance of Bonds					954,563
Compensated Absences Payable					<u>44,506</u>
Total Business-type Activities					<u>\$ 46,780,678</u>

CITY OF OTSEGO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Annual debt service requirements to maturity for business-type activities long-term indebtedness are as follows:

Year Ending December 31	Business-type Activities		Business-type Activities	
	General Obligation Bonds		Note from Direct Borrowing	
	Principal	Interest	Principal	Interest
2024	\$ 2,335,000	\$ 349,155	\$ 1,468,359	\$ 501,497
2025	2,210,000	243,355	2,153,000	1,111,945
2026	2,295,000	152,280	2,201,000	1,064,258
2027	275,000	57,530	2,250,000	1,015,375
2028	285,000	49,130	2,300,000	965,250
2029 - 2033	1,510,000	442,414	12,296,000	4,029,069
2034 - 2038	1,285,000	50,769	13,755,000	2,571,376
2039 - 2043	-	-	12,472,000	951,465
Total	<u>\$ 10,195,000</u>	<u>\$ 1,344,633</u>	<u>\$ 48,895,359</u>	<u>\$ 12,210,235</u>

In November 2023, the City issued \$34,045,359 of General Obligation PFA Revenue Note, Series 2023 for the purpose of financing the eligible projects costs of the Clean Water State Revolving Fund project to improve treatment and for expansion of the West Wastewater Treatment Facility. The aggregate principal amount of the loan disbursed and outstanding will bear interest at the rate of 2.843 percent per annum accruing from and after the date of the Note, which is November 9, 2023, through the date on which no principal of the loan remains unpaid and all accrued interest and servicing fees have been paid.

The annual debt service requirements to maturity presented are based on the final projected costs and debt authorized by the Minnesota Public Facilities Authority. The balance of the debt represents costs incurred through December 31, 2023.

CITY OF OTSEGO, MINNESOTA
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FOR THE YEAR ENDED DECEMBER 31, 2023

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 3,740,000	\$ -	\$ (685,000)	\$ 3,055,000	\$ 460,000
Unamortized Bond Premium	277,111	-	(42,605)	234,506	-
Compensated Absences	125,130	194,084	(182,415)	136,799	27,360
Total - Governmental	4,142,241	194,084	(910,020)	3,426,305	487,360
Business-type Activities:					
General Obligation Bonds	39,155,000	-	(28,960,000)	10,195,000	2,335,000
Notes from Direct Borrowings	15,696,489	20,750,398	(860,278)	35,586,609	1,468,359
Unamortized Bond Premium	1,215,203	-	(260,640)	954,563	-
Compensated Absences	36,765	69,678	(61,937)	44,506	8,901
Total - Business-type	56,103,457	20,820,076	(30,142,855)	46,780,678	3,812,260
Total Long-Term Liabilities	\$60,245,698	\$ 21,014,160	\$ (31,052,875)	\$ 50,206,983	\$ 4,299,620

The General fund is typically used to liquidate the compensated absences payable for governmental activities.

G. CONDUIT DEBT OBLIGATIONS

Conduit debt obligations are certain limited-obligation revenue bonds or similar instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued various 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, 2023, the City's conduit debt consisted of the following:

Guardian Angels Senior Services Revenue Bonds, Series 2017	\$ 27,985,000
Guardian Angels Senior Services Revenue Refunding Bonds, Series 2017A	8,635,000
Revenue Refunding Bonds, Series 2017B	4,360,000
Kaleidoscope Charter School Revenue Bonds, Series 2014A	13,715,000

H. TAX ABATEMENTS

The City has entered into certain agreements for economic development purposes to either attract new businesses or retain existing business operations within the City. The authority for the City to enter into such agreements comes from *Minnesota Statute §469*. The City further has an established Business Subsidy Policy that provides evaluation criteria for any business subsidy requests. As of December 31, 2023, the City has entered into two types of agreements.

Property Tax Abatements

For the year ended December 31, 2023, the City abated property taxes totaling \$74,668. Details of each agreement and the abatement for the current year are as follows:

- The City has entered into a tax abatement agreement with Wright County in order to finance the cost of Parkview Avenue and 88th Street improvements which facilitated the Parkview Retail development. The agreement outlines that the City will use tax abatement financing in an amount not to exceed \$950,000 to reimburse the costs of the public improvements. Wright County will use tax abatement financing in an amount not to exceed \$400,000 to reimburse the City for a portion of the costs of the public improvements. This abatement began with taxes payable 2022. For the current year, Wright County provided an abatement in the amount of \$74,037. At the end of the current year, the total abatement from Wright County totals \$109,875.

Tax Increment Financing

For the year ended December 31, 2023, the Tax Increment Financing Districts within the City generated increment in the amount of \$490,045 and payments to the developers in the amount of \$330,287. Details of each agreement are as follows:

- Tax Increment Financing District No. 1 was established in 2015 for the purpose of promoting industrial development on a parcel owned by the City which had been obtained through the tax forfeiture process. The parcel would not have been developed but-for tax increment financing given the existing special assessments and the extraordinary amount of soil improvements. Under the agreement, up to \$694,487 of costs incurred by the developer will be reimbursed through a tax increment revenue note, payable beginning in 2018 and concluding in 2027. Payments on the tax increment revenue note are only made to the extent of increment generated by the district. For 2023, this tax increment financing district generated increment in the amount of \$85,412 and payments to the developer in the amount of \$42,285.
- Tax Increment Financing District No. 3 was established in 2017 for the purpose of facilitating the development of a 142 unit senior housing facility, consisting of independent living, assisted living and memory care. The tax increment district is a housing district, and is intended for occupancy, in part, by persons or families of low and moderate income. In order to qualify as a housing district, the senior housing facility is required to provide at least 20% of the residential units to persons whose incomes do not exceed 50% of the County median income. By providing the affordable housing, the City believes that such a project was in the best interests of the City and its residents and agreed to reimburse the developer the lesser of \$2,389,400 or the costs of the site improvements actually incurred. The reimbursements will be made through a tax increment revenue note, payable beginning in 2020 and concluding in 2047. Payments of the tax increment revenue note are only made to the extent of increment generated by the district. For 2023, this tax increment financing district generated increment in the amount of \$205,957 and payments to the developer in the amount of \$170,581.
- Tax Increment Financing District No. 4 was established in 2018 for the purpose of facilitating the redevelopment of an existing site including the decommissioning of a private wastewater treatment facility. The redevelopment of this site will facilitate the construction of 164 units of market-rate multifamily housing, a mini-storage facility, and will create shovel ready sites for approximately 15,000 square feet of future commercial retail development. The City determined this development will ultimately preserve and enhance the tax base, redevelop sub-standard areas and provide employment opportunities within the City that would not reasonably be expected to occur solely through private investment within the foreseeable future. Under the agreement, up to \$3,359,685 of costs incurred by the developer will be reimbursed through a tax increment revenue note, payable beginning in 2021 and concluding in 2046. Payments on the tax increment revenue note are only made to the extent of increment generated by the district. For 2023, this tax increment financing district generated increment in the amount of \$198,676 and payments to the developer in the amount of \$117,421.

H. FUND EQUITY

Net position reported in the government-wide statement of net position at December 31, 2023 include the following:

Governmental Activities

Net Investment in Capital Assets:	
Cost of Capital Assets	\$ 69,459,990
Less: Accumulated Depreciation	(21,721,865)
Less: Related Long-Term Debt Outstanding	(3,289,506)
Less: Acquisition of Capital Assets on Account	(226,486)
Total Net Investment in Capital Assets	<u>44,222,133</u>
Restricted for Debt Service	
Fund Balance - Governmental Fund Financial Statements	1,147,451
Add: Unavailable Revenue - Special Assessments	828,836
Less: Accrued Interest Payable	(44,440)
Total Restricted for Debt Service	<u>1,931,847</u>
Restricted for Lawful Gambling Programs	<u>138,020</u>
Restricted for Affordable Housing Programs	<u>52,757</u>
Restricted for Tax Increment Financing	
Fund Balance - Governmental Fund Financial Statements	373,880
Add: Unavailable Revenue - Special Assessments	1,490
Total Restricted for Tax Increment Financing	<u>375,370</u>
Restricted for Park Development	
Fund Balance - Governmental Fund Financial Statements	6,498,386
Add: Unavailable Revenue - Special Assessments	9,640
Total Restricted for Park Development	<u>6,508,026</u>
Restricted for Public Safety	<u>931,613</u>
Unrestricted	<u>21,270,456</u>
Total Governmental Activities Net Position	<u><u>\$ 75,430,222</u></u>

CITY OF OTSEGO, MINNESOTA
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 FOR THE YEAR ENDED DECEMBER 31, 2023

Business-type Activities

Net Investment in Capital Assets:	
Cost of Capital Assets	\$ 127,106,613
Less: Accumulated Depreciation	(26,912,516)
Less: Related Long-Term Debt Outstanding	(46,736,172)
Less: Acquisition of Capital Assets on Account	(2,283,557)
Less: Deferred Gain on Refunding	(236,645)
Total Net Investment in Capital Assets	<u>50,937,723</u>
Unrestricted	<u>39,121,354</u>
Total Business-type Activities Net Position	<u>\$ 90,059,077</u>

Aggregated funds balances reported in the governmental funds balance sheet at December 31, 2023 include the following:

Governmental Funds

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General Fund				
Prepaid Items	\$ 135,876	\$ -	\$ -	\$ -
Assets Held for Resale	202,200	-	-	-
Public Safety	-	465,819	-	-
Insurance Deductibles	-	-	-	277,297
Educational Programs	-	-	-	65,564
Debt Service				
Debt Service	-	1,147,451	-	-
Pavement Management				
City Buildings & Infrastructure	-	-	-	5,692,164
Capital Improvements				
City Buildings & Infrastructure	-	-	-	7,558,150
Nonmajor Governmental Funds				
Lawful Gambling Programs	-	138,020	-	-
Tax Increment Financing	-	373,880	-	-
Affordable Housing	-	52,757	-	-
Street Light Replacement	-	-	63,398	-
Business Development Loans	-	-	283,932	-
Park Development	-	6,498,386	-	-
Public Safety	-	465,794	-	-
City Buildings & Infrastructure	-	-	-	4,466,602
City Vehicles & Equipment	-	-	-	446,083
City Parks & Trails	-	-	-	297,604
Total Fund Balances	<u>\$ 338,076</u>	<u>\$ 9,142,107</u>	<u>\$ 347,330</u>	<u>\$ 18,803,464</u>

NOTE 4 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters.

Property and casualty insurance is provided through the League of Minnesota Cities Insurance Trust (LMCIT), 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 member premiums and reinsures 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 portions of the insurance policies. The amount of those deductibles is considered immaterial to the financial statements.

Workers' compensation coverage is provided through a pooled self-insurance program through the LMCIT. The respective insurance policy is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid. This coverage is not subject to a deductible.

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 is subject to certain legal claims in the normal course of business. Management does not expect the resolution of these claims will have a material impact on the City's financial condition or results of operations.

NOTE 5 PENSION PLAN

Public Employee's Retirement Association

A. PLAN DESCRIPTION

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

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.

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination or service. Two methods are used to compute benefits for PERA's Coordinated Plan members. The retiring member, if hired prior to July 1, 1989, receives the higher of a step-rate benefit accrual formula (Method 1) or level accrual formula (Method 2), which is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated Plan member is 1.2 percent for each of the first ten years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced or prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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 6.5 percent of their annual covered salary in fiscal year 2023, and the City was required to contribute 7.5 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for years ended December 31, 2023, 2022 and 2021 were \$189,626, \$161,169, and \$142,796. 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, 2023, the City reported a liability of \$1,588,096 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 \$43,804.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0284 percent at the end of the measurement period and 0.0274 percent for the beginning of the period.

City's proportionate share of the net pension liability	\$ 1,588,096
State of Minnesota's proportionate of the net pension liability associated with the City	<u>43,804</u>
Total	<u><u>\$ 1,631,900</u></u>

For the year ended December 31, 2023, the City recognized pension expense of \$328,979 for its proportionate share of the General Employees Plan's pension expense. Included in the amount, the City recognized \$197 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.

CITY OF OTSEGO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

At December 31, 2023, 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 51,712	\$ 9,707
Changes in Actuarial Assumptions	228,917	435,284
Net Difference Between Projected and Actual Investment Earnings	-	21,676
Changes in Proportion	113,868	-
Contributions Paid Subsequent to the Measurement Date	94,813	-
Totals	<u>\$ 489,310</u>	<u>\$ 466,667</u>

Deferred outflows totaling \$94,813 related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2024	\$ 82,578
2025	(170,014)
2026	49,717
2027	(34,451)
2028	-
Thereafter	-
Total	<u>\$ (72,170)</u>

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	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	<u>100.00%</u>	

F. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2023, 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 7 percent. This assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent and benefit increases after retirement are assumed to be 1.25 percent.

Salary growth assumptions range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates are based on the Pub-2010 General Employee Mortality Table, adjusted slightly to fit PERA's experience.

Actuarial assumptions are reviewed every four years. The most recent four-year experience study was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

G. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2023 was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 rate.

City's Proportionate Share of the Net Pension Liability	6.00% One Point Decrease	7.00% Current Rate	8.00% One Point Increase
General Employees Fund	\$ 2,809,470	\$ 1,588,096	\$ 583,470

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 at www.mnpera.org.



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

<u>Fiscal Year Ending</u>	<u>City's Proportionate (%) Share of Net Pension Liability</u>	<u>City's Proportionate (\$) Share of Net Pension Liability</u>	<u>State's Proportionate (\$) Share of the Net Pension Liability Associated With the City</u>	<u>City's Proportionate (\$) Share of the Net Pension Liability and the State's Proportionate (\$) Share of the Net Pension Liability Associated With the City</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate (%) Share of Net Pension Liability Compared With Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2023	0.0284%	\$ 1,588,096	\$ 43,804	\$ 1,631,900	\$ 2,261,121	70.23%	83.10%
June 30, 2022	0.0274%	2,170,089	63,613	2,233,702	2,051,891	105.76%	76.70%
June 30, 2021	0.0252%	1,076,153	32,902	1,109,055	1,813,749	59.33%	87.00%
June 30, 2020	0.0247%	1,480,878	45,554	1,526,432	1,745,138	84.86%	79.10%
June 30, 2019	0.0218%	1,205,273	37,332	1,242,605	1,531,014	78.72%	80.20%
June 30, 2018	0.0215%	1,192,732	39,115	1,231,847	1,365,460	87.35%	79.50%
June 30, 2017	0.0215%	1,372,546	17,254	1,389,800	1,332,687	102.99%	75.89%
June 30, 2016	0.0198%	1,607,662	20,935	1,628,597	1,136,013	141.52%	68.91%
June 30, 2015	0.0195%	1,010,592	-	1,010,592	1,124,606	89.86%	78.19%

This supplementary information is provided prospectively beginning with the Year Ended December 31, 2015.

CITY OF OTSEGO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS*)
SCHEDULE OF CITY'S CONTRIBUTIONS
GENERAL EMPLOYEE'S RETIREMENT FUND

Year Ending	Statutorily Required Contributions	Contributions in Relation to Statutorily Required Contributions	Contribution (Excess) Deficiency	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2023	\$ 189,626	\$ 189,626	\$ -	\$ 2,528,348	7.50%
December 31, 2022	161,169	161,169	-	2,148,921	7.50%
December 31, 2021	142,796	142,796	-	1,903,947	7.50%
December 31, 2020	133,158	133,158	-	1,775,440	7.50%
December 31, 2019	120,583	120,583	-	1,607,772	7.50%
December 31, 2018	110,473	110,473	-	1,472,972	7.50%
December 31, 2017	98,542	98,542	-	1,313,896	7.50%
December 31, 2016	96,567	96,567	-	1,287,564	7.50%
December 31, 2015	83,256	83,256	-	1,110,085	7.50%

This supplementary information is provided prospectively beginning with the Year Ended December 31, 2015.

NOTE 1 GENERAL EMPLOYEES FUND

CHANGES FOR 2023

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million was contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

CHANGES FOR 2022

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.

CHANGES FOR 2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5 percent to 6.5 percent for financial reporting.
- 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 previous valuation.

CHANGES FOR 2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.0 percent.
- 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 percent 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.

CITY OF OTSEGO, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023

- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than 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 percent to 45 percent. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15 percent to 30 percent. 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 percent for the period July 1, 2020 through December 31, 2023, and 0.0 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

CHANGES FOR 2019

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 per year through 2031.

CHANGES FOR 2018

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

CHANGES FOR 2017

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for both vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The annual benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044, and 2.50% percent thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The State's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

CHANGES FOR 2016

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases and payroll growth were decreased by 0.25% to 3.25%. Inflation was decreased 0.25% to 2.50%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

CHANGES FOR 2015

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% 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 \$1.10 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.



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CITY OF OTSEGO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	Special Revenue	Capital Project	Total Nonmajor Governmental
ASSETS			
Cash and Investments	\$ 897,019	\$ 14,203,624	\$ 15,100,643
Receivables			
Accounts	17,337	-	17,337
Taxes			
Delinquent	1,490	-	1,490
Special Assessments			
Deferred	18,516	20,682	39,198
	<u>934,362</u>	<u>14,224,306</u>	<u>15,158,668</u>
Total Assets			
LIABILITIES			
Accounts Payable	2,369	46,330	48,699
Due to Other Governments	-	3,396	3,396
Due to Other Funds	-	617,526	617,526
Unearned Revenue	-	1,979,429	1,979,429
Total Liabilities	<u>2,369</u>	<u>2,646,681</u>	<u>2,649,050</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	1,490	-	1,490
Unavailable Revenue - Special Assessments	18,516	20,682	39,198
Grants for Subsequent Years	-	1,148,198	1,148,198
Total Deferred Inflows of Resources	<u>20,006</u>	<u>1,168,880</u>	<u>1,188,886</u>
FUND BALANCES			
Restricted			
Lawful Gambling Programs	138,020	-	138,020
Tax Increment Financing	373,880	-	373,880
Affordable Housing	52,757	-	52,757
Park Development	-	6,498,386	6,498,386
Public Safety	-	465,794	465,794
Committed			
Street Light Replacement	63,398	-	63,398
Business Development Loans	283,932	-	283,932
Assigned			
City Buildings & Infrastructure	-	4,466,602	4,466,602
City Vehicles & Equipment	-	446,083	446,083
City Parks & Trails	-	297,604	297,604
Unassigned	-	(1,765,724)	(1,765,724)
Total Fund Balances	<u>911,987</u>	<u>10,408,745</u>	<u>11,320,732</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 934,362</u>	<u>\$ 14,224,306</u>	<u>\$ 15,158,668</u>

CITY OF OTSEGO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Special Revenue	Capital Project	Total Nonmajor Governmental
REVENUES			
Property Taxes	\$ -	\$ 857,325	\$ 857,325
Tax Increments	490,045	-	490,045
Intergovernmental	52,757	1,374,654	1,427,411
Charges for Services	5,300	545,413	550,713
Special Assessments	3,690	5,171	8,861
Investment Earnings (net)	17,932	449,856	467,788
Miscellaneous	54,037	12,500	66,537
Total Revenues	<u>623,761</u>	<u>3,244,919</u>	<u>3,868,680</u>
EXPENDITURES			
Current			
Economic Development	337,266	-	337,266
Capital Outlay			
General Government	-	9,357	9,357
Public Safety	57,944	50,580	108,524
Public Works	10,600	763,850	774,450
Culture and Recreation	-	1,030,436	1,030,436
Total Expenditures	<u>405,810</u>	<u>1,854,223</u>	<u>2,260,033</u>
Excess of Revenues Over Expenditures	217,951	1,390,696	1,608,647
OTHER FINANCING SOURCES			
Transfers In	-	68,192	68,192
Net Change in Fund Balance	217,951	1,458,888	1,676,839
Fund Balance - January 1	<u>694,036</u>	<u>8,949,857</u>	<u>9,643,893</u>
Fund Balance - December 31	<u>\$ 911,987</u>	<u>\$ 10,408,745</u>	<u>\$ 11,320,732</u>



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A special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Lawful Gambling

This fund was established to account for contributions from not-for-profit organizations who are conducting licensed lawful gambling activities within the City. The contributions, which are based on 10% of net profits, are restricted expenditures only for purposes outlined in Minnesota Statute.

Street Lighting

This fund accounts for the electrical service, maintenance, repair and replacement of street lights within the City's above standard street-lighting district for commercially developed areas. The primary funding source of the fund is generated through charges for services imposed upon the benefitting properties in the district.

Revolving Loans

This fund was established to provide for economic development subsidies and loans to be provided to business entities in the City through the City's Economic Development Authority (EDA).

Tax Increment District No. 1 - Great River Centre

This fund was established to account for the collection of tax increment generated revenues for parcels within the District. The District encompasses two parcels in the Great River Centre commercial and industrial area. The increment generated is used for specific economic development incentives within the District.

Tax Increment District No. 3 - Riverview Landing

This fund was established to account for the collection of tax increment generated revenues for parcels within the District. The District is a housing district and is located in the Waterfront East development area. The increment generated is used to provide 20% of the residential units to persons or families of low and moderate income.

Tax Increment District No. 4 - Riverbend North

This fund was established to account for the collection of tax increment generated revenues for parcels within the District. The District is a redevelopment district and includes four parcels within the Riverbend North plat, located near CSAH 42 and Highway 101. The increment generated is used to redevelop the existing site, including the decommissioning of a private wastewater facility, construction of multifamily housing, a mini-storage facility and site preparations to accommodate approximately 15,000 square feet of future commercial development.

CITY OF OTSEGO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2023

	Lawful Gambling	Street Lighting	Revolving Loans
ASSETS			
Cash and Investments	\$ 123,052	\$ 63,398	\$ 336,689
Receivables			
Accounts	17,337	-	-
Taxes			
Delinquent	-	-	-
Special Assessments			
Deferred	-	18,516	-
	<u>140,389</u>	<u>81,914</u>	<u>336,689</u>
LIABILITIES			
Accounts Payable	<u>2,369</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	-	-	-
Unavailable Revenue - Special Assessments	-	18,516	-
Total Deferred Inflows of Resources	<u>-</u>	<u>18,516</u>	<u>-</u>
FUND BALANCES			
Restricted			
Lawful Gambling Programs	138,020	-	-
Tax Increment Financing	-	-	-
Affordable Housing	-	-	52,757
Committed			
Street Light Replacement	-	63,398	-
Business Development Loans	-	-	283,932
Total Fund Balances	<u>138,020</u>	<u>63,398</u>	<u>336,689</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 140,389</u>	<u>\$ 81,914</u>	<u>\$ 336,689</u>

<u>Tax Increment District No. 1</u>	<u>Tax Increment District No. 3</u>	<u>Tax Increment District No. 4</u>	<u>Total Nonmajor Special Revenue</u>
\$ 105,143	\$ 155,263	\$ 113,474	\$ 897,019
-	-	-	17,337
-	-	1,490	1,490
-	-	-	18,516
<u>105,143</u>	<u>155,263</u>	<u>114,964</u>	<u>934,362</u>
-	-	-	2,369
-	-	1,490	1,490
-	-	-	18,516
-	-	1,490	20,006
-	-	-	138,020
105,143	155,263	113,474	373,880
-	-	-	52,757
-	-	-	63,398
-	-	-	283,932
<u>105,143</u>	<u>155,263</u>	<u>113,474</u>	<u>911,987</u>
<u>\$ 105,143</u>	<u>\$ 155,263</u>	<u>\$ 113,474</u>	<u>\$ 934,362</u>

CITY OF OTSEGO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Lawful Gambling	Street Lighting	Revolving Loans
REVENUES			
Tax Increments	\$ -	\$ -	\$ -
Intergovernmental	-	-	52,757
Charges for Services	-	5,300	-
Special Assessments	-	3,690	-
Investment Earnings (net)	4,931	2,373	10,628
Miscellaneous	54,037	-	-
Total Revenues	<u>58,968</u>	<u>11,363</u>	<u>63,385</u>
EXPENDITURES			
Current			
Economic Development	-	-	-
Capital Outlay			
Public Safety	57,944	-	-
Public Works	-	10,600	-
Total Expenditures	<u>57,944</u>	<u>10,600</u>	<u>-</u>
Net Change in Fund Balance	1,024	763	63,385
Fund Balance - January 1	<u>136,996</u>	<u>62,635</u>	<u>273,304</u>
Fund Balance - December 31	<u>\$ 138,020</u>	<u>\$ 63,398</u>	<u>\$ 336,689</u>

<u>Tax Increment District No. 1</u>	<u>Tax Increment District No. 3</u>	<u>Tax Increment District No. 4</u>	<u>Total Nonmajor Special Revenue</u>
\$ 85,412	\$ 205,957	\$ 198,676	\$ 490,045
-	-	-	52,757
-	-	-	5,300
-	-	-	3,690
-	-	-	17,932
-	-	-	54,037
<u>85,412</u>	<u>205,957</u>	<u>198,676</u>	<u>623,761</u>
44,303	172,908	120,055	337,266
-	-	-	57,944
-	-	-	10,600
<u>44,303</u>	<u>172,908</u>	<u>120,055</u>	<u>405,810</u>
41,109	33,049	78,621	217,951
<u>64,034</u>	<u>122,214</u>	<u>34,853</u>	<u>694,036</u>
<u>\$ 105,143</u>	<u>\$ 155,263</u>	<u>\$ 113,474</u>	<u>\$ 911,987</u>

CITY OF OTSEGO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
TAX INCREMENT DISTRICT NO. 1 - SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Tax Increments	\$ 85,079	\$ 85,412	\$ 333
EXPENDITURES			
Current			
Economic Development			
Personal Services	500	802	302
Services and Other Charges	79,071	43,501	(35,570)
Total Expenditures	79,571	44,303	(35,268)
Net Change in Fund Balance	5,508	41,109	35,601
Fund Balance - January 1	64,034	64,034	-
Fund Balance - December 31	\$ 69,542	\$ 105,143	\$ 35,601

CITY OF OTSEGO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
TAX INCREMENT DISTRICT NO. 3 - SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Tax Increments	\$ 205,153	\$ 205,957	\$ 804
EXPENDITURES			
Current			
Economic Development			
Personal Services	500	1,111	611
Services and Other Charges	187,137	171,797	(15,340)
Total Expenditures	187,637	172,908	(14,729)
Net Change in Fund Balance	17,516	33,049	15,533
Fund Balance - January 1	122,214	122,214	-
Fund Balance - December 31	\$ 139,730	\$ 155,263	\$ 15,533

CITY OF OTSEGO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
TAX INCREMENT DISTRICT NO. 4 - SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Tax Increments	\$ 198,966	\$ 198,676	\$ (290)
EXPENDITURES			
Current			
Economic Development			
Personal Services	500	1,417	917
Services and Other Charges	191,518	118,638	(72,880)
Total Expenditures	<u>192,018</u>	<u>120,055</u>	<u>(71,963)</u>
Net Change in Fund Balance	6,948	78,621	71,673
Fund Balance - January 1	<u>34,853</u>	<u>34,853</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 41,801</u>	<u>\$ 113,474</u>	<u>\$ 71,673</u>

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Trails Management

This fund was established to provide funds and to account for the expenditure of such funds, for costs associated with the City's trail maintenance plan adopted annually within the Capital Improvement Plan. Annual projects will typically include: crack filling, patching and seal coating.

Park Development

This fund was established to accumulate funds that will be used to provide for the acquisition and construction of new park sites, buildings and facilities throughout our growing City.

Parks Capital Equipment

This fund was established to accumulate funds for major maintenance and future replacement of equipment within the City's park system.

Revolving Capital Equipment

This fund was established to provide funds and to account for the expenditure of such funds, for costs associated with the replacement of capital equipment, most significantly the City's machinery and vehicle fleet.

Fire Reserve

This fund was established to accumulate funds that will be used to finance the costs associated with the future construction of a fire department building and the capital equipment that will be housed within.

Municipal State-Aid for Construction

This fund was established to account for the State allotment of construction aid. The source of the State funding is provided for through collection of gasoline taxes. The funds accumulated are used on transportation related construction projects.

Watershed Districts

This fund was established to provide funds and to account for the expenditure of such funds, for costs associated with the maintenance of major water drainage system ditches throughout the City.

City Buildings & Property Maintenance

This fund was established to provide funds and to account for the expenditure of such funds, for costs associated with the maintenance of and improvements to City buildings and properties.

CITY OF OTSEGO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2023

	Trails Management	Park Development	Parks Capital Equipment	Revolving Capital Equipment
ASSETS				
Cash and Investments	\$ 201,006	\$ 6,505,399	\$ 113,334	\$ 449,479
Receivables				
Special Assessments				
Deferred	-	9,640	-	-
Total Assets	<u>201,006</u>	<u>6,515,039</u>	<u>113,334</u>	<u>449,479</u>
LIABILITIES				
Accounts Payable	-	7,013	16,736	-
Due to Other Governments	-	-	-	3,396
Due to Other Funds	-	-	-	-
Unearned Revenue	-	-	-	-
Total Liabilities	<u>-</u>	<u>7,013</u>	<u>16,736</u>	<u>3,396</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Special Assessments	-	9,640	-	-
Grants for Subsequent Years	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>9,640</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Restricted				
Park Development	-	6,498,386	-	-
Public Safety	-	-	-	-
Assigned				
City Buildings & Infrastructure	-	-	-	-
City Vehicles & Equipment	-	-	-	446,083
City Parks & Trails	201,006	-	96,598	-
Unassigned	-	-	-	-
Total Fund Balances (Deficits)	<u>201,006</u>	<u>6,498,386</u>	<u>96,598</u>	<u>446,083</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 201,006</u>	<u>\$ 6,515,039</u>	<u>\$ 113,334</u>	<u>\$ 449,479</u>

Fire Reserve	MSA Construction	Watershed Districts	City Buildings & Property Maintenance	Total Nonmajor Capital Projects
\$ 4,802,434	\$ -	\$ 2,013,808	\$ 118,164	\$ 14,203,624
-	-	11,042	-	20,682
<u>4,802,434</u>	<u>-</u>	<u>2,024,850</u>	<u>118,164</u>	<u>14,224,306</u>
413	-	22,168	-	46,330
-	-	-	-	3,396
-	617,526	-	-	617,526
<u>1,979,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,979,429</u>
<u>1,979,842</u>	<u>617,526</u>	<u>22,168</u>	<u>-</u>	<u>2,646,681</u>
-	-	11,042	-	20,682
-	1,148,198	-	-	1,148,198
<u>-</u>	<u>1,148,198</u>	<u>11,042</u>	<u>-</u>	<u>1,168,880</u>
-	-	-	-	6,498,386
465,794	-	-	-	465,794
2,356,798	-	1,991,640	118,164	4,466,602
-	-	-	-	446,083
-	-	-	-	297,604
-	(1,765,724)	-	-	(1,765,724)
<u>2,822,592</u>	<u>(1,765,724)</u>	<u>1,991,640</u>	<u>118,164</u>	<u>10,408,745</u>
<u>\$ 4,802,434</u>	<u>\$ -</u>	<u>\$ 2,024,850</u>	<u>\$ 118,164</u>	<u>\$ 14,224,306</u>

CITY OF OTSEGO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICITS)
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Trails Management</u>	<u>Park Development</u>	<u>Parks Capital Equipment</u>	<u>Revolving Capital Equipment</u>
REVENUES				
Property Taxes	\$ 65,000	\$ -	\$ 70,000	\$ 477,325
Intergovernmental	-	20,561	-	-
Charges for Services	-	384,818	-	-
Special Assessments	-	2,410	-	-
Investment Earnings (net)	9,217	234,791	16,814	11,881
Miscellaneous	-	-	12,500	-
Total Revenues	<u>74,217</u>	<u>642,580</u>	<u>99,314</u>	<u>489,206</u>
EXPENDITURES				
Capital Outlay				
General Government	-	-	-	-
Public Safety	-	-	-	29,267
Public Works	-	-	-	302,670
Culture and Recreation	134,450	63,419	735,234	97,333
Total Expenditures	<u>134,450</u>	<u>63,419</u>	<u>735,234</u>	<u>429,270</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(60,233)	579,161	(635,920)	59,936
OTHER FINANCING SOURCES				
Transfers In	-	-	66,042	2,150
Net Change in Fund Balance	(60,233)	579,161	(569,878)	62,086
Fund Balance (Deficit) - January 1	<u>261,239</u>	<u>5,919,225</u>	<u>666,476</u>	<u>383,997</u>
Fund Balance (Deficit) - December 31	<u>\$ 201,006</u>	<u>\$ 6,498,386</u>	<u>\$ 96,598</u>	<u>\$ 446,083</u>

Fire Reserve	MSA Construction	Watershed Districts	City Buildings & Property Maintenance	Total Nonmajor Capital Projects
\$ 210,000	\$ -	\$ -	\$ 35,000	\$ 857,325
465,794	888,299	-	-	1,374,654
-	-	160,595	-	545,413
-	-	2,761	-	5,171
84,232	-	88,997	3,924	449,856
-	-	-	-	12,500
<u>760,026</u>	<u>888,299</u>	<u>252,353</u>	<u>38,924</u>	<u>3,244,919</u>
-	-	-	9,357	9,357
21,313	-	-	-	50,580
-	-	461,180	-	763,850
-	-	-	-	1,030,436
<u>21,313</u>	<u>-</u>	<u>461,180</u>	<u>9,357</u>	<u>1,854,223</u>
738,713	888,299	(208,827)	29,567	1,390,696
-	-	-	-	68,192
738,713	888,299	(208,827)	29,567	1,458,888
<u>2,083,879</u>	<u>(2,654,023)</u>	<u>2,200,467</u>	<u>88,597</u>	<u>8,949,857</u>
<u>\$ 2,822,592</u>	<u>\$ (1,765,724)</u>	<u>\$ 1,991,640</u>	<u>\$ 118,164</u>	<u>\$ 10,408,745</u>

CITY OF OTSEGO, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023		Variance with Final Budget - Over (Under)	2022
	Original and Final Budget	Actual Amounts		Actual Amounts
REVENUES				
Property Taxes				
Current	\$ 5,312,550	\$ 5,286,560	\$ (25,990)	\$ 4,945,354
Delinquent	40,000	(35,425)	(75,425)	76,119
Penalties and interest	2,000	2,522	522	1,758
Total Property Taxes	<u>5,354,550</u>	<u>5,253,657</u>	<u>(100,893)</u>	<u>5,023,231</u>
Franchise Taxes	<u>133,000</u>	<u>126,594</u>	<u>(6,406)</u>	<u>133,218</u>
Licenses and Permits				
Business Licenses	41,200	38,095	(3,105)	41,989
Rental Licenses	40,000	38,770	(1,230)	38,115
Other Licenses	2,000	4,345	2,345	3,310
Right of Way Permits	60,000	54,375	(5,625)	71,818
Building Permits	1,536,523	1,396,183	(140,340)	1,953,478
Other Permits	15,800	13,001	(2,799)	15,100
Total Licenses and Permits	<u>1,695,523</u>	<u>1,544,769</u>	<u>(150,754)</u>	<u>2,123,810</u>
Intergovernmental				
State				
Police Aid	83,000	92,918	9,918	83,738
Other Aid & Grants	9,300	479,608	470,308	20,494
Local				
Other Aid & Grants	-	2,995	2,995	3,500
Total Intergovernmental	<u>92,300</u>	<u>575,521</u>	<u>483,221</u>	<u>107,732</u>
Charges for Services				
General Government	91,305	96,128	4,823	206,210
Public Works	94,650	63,296	(31,354)	156,047
Culture and Recreation	82,821	112,866	30,045	114,375
Total Charges for Services	<u>268,776</u>	<u>272,290</u>	<u>3,514</u>	<u>476,632</u>
Special Assessments	<u>4,400</u>	<u>10,389</u>	<u>5,989</u>	<u>3,963</u>
Fines and Forfeitures	<u>24,000</u>	<u>32,109</u>	<u>8,109</u>	<u>31,812</u>
Investment Earnings (net)	<u>76,000</u>	<u>295,571</u>	<u>219,571</u>	<u>(149,701)</u>
Miscellaneous				
Refunds and Reimbursements	5,000	35,577	30,577	35,506
Contributions and Donations	-	686	686	41,472
Other	2,500	9,178	6,678	4,582
Total Miscellaneous	<u>7,500</u>	<u>45,441</u>	<u>37,941</u>	<u>81,560</u>
Total Revenues	<u>7,656,049</u>	<u>8,156,341</u>	<u>500,292</u>	<u>7,832,257</u>

CITY OF OTSEGO, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023		Variance with Final Budget - Over (Under)	2022
	Original and Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES				
General Government				
City Council				
Personal Services	36,672	34,622	(2,050)	31,519
Supplies	375	91	(284)	142
Services and Other Charges	108,959	53,959	(55,000)	49,973
Total	<u>146,006</u>	<u>88,672</u>	<u>(57,334)</u>	<u>81,634</u>
City Administrator				
Personal Services	210,057	209,328	(729)	193,011
Supplies	200	256	56	50
Services and Other Charges	9,524	3,008	(6,516)	1,931
Total	<u>219,781</u>	<u>212,592</u>	<u>(7,189)</u>	<u>194,992</u>
Administration				
Personal Services	270,944	273,319	2,375	252,222
Supplies	9,150	5,902	(3,248)	5,391
Services and Other Charges	73,913	66,881	(7,032)	61,206
Total	<u>354,007</u>	<u>346,102</u>	<u>(7,905)</u>	<u>318,819</u>
Elections				
Personal Services	-	-	-	35,959
Supplies	500	409	(91)	5,778
Services and Other Charges	2,200	4,800	2,600	2,347
Total	<u>2,700</u>	<u>5,209</u>	<u>2,509</u>	<u>44,084</u>
Assessing				
Services and Other Charges	<u>166,875</u>	<u>161,020</u>	<u>(5,855)</u>	<u>151,608</u>
Finance				
Personal Services	268,466	275,530	7,064	237,073
Supplies	1,650	912	(738)	1,387
Services and Other Charges	69,346	58,195	(11,151)	66,209
Total	<u>339,462</u>	<u>334,637</u>	<u>(4,825)</u>	<u>304,669</u>
Information Technology				
Supplies	5,500	4,302	(1,198)	2,136
Services and Other Charges	125,046	111,806	(13,240)	102,803
Total	<u>130,546</u>	<u>116,108</u>	<u>(14,438)</u>	<u>104,939</u>
Legal				
Services and Other Charges	<u>61,200</u>	<u>32,899</u>	<u>(28,301)</u>	<u>25,942</u>
Human Resources				
Personal Services	116,062	121,310	5,248	109,864
Supplies	200	200	-	95
Services and Other Charges	34,096	49,268	15,172	13,579
Total	<u>150,358</u>	<u>170,778</u>	<u>20,420</u>	<u>123,538</u>

CITY OF OTSEGO, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023		Variance with Final Budget - Over (Under)	2022
	Original and Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (CONTINUED)				
General Government (Continued)				
Prairie Center				
Supplies	6,800	6,112	(688)	3,481
Services and Other Charges	42,207	42,335	128	47,734
Total	49,007	48,447	(560)	51,215
City Hall & Public Works Garage				
Supplies	9,300	9,388	88	8,729
Services and Other Charges	115,783	133,129	17,346	133,299
Total	125,083	142,517	17,434	142,028
Old Town Hall				
Services and Other Charges	3,300	4,210	910	3,739
Total General Government	1,748,325	1,663,191	(85,134)	1,547,207
Public Safety				
Police Services				
Services and Other Charges	1,607,188	1,612,222	5,034	1,500,296
Public Safety Commission				
Personal Services	960	680	(280)	600
Supplies	500	42	(458)	-
Total	1,460	722	(738)	600
Fire Protection				
Personal Services	103,149	87,575	(15,574)	-
Supplies	-	7,511	7,511	-
Services and Other Charges	1,053,115	1,056,217	3,102	941,074
Total	1,156,264	1,151,303	(4,961)	941,074
Building Inspections				
Personal Services	166,916	169,030	2,114	157,692
Supplies	5,600	5,144	(456)	7,236
Services and Other Charges	439,639	358,024	(81,615)	444,718
Total	612,155	532,198	(79,957)	609,646
Emergency Management				
Supplies	2,000	216	(1,784)	1,989
Services and Other Charges	4,825	761	(4,064)	4,582
Total	6,825	977	(5,848)	6,571
Animal Control				
Services and Other Charges	19,400	20,833	1,433	22,195
Total Public Safety	3,403,292	3,318,255	(85,037)	3,080,382

CITY OF OTSEGO, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023		Variance with Final Budget - Over (Under)	2022
	Original and Final Budget	Actual Amounts		Actual Amounts
EXPENDITURES (CONTINUED)				
Public Works				
Streets Maintenance				
Personal Services	795,691	770,336	(25,355)	707,394
Supplies	195,746	246,050	50,304	180,756
Services and Other Charges	118,686	102,161	(16,525)	71,504
Total	<u>1,110,123</u>	<u>1,118,547</u>	<u>8,424</u>	<u>959,654</u>
Engineering				
Services and Other Charges	<u>72,000</u>	<u>62,918</u>	<u>(9,082)</u>	<u>60,635</u>
Street Lighting				
Services and Other Charges	<u>177,280</u>	<u>173,395</u>	<u>(3,885)</u>	<u>167,245</u>
Fleet Management				
Personal Services	118,348	110,334	(8,014)	75,623
Supplies	218,345	191,895	(26,450)	173,350
Services and Other Charges	31,731	31,792	61	55,142
Total	<u>368,424</u>	<u>334,021</u>	<u>(34,403)</u>	<u>304,115</u>
Total Public Works	<u>1,727,827</u>	<u>1,688,881</u>	<u>(38,946)</u>	<u>1,491,649</u>
Culture and Recreation				
Parks Maintenance				
Personal Services	410,168	410,139	(29)	303,315
Supplies	98,200	93,191	(5,009)	96,492
Services and Other Charges	131,052	148,102	17,050	158,865
Total	<u>639,420</u>	<u>651,432</u>	<u>12,012</u>	<u>558,672</u>
Recreation				
Personal Services	187,174	203,574	16,400	203,177
Supplies	15,250	9,891	(5,359)	13,940
Services and Other Charges	83,601	75,845	(7,756)	74,182
Total	<u>286,025</u>	<u>289,310</u>	<u>3,285</u>	<u>291,299</u>
Parks and Recreation Commission				
Personal Services	960	550	(410)	690
Supplies	500	205	(295)	82
Services and Other Charges	-	60	60	-
Total	<u>1,460</u>	<u>815</u>	<u>(645)</u>	<u>772</u>
Heritage Preservation Commission				
Personal Services	840	300	(540)	350
Supplies	500	21	(479)	-
Services and Other Charges	500	607	107	264
Total	<u>1,840</u>	<u>928</u>	<u>(912)</u>	<u>614</u>
Total Culture and Recreation	<u>928,745</u>	<u>942,485</u>	<u>13,740</u>	<u>851,357</u>

CITY OF OTSEGO, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			2022
	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)	Actual Amounts
EXPENDITURES (CONTINUED)				
Economic Development				
Planning Commission				
Personal Services	2,000	1,440	(560)	1,500
Supplies	500	11	(489)	3
Total	<u>2,500</u>	<u>1,451</u>	<u>(1,049)</u>	<u>1,503</u>
Planning				
Services and Other Charges	95,550	85,743	(9,807)	86,678
Economic Development				
Supplies	100	-	(100)	-
Services and Other Charges	15,210	4,594	(10,616)	3,548
Total	<u>15,310</u>	<u>4,594</u>	<u>(10,716)</u>	<u>3,548</u>
Total Economic Development	<u>113,360</u>	<u>91,788</u>	<u>(21,572)</u>	<u>91,729</u>
Capital Outlay				
General Government	35,100	15,216	(19,884)	26,884
Public Safety	3,000	4,953	1,953	-
Public Works	10,000	5,715	(4,285)	12,222
Culture and Recreation	7,000	6,915	(85)	6,495
Total	<u>55,100</u>	<u>32,799</u>	<u>(22,301)</u>	<u>45,601</u>
Total Expenditures	<u>7,976,649</u>	<u>7,737,399</u>	<u>(239,250)</u>	<u>7,107,925</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(320,600)</u>	<u>418,942</u>	<u>739,542</u>	<u>724,332</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	320,600	320,600	-	293,500
Sales of Capital Assets	-	1,359	1,359	-
Transfers Out	-	(710,829)	(710,829)	(1,266,290)
Total Other Financing Sources (Uses)	<u>320,600</u>	<u>(388,870)</u>	<u>(709,470)</u>	<u>(972,790)</u>
Net Change in Fund Balance	-	30,072	30,072	(248,458)
Fund Balance - January 1	<u>4,951,443</u>	<u>4,951,443</u>	-	<u>5,199,901</u>
Fund Balance - December 31	<u>\$ 4,951,443</u>	<u>\$ 4,981,515</u>	<u>\$ 30,072</u>	<u>\$ 4,951,443</u>



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CITY OF OTSEGO, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND BY ACCOUNT
DECEMBER 31, 2023

	Series 2018A	Series 2020A	Total Debt Service
ASSETS			
Cash and Investments	\$ 427,743	\$ 720,396	\$ 1,148,139
Receivables			
Special Assessments			
Deferred	683,603	144,194	827,797
Delinquent	1,039	-	1,039
	<u>1,112,385</u>	<u>864,590</u>	<u>1,976,975</u>
Total Assets			
LIABILITIES			
Accounts Payable	344	344	688
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Special Assessments	684,642	144,194	828,836
FUND BALANCES			
Restricted	427,399	720,052	1,147,451
	<u>427,399</u>	<u>720,052</u>	<u>1,147,451</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,112,385</u>	<u>\$ 864,590</u>	<u>\$ 1,976,975</u>

CITY OF OTSEGO, MINNESOTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUND BY ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2023

	Series 2018A	Series 2020A	Total Debt Service
REVENUES			
Property Taxes	\$ 94,416	\$ 450,000	\$ 544,416
Special Assessments	133,969	88,777	222,746
Total Revenues	<u>228,385</u>	<u>538,777</u>	<u>767,162</u>
EXPENDITURES			
Debt Service			
Principal	190,000	495,000	685,000
Interest	50,506	68,900	119,406
Fiscal Agent Fees	839	839	1,678
Total Expenditures	<u>241,345</u>	<u>564,739</u>	<u>806,084</u>
Net Change in Fund Balance	(12,960)	(25,962)	(38,922)
Fund Balance - January 1	<u>440,359</u>	<u>746,014</u>	<u>1,186,373</u>
Fund Balance - December 31	<u>\$ 427,399</u>	<u>\$ 720,052</u>	<u>\$ 1,147,451</u>

CITY OF OTSEGO, MINNESOTA
DEBT SERVICE FUND - SERIES 2018A
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Property Taxes	\$ 94,416	\$ 94,416	\$ -
Special Assessments	129,762	133,969	4,207
Total Revenues	<u>224,178</u>	<u>228,385</u>	<u>4,207</u>
EXPENDITURES			
Debt Service			
Principal	190,000	190,000	-
Interest	50,506	50,506	-
Fiscal Agent Fees	500	839	339
Total Expenditures	<u>241,006</u>	<u>241,345</u>	<u>339</u>
Net Change in Fund Balance	(16,828)	(12,960)	3,868
Fund Balance - January 1	<u>440,359</u>	<u>440,359</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 423,531</u>	<u>\$ 427,399</u>	<u>\$ 3,868</u>

CITY OF OTSEGO, MINNESOTA
DEBT SERVICE FUND - SERIES 2020A
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
REVENUES			
Property Taxes	\$ 450,000	\$ 450,000	\$ -
Special Assessments	56,476	88,777	32,301
Total Revenues	<u>506,476</u>	<u>538,777</u>	<u>32,301</u>
EXPENDITURES			
Debt Service			
Principal	495,000	495,000	-
Interest	68,900	68,900	-
Fiscal Agent Fees	500	839	339
Total Expenditures	<u>564,400</u>	<u>564,739</u>	<u>339</u>
Net Change in Fund Balance	(57,924)	(25,962)	31,962
Fund Balance - January 1	<u>746,014</u>	<u>746,014</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 688,090</u>	<u>\$ 720,052</u>	<u>\$ 31,962</u>



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This part of the City of Otsego's comprehensive annual financial report presents detailed information as a context for understanding what the financial statements, note disclosures, and required supplementary information say about the City's overall financial health.

	<u>Page No.</u>
<u>Financial Trends</u> These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	108
<u>Revenue Capacity</u> These tables contain information to help the reader assess the City's most significant local revenue source, the property tax.	122
<u>Debt Capacity</u> These tables present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue debt in the future.	128
<u>Demographic and Economic Information</u> These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	135
<u>Operating Information</u> These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to services the City provides and the activities it performs.	137

Sources: Unless otherwise noted, the information in these tables is derived from the report for each respective year.

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
NET POSITION BY COMPONENT
 Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental Activities				
Net Investment in Capital Assets	\$ 15,515,291	\$ 15,303,426	\$ 19,103,702	\$ 21,496,582
Restricted	5,430,795	4,547,327	4,292,589	4,973,536
Unrestricted	9,601,854	9,627,962	10,745,858	13,338,398
Total Governmental Activities Net Position	<u>\$ 30,547,940</u>	<u>\$ 29,478,715</u>	<u>\$ 34,142,149</u>	<u>\$ 39,808,516</u>
Business-type activities				
Net Investment in Capital Assets	\$ 12,619,305	\$ 11,553,869	\$ 15,889,294	\$ 20,504,751
Unrestricted	13,487,231	15,474,362	15,248,794	15,679,356
Total Business-type Activities Net Position	<u>\$ 26,106,536</u>	<u>\$ 27,028,231</u>	<u>\$ 31,138,088</u>	<u>\$ 36,184,107</u>
Primary Government				
Net Investment in Capital Assets	\$ 28,134,596	\$ 26,857,295	\$ 34,992,996	\$ 42,001,333
Restricted	5,430,795	4,547,327	4,292,589	4,973,536
Unrestricted	23,089,085	25,102,324	25,994,652	29,017,754
Total Primary Government Net Position	<u>\$ 56,654,476</u>	<u>\$ 56,506,946</u>	<u>\$ 65,280,237</u>	<u>\$ 75,992,623</u>

Sources: The data for this table has been extracted from the respective years report.

Table 1

2018	2019	2020	2021	2022	2023
\$ 25,330,507	\$ 31,373,524	\$ 34,622,760	\$ 39,104,289	\$ 40,938,214	\$ 44,222,133
6,929,688	7,658,124	7,445,422	7,661,049	8,427,066	9,937,633
13,626,318	11,357,968	13,214,418	16,552,822	19,748,485	21,270,456
<u>\$ 45,886,513</u>	<u>\$ 50,389,616</u>	<u>\$ 55,282,600</u>	<u>\$ 63,318,160</u>	<u>\$ 69,113,765</u>	<u>\$ 75,430,222</u>
\$ 24,701,888	\$ 31,344,999	\$ 36,563,803	\$ 43,581,750	\$ 47,080,808	\$ 50,937,723
18,287,811	18,919,363	24,166,085	28,340,412	33,253,596	39,121,354
<u>\$ 42,989,699</u>	<u>\$ 50,264,362</u>	<u>\$ 60,729,888</u>	<u>\$ 71,922,162</u>	<u>\$ 80,334,404</u>	<u>\$ 90,059,077</u>
\$ 50,032,395	\$ 62,718,523	\$ 71,186,563	\$ 82,686,039	\$ 88,019,022	\$ 95,159,856
6,929,688	7,658,124	7,445,422	7,661,049	8,427,066	9,937,633
31,914,129	30,277,331	37,380,503	44,893,234	53,002,081	60,391,810
<u>\$ 88,876,212</u>	<u>\$ 100,653,978</u>	<u>\$ 116,012,488</u>	<u>\$ 135,240,322</u>	<u>\$ 149,448,169</u>	<u>\$ 165,489,299</u>

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
CHANGES IN NET POSITION - CONTINUED ON THE FOLLOWING PAGES
Last Ten Fiscal Years
(accrual basis of accounting)

	2014	2015	2016	2017
GOVERNMENTAL ACTIVITIES				
Expenses				
General Government	\$ 1,230,335	\$ 1,174,510	\$ 1,376,793	\$ 1,085,554
Public Safety	1,499,538	1,670,627	1,846,459	1,906,843
Public Works	2,383,890	6,521,708	3,389,909	2,618,584
Culture and Recreation	792,525	792,936	847,553	1,013,252
Economic Development	45,024	145,771	302,296	365,768
Interest on Long-term Debt	347,503	231,242	223,938	197,282
Total Expenses	6,298,815	10,536,794	7,986,948	7,187,283
Program Revenues				
Charges for Services				
General Government	119,757	36,235	81,876	100,125
Public Safety	1,159,073	1,191,134	1,677,788	1,384,626
Public Works	724,009	247,260	656,570	805,248
Culture and Recreation	43,606	52,075	59,236	67,112
Operating Grants and Contributions	233,606	244,497	248,910	261,814
Capital Grants and Contributions	1,619,209	3,154,662	4,437,611	3,957,672
Total Program Revenues	3,899,260	4,925,863	7,161,991	6,576,597
Net (Expense) / Revenue	(2,399,555)	(5,610,931)	(824,957)	(610,686)
General Revenues and Transfers				
Taxes				
Property	4,476,810	4,602,153	4,963,787	5,572,250
Tax Increments	-	-	-	-
Franchise Taxes	120,964	128,722	131,229	135,652
Unrestricted Grants and Contributions	132,104	242,970	255,951	231,683
Investment Earnings (net)	157,640	55,909	82,385	124,052
Gain on Disposal of Capital Assets	32,355	35,600	31,160	38,373
Transfers	122,632	284,586	186,755	195,686
Transfers - Capital Assets	-	-	(162,876)	(20,643)
Total General Revenues and Transfers	5,042,505	5,349,940	5,488,391	6,277,053
Change in Net Position	\$ 2,642,950	\$ (260,991)	\$ 4,663,434	\$ 5,666,367

Table 2
Page 1 of 3

2018	2019	2020	2021	2022	2023
\$ 1,228,607	\$ 1,383,291	\$ 1,616,634	\$ 1,509,107	\$ 1,849,685	\$ 1,838,849
2,207,699	2,411,751	2,683,103	2,889,365	3,101,633	3,378,313
3,348,200	3,387,481	4,967,363	4,101,313	4,559,629	4,761,125
1,095,151	1,177,721	1,151,569	1,240,142	1,396,260	1,541,099
223,175	741,705	889,173	503,411	499,481	429,054
276,423	212,402	247,702	125,168	92,945	67,854
<u>8,379,255</u>	<u>9,314,351</u>	<u>11,555,544</u>	<u>10,368,506</u>	<u>11,499,633</u>	<u>12,016,294</u>
118,219	639,077	651,770	889,736	937,238	477,051
1,698,522	1,726,367	2,552,748	2,557,049	2,156,222	1,579,278
942,042	127,176	174,321	308,739	164,533	68,259
80,047	71,553	22,852	81,610	114,375	112,866
328,410	319,332	366,461	415,173	399,743	924,558
5,800,583	3,361,497	3,212,230	5,838,257	4,631,372	3,133,926
<u>8,967,823</u>	<u>6,245,002</u>	<u>6,980,382</u>	<u>10,090,564</u>	<u>8,403,483</u>	<u>6,295,938</u>
588,568	(3,069,349)	(4,575,162)	(277,942)	(3,096,150)	(5,720,356)
6,078,341	6,681,989	7,170,868	7,718,135	8,583,996	9,177,125
96,938	97,419	275,445	311,971	436,817	491,535
139,161	137,510	132,137	129,467	345,108	1,026,846
191,570	162,120	1,411,685	64,729	152,452	111,798
263,784	754,079	625,964	(191,523)	(870,574)	1,242,417
37,563	47,362	-	40,000	11,956	822
207,840	212,869	262,369	243,100	293,500	322,750
(1,525,768)	(520,896)	(410,322)	(2,377)	(61,500)	(336,480)
<u>5,489,429</u>	<u>7,572,452</u>	<u>9,468,146</u>	<u>8,313,502</u>	<u>8,891,755</u>	<u>12,036,813</u>
<u>\$ 6,077,997</u>	<u>\$ 4,503,103</u>	<u>\$ 4,892,984</u>	<u>\$ 8,035,560</u>	<u>\$ 5,795,605</u>	<u>\$ 6,316,457</u>

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
CHANGES IN NET POSITION - CONTINUED
 Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
BUSINESS-TYPE ACTIVITIES				
Expenses				
Water Utility	\$ 1,187,553	\$ 1,246,064	\$ 1,276,338	\$ 1,377,537
Sanitary Sewer Utility	2,052,493	2,207,811	2,480,519	2,477,995
Storm Water Utility	<u>57,977</u>	<u>95,533</u>	<u>42,342</u>	<u>62,172</u>
Total Expenses	<u>3,298,023</u>	<u>3,549,408</u>	<u>3,799,199</u>	<u>3,917,704</u>
Program Revenues				
Charges for Services				
Water Utility	1,167,066	1,261,303	1,334,442	1,529,127
Sanitary Sewer Utility	1,325,181	1,479,703	1,601,172	1,744,067
Storm Water Utility	45,570	76,211	75,932	94,919
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	<u>2,560,270</u>	<u>2,020,299</u>	<u>4,766,947</u>	<u>5,591,332</u>
Total Program Revenues	<u>5,098,087</u>	<u>4,837,516</u>	<u>7,778,493</u>	<u>8,959,445</u>
Net (Expense) / Revenue	<u>1,800,064</u>	<u>1,288,108</u>	<u>3,979,294</u>	<u>5,041,741</u>
General Revenues and Transfers				
Property Taxes	24,824	25,000	25,000	25,000
Investment Earnings (net)	168,320	85,259	129,442	154,321
Gain on Disposal of Capital Assets	28,440	-	-	-
Transfers	(122,632)	(284,586)	(186,755)	(195,686)
Transfers - Capital Assets	<u>-</u>	<u>-</u>	<u>162,876</u>	<u>20,643</u>
Total General Revenues and Transfers	<u>98,952</u>	<u>(174,327)</u>	<u>130,563</u>	<u>4,278</u>
Change in Net Position	<u>\$ 1,899,016</u>	<u>\$ 1,113,781</u>	<u>\$ 4,109,857</u>	<u>\$ 5,046,019</u>

Table 2
Page 2 of 3

2018	2019	2020	2021	2022	2023
\$ 1,468,485	\$ 1,729,938	\$ 1,443,522	\$ 2,150,216	\$ 2,311,989	\$ 2,434,158
2,561,070	2,600,436	2,739,519	3,257,261	4,084,200	4,590,454
71,040	123,163	138,985	188,245	218,612	224,368
4,100,595	4,453,537	4,322,026	5,595,722	6,614,801	7,248,980
1,754,947	1,734,090	2,108,577	2,982,786	3,020,259	3,643,209
1,932,885	2,254,688	2,473,673	3,048,707	3,543,804	4,165,010
104,916	109,372	120,579	122,200	137,178	143,961
-	-	2,157	-	-	-
5,500,794	6,543,224	9,214,377	11,066,329	9,754,695	6,264,410
9,293,542	10,641,374	13,919,363	17,220,022	16,455,936	14,216,590
5,192,947	6,187,837	9,597,337	11,624,300	9,841,135	6,967,610
26,000	30,000	32,000	34,000	36,000	38,000
260,833	748,799	688,236	(225,303)	(1,232,893)	2,704,796
7,884	-	-	-	-	537
(207,840)	(212,869)	(262,369)	(243,100)	(293,500)	(322,750)
1,525,768	520,896	410,322	2,377	61,500	336,480
1,612,645	1,086,826	868,189	(432,026)	(1,428,893)	2,757,063
\$ 6,805,592	\$ 7,274,663	\$ 10,465,526	\$ 11,192,274	\$ 8,412,242	\$ 9,724,673

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
CHANGES IN NET POSITION - CONTINUED
 Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
TOTAL PRIMARY GOVERNMENT				
Expenses				
Governmental Activities	\$ 6,298,815	\$ 10,536,794	\$ 7,986,948	\$ 7,187,283
Business-type Activities	<u>3,298,023</u>	<u>3,549,408</u>	<u>3,799,199</u>	<u>3,917,704</u>
Total Expenses	<u>9,596,838</u>	<u>14,086,202</u>	<u>11,786,147</u>	<u>11,104,987</u>
Program Revenues				
Governmental Activities	3,899,260	4,925,863	7,161,991	6,576,597
Business-type Activities	<u>5,098,087</u>	<u>4,837,516</u>	<u>7,778,493</u>	<u>8,959,445</u>
Total Program Revenues	<u>8,997,347</u>	<u>9,763,379</u>	<u>14,940,484</u>	<u>15,536,042</u>
Net (Expense) / Revenue	<u>(599,491)</u>	<u>(4,322,823)</u>	<u>3,154,337</u>	<u>4,431,055</u>
General Revenues and Transfers				
Governmental Activities	5,042,505	5,349,940	5,488,391	6,277,053
Business-type Activities	<u>98,952</u>	<u>(174,327)</u>	<u>130,563</u>	<u>4,278</u>
Total General Revenues and Transfers	<u>5,141,457</u>	<u>5,175,613</u>	<u>5,618,954</u>	<u>6,281,331</u>
Change in Net Position	<u>\$ 4,541,966</u>	<u>\$ 852,790</u>	<u>\$ 8,773,291</u>	<u>\$ 10,712,386</u>

Sources: The data for this table has been extracted from the respective years report.

Table 2
Page 3 of 3

2018	2019	2020	2021	2022	2023
\$ 8,379,255	\$ 9,314,351	\$ 11,555,544	\$ 10,368,506	\$ 11,499,633	\$ 12,016,294
4,100,595	4,453,537	4,322,026	5,595,722	6,614,801	7,248,980
12,479,850	13,767,888	15,877,570	15,964,228	18,114,434	19,265,274
8,967,823	6,245,002	6,980,382	10,090,564	8,403,483	6,295,938
9,293,542	10,641,374	13,919,363	17,220,022	16,455,936	14,216,590
18,261,365	16,886,376	20,899,745	27,310,586	24,859,419	20,512,528
5,781,515	3,118,488	5,022,175	11,346,358	6,744,985	1,247,254
5,489,429	7,572,452	9,468,146	8,313,502	8,891,755	12,036,813
1,612,645	1,086,826	868,189	(432,026)	(1,428,893)	2,757,063
7,102,074	8,659,278	10,336,335	7,881,476	7,462,862	14,793,876
<u>\$ 12,883,589</u>	<u>\$ 11,777,766</u>	<u>\$ 15,358,510</u>	<u>\$ 19,227,834</u>	<u>\$ 14,207,847</u>	<u>\$ 16,041,130</u>



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CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE
 Last Ten Fiscal Years
 (accrual basis of accounting)

Table 3

	Property Taxes	Tax Increments	Franchise Taxes	Total
2014	\$ 4,476,810	\$ -	\$ 120,964	\$ 4,597,774
2015	4,602,153	-	128,722	4,730,875
2016	4,963,787	-	131,229	5,095,016
2017	5,572,250	-	135,652	5,707,902
2018	6,078,341	96,938	139,161	6,314,440
2019	6,681,989	97,419	137,510	6,916,918
2020	7,170,868	275,445	132,137	7,578,450
2021	7,718,135	311,971	129,467	8,159,573
2022	8,583,996	436,817	345,108	9,365,921
2023	9,177,125	491,535	1,026,846	10,695,506

Sources: The data for this table has been extracted from the respective years report.

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund				
Nonspendable	\$ 80,423	\$ 105,547	\$ 110,973	\$ 317,197
Restricted	-	-	-	-
Assigned	101,833	128,646	192,408	205,257
Unassigned	3,211,382	2,656,330	3,342,821	3,368,191
Total General Fund	<u>\$ 3,393,638</u>	<u>\$ 2,890,523</u>	<u>\$ 3,646,202</u>	<u>\$ 3,890,645</u>
All Other Governmental Funds				
Nonspendable	\$ -	\$ 2,675	\$ 2,000	\$ 1,325
Restricted	2,576,729	2,278,379	1,931,757	3,290,750
Committed	387,033	406,683	419,829	474,863
Assigned	5,218,020	6,825,237	7,221,257	9,098,697
Unassigned	(10,584)	(26,070)	(281,273)	(355,150)
Total All Other Governmental Funds	<u>\$ 8,171,198</u>	<u>\$ 9,486,904</u>	<u>\$ 9,293,570</u>	<u>\$ 12,510,485</u>

Sources: The data for this table has been extracted from the respective years report.

Table 4

2018	2019	2020	2021	2022	2023
\$ 320,887	\$ 323,124	\$ 334,946	\$ 354,473	\$ 323,790	\$ 338,076
-	-	-	-	-	465,819
205,449	223,740	242,785	272,801	327,332	342,861
3,587,331	3,772,946	5,410,002	4,572,627	4,300,321	3,834,759
<u>\$ 4,113,667</u>	<u>\$ 4,319,810</u>	<u>\$ 5,987,733</u>	<u>\$ 5,199,901</u>	<u>\$ 4,951,443</u>	<u>\$ 4,981,515</u>
\$ 650	\$ -	\$ -	\$ -	\$ -	\$ -
4,167,765	5,226,784	5,472,554	6,469,893	7,463,695	8,676,288
448,699	438,676	484,582	347,417	335,939	347,330
10,526,550	11,492,028	11,401,232	14,913,054	17,558,426	18,460,603
(1,790,236)	(4,463,532)	(4,235,228)	(3,523,065)	(2,654,023)	(1,765,724)
<u>\$ 13,353,428</u>	<u>\$ 12,693,956</u>	<u>\$ 13,123,140</u>	<u>\$ 18,207,299</u>	<u>\$ 22,704,037</u>	<u>\$ 25,718,497</u>

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	2014	2015	2016	2017
Revenues				
Property Taxes	\$ 4,524,092	\$ 4,651,453	\$ 4,960,518	\$ 5,595,120
Tax Increments	-	-	-	-
Franchise Taxes	120,964	128,722	131,229	135,652
Licenses and Permits	1,238,823	1,179,136	1,661,565	1,363,384
Intergovernmental	1,034,552	3,570,630	2,111,727	1,093,154
Charges for Services	1,142,453	555,660	1,274,578	2,129,514
Special Assessments	905,441	560,748	575,155	734,522
Fines and Forfeitures	4,000	11,998	16,223	21,092
Investment Earnings (net)	157,640	55,909	82,385	124,052
Miscellaneous	50,286	105,573	119,732	294,909
Total Revenues	<u>9,178,251</u>	<u>10,819,829</u>	<u>10,933,112</u>	<u>11,491,399</u>
Expenditures				
General Government	1,169,697	1,141,113	1,233,680	1,072,195
Public Safety	1,495,008	1,664,031	1,807,985	1,886,661
Public Works	1,023,693	1,044,024	1,019,946	1,066,349
Culture and Recreation	464,840	466,205	534,122	587,739
Economic Development	45,024	145,771	196,534	195,716
Capital Outlay	1,688,847	4,477,153	4,349,555	2,160,857
Debt Service				
Principal	860,000	1,130,000	1,210,000	1,125,000
Interest	454,566	256,148	233,498	206,748
Bond Issuance & Fiscal Agent Fee's	-	2,979	3,362	3,267
Total Expenditures	<u>7,201,675</u>	<u>10,327,424</u>	<u>10,588,682</u>	<u>8,304,532</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,976,576</u>	<u>492,405</u>	<u>344,430</u>	<u>3,186,867</u>
Other Financing Sources (Uses)				
Transfers In	612,433	1,574,500	648,087	1,278,609
Issuance of Debt	-	-	-	-
Premium on Issuance of Debt	-	-	-	-
Sales of Capital Assets	-	35,600	31,160	78,805
Payment to Refunded Bond Escrow Agent	(6,105,000)	-	-	-
Transfers Out	(489,801)	(1,289,914)	(461,332)	(1,082,923)
Total Other Financing Sources (Uses)	<u>(5,982,368)</u>	<u>320,186</u>	<u>217,915</u>	<u>274,491</u>
Net Change in Fund Balances	<u>\$ (4,005,792)</u>	<u>\$ 812,591</u>	<u>\$ 562,345</u>	<u>\$ 3,461,358</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>21.16%</u>	<u>14.22%</u>	<u>18.40%</u>	<u>19.32%</u>

Sources: The data for this table has been extracted from the respective years report.

Table 5

	2018	2019	2020	2021	2022	2023
\$	6,084,051	\$ 6,662,307	\$ 7,141,972	\$ 7,715,949	\$ 8,563,236	\$ 9,179,680
	96,938	97,419	275,445	311,971	436,817	490,045
	139,161	137,510	132,137	129,467	345,108	1,026,846
	1,672,906	1,699,879	2,532,789	2,529,588	2,123,810	1,544,769
	2,339,286	1,801,414	2,541,072	1,073,889	1,284,581	2,325,208
	2,328,991	2,130,542	1,994,941	2,717,128	2,788,497	1,193,537
	508,865	586,109	457,606	927,749	376,755	377,125
	25,616	26,488	19,959	27,461	31,812	32,109
	263,784	754,079	625,964	(191,523)	(870,574)	1,242,417
	233,946	141,533	149,472	221,998	197,499	228,315
	<u>13,693,544</u>	<u>14,037,280</u>	<u>15,871,357</u>	<u>15,463,677</u>	<u>15,277,541</u>	<u>17,640,051</u>
	1,182,959	1,313,178	1,479,856	1,465,403	1,679,038	1,767,226
	2,168,187	2,379,440	2,667,435	2,874,479	3,080,382	3,318,255
	1,205,464	1,683,958	1,640,892	1,934,040	2,086,883	1,955,380
	654,786	710,406	695,747	779,820	851,357	942,485
	223,175	265,498	889,173	503,411	499,481	429,054
	8,422,796	7,001,285	5,137,983	2,379,157	2,331,797	5,701,144
	1,160,000	1,185,000	1,330,000	1,360,000	660,000	685,000
	182,875	230,217	222,250	153,062	144,431	119,406
	74,512	2,874	65,483	1,078	1,348	1,678
	<u>15,274,754</u>	<u>14,771,856</u>	<u>14,128,819</u>	<u>11,450,450</u>	<u>11,334,717</u>	<u>14,919,628</u>
	<u>(1,581,210)</u>	<u>(734,576)</u>	<u>1,742,538</u>	<u>4,013,227</u>	<u>3,942,824</u>	<u>2,720,423</u>
	1,397,210	1,274,595	2,465,348	2,677,946	1,646,807	1,099,621
	2,305,000	-	2,950,000	-	-	-
	58,475	-	312,200	-	-	-
	75,860	68,378	-	40,000	11,956	1,359
	-	-	(3,170,000)	-	-	-
	<u>(1,189,370)</u>	<u>(1,061,726)</u>	<u>(2,202,979)</u>	<u>(2,434,846)</u>	<u>(1,353,307)</u>	<u>(776,871)</u>
	<u>2,647,175</u>	<u>281,247</u>	<u>354,569</u>	<u>283,100</u>	<u>305,456</u>	<u>324,109</u>
\$	<u>1,065,965</u>	<u>\$ (453,329)</u>	<u>\$ 2,097,107</u>	<u>\$ 4,296,327</u>	<u>\$ 4,248,280</u>	<u>\$ 3,044,532</u>
	<u>16.69%</u>	<u>15.85%</u>	<u>13.82%</u>	<u>15.17%</u>	<u>7.97%</u>	<u>7.60%</u>

CITY OF OTSEGO, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 ESTIMATED ACTUAL VALUE, TAXABLE MARKET VALUE AND TAX CAPACITY OF TAXABLE PROPERTY
 Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Estimated Actual Value	<u>\$ 1,051,543,200</u>	<u>\$ 1,177,857,500</u>	<u>\$ 1,340,579,000</u>	<u>\$ 1,473,986,500</u>
Taxable Market Value				
Real Estate	\$ 908,532,000	\$ 1,039,579,100	\$ 1,195,720,700	\$ 1,327,925,100
Personal Property	<u>14,513,300</u>	<u>14,952,700</u>	<u>16,476,000</u>	<u>20,388,300</u>
Total Taxable Market Value	<u>\$ 923,045,300</u>	<u>\$ 1,054,531,800</u>	<u>\$ 1,212,196,700</u>	<u>\$ 1,348,313,400</u>
Taxable Market Value as a Percentage of Estimated Actual Value	87.78%	89.53%	90.42%	91.47%
Tax Capacity				
Real Estate	\$ 9,805,499	\$ 11,060,135	\$ 12,909,476	\$ 14,465,922
Personal Property	<u>290,266</u>	<u>298,480</u>	<u>328,948</u>	<u>407,194</u>
Net Tax Capacity for Direct Rate	<u>\$ 10,095,765</u>	<u>\$ 11,358,615</u>	<u>\$ 13,238,424</u>	<u>\$ 14,873,116</u>
Net Tax Capacity as a Percentage of Estimated Actual Value	0.96%	0.96%	0.99%	1.01%
Property Tax Levies				
General Revenues	\$ 4,024,715	\$ 4,070,000	\$ 4,380,206	\$ 4,974,745
Debt Service	<u>475,285</u>	<u>610,000</u>	<u>640,000</u>	<u>655,000</u>
Total Property Taxes Levied	<u>\$ 4,500,000</u>	<u>\$ 4,680,000</u>	<u>\$ 5,020,206</u>	<u>\$ 5,629,745</u>
Tax Rates				
General Revenues	39.865	35.832	33.087	33.448
Debt Service	<u>4.708</u>	<u>5.370</u>	<u>4.834</u>	<u>4.404</u>
Total Direct Tax Rate	<u>44.573</u>	<u>41.202</u>	<u>37.921</u>	<u>37.852</u>

Sources: The data for this table has been provided by the Wright County Auditor / Treasurer's Office.

Table 6

2018	2019	2020	2021	2022	2023
<u>\$ 1,644,926,700</u>	<u>\$ 1,837,875,900</u>	<u>\$ 2,043,966,400</u>	<u>\$ 2,237,499,800</u>	<u>\$ 2,467,755,200</u>	<u>\$ 3,083,366,800</u>
<u>\$ 1,490,919,200</u> <u>23,397,400</u>	<u>\$ 1,666,323,700</u> <u>29,560,400</u>	<u>\$ 1,864,979,200</u> <u>27,109,100</u>	<u>\$ 2,054,871,100</u> <u>32,555,900</u>	<u>\$ 2,285,619,500</u> <u>29,522,200</u>	<u>\$ 2,918,108,912</u> <u>33,008,100</u>
<u>\$ 1,514,316,600</u>	<u>\$ 1,695,884,100</u>	<u>\$ 1,892,088,300</u>	<u>\$ 2,087,427,000</u>	<u>\$ 2,315,141,700</u>	<u>\$ 2,951,117,012</u>
92.06%	92.27%	92.57%	93.29%	93.82%	95.71%
<u>\$ 16,228,630</u> <u>467,378</u>	<u>\$ 18,029,678</u> <u>578,862</u>	<u>\$ 19,955,742</u> <u>541,536</u>	<u>\$ 21,940,788</u> <u>650,470</u>	<u>\$ 24,263,079</u> <u>589,792</u>	<u>\$ 30,890,994</u> <u>659,438</u>
<u>\$ 16,696,008</u>	<u>\$ 18,608,540</u>	<u>\$ 20,497,278</u>	<u>\$ 22,591,258</u>	<u>\$ 24,852,871</u>	<u>\$ 31,550,432</u>
1.02%	1.01%	1.00%	1.01%	1.01%	1.02%
<u>\$ 5,448,302</u> <u>655,000</u>	<u>\$ 5,975,816</u> <u>734,293</u>	<u>\$ 6,447,491</u> <u>746,758</u>	<u>\$ 7,078,874</u> <u>749,551</u>	<u>\$ 8,037,818</u> <u>547,187</u>	<u>\$ 8,785,607</u> <u>544,416</u>
<u>\$ 6,103,302</u>	<u>\$ 6,710,109</u>	<u>\$ 7,194,249</u>	<u>\$ 7,828,425</u>	<u>\$ 8,585,005</u>	<u>\$ 9,330,023</u>
<u>32.632</u> <u>3.923</u>	<u>32.114</u> <u>3.946</u>	<u>31.455</u> <u>3.643</u>	<u>31.335</u> <u>3.318</u>	<u>32.342</u> <u>2.202</u>	<u>27.846</u> <u>1.726</u>
<u>36.555</u>	<u>36.060</u>	<u>35.099</u>	<u>34.653</u>	<u>34.544</u>	<u>29.572</u>

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
TAX CAPACITY OF REAL ESTATE & PERSONAL PROPERTY
 Last Ten Fiscal Years

Table 7

	Residential		Commercial & Industrial	Agricultural	Personal Property	Other	Total
	Homestead	Non Homestead					
2014	\$ 6,607,296 65.45%	\$ 918,439 9.10%	\$ 1,664,605 16.49%	\$ 536,842 5.32%	\$ 290,266 2.88%	\$ 78,317 0.78%	\$ 10,095,765 100.00%
2015	7,732,867 68.08%	1,057,409 9.31%	1,633,988 14.39%	582,530 5.13%	298,480 2.63%	53,341 0.47%	11,358,615 100.00%
2016	8,878,089 67.06%	1,183,843 8.94%	2,166,341 16.36%	627,666 4.74%	328,948 2.48%	53,537 0.40%	13,238,424 100.00%
2017	9,942,548 66.85%	1,232,700 8.29%	2,627,164 17.66%	597,483 4.02%	407,194 2.74%	66,027 0.44%	14,873,116 100.00%
2018	11,298,428 67.67%	1,276,749 7.65%	2,981,199 17.86%	612,928 3.67%	467,378 2.80%	59,326 0.36%	16,696,008 100.00%
2019	12,807,798 68.83%	1,481,672 7.96%	3,017,858 16.22%	667,248 3.59%	578,862 3.11%	55,102 0.30%	18,608,540 100.00%
2020	14,392,621 70.22%	1,899,299 9.27%	2,935,016 14.32%	670,618 3.27%	541,536 2.64%	58,188 0.28%	20,497,278 100.00%
2021	16,107,001 71.30%	1,982,727 8.78%	3,121,710 13.82%	665,277 2.94%	650,470 2.88%	64,073 0.28%	22,591,258 100.00%
2022	17,987,127 72.37%	2,273,760 9.15%	3,269,738 13.16%	666,662 2.68%	589,792 2.37%	65,792 0.26%	24,852,871 100.00%
2023	22,782,140 72.21%	3,569,387 11.31%	3,728,910 11.82%	740,756 2.35%	659,438 2.09%	69,801 0.22%	31,550,432 100.00%

Sources: The data for this table has been provided by the Wright County Auditor / Treasurer's Office.

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Fiscal Years

Table 8

	Direct Rates			Overlapping Rates				Total Direct & Overlapping		
	General Revenues	Debt Service	Total	School District 728	School District 882	School District 885	County	School District 728	School District 882	School District 885
2014	39.865	4.708	44.573	51.286	28.269	51.570	43.450	139.309	116.292	139.593
2015	35.832	5.370	41.202	42.483	22.882	51.082	40.593	124.278	104.677	132.877
2016	33.087	4.834	37.921	39.266	20.857	49.102	39.970	117.157	98.748	126.993
2017	33.448	4.404	37.852	36.659	16.242	46.893	39.599	114.110	93.693	124.344
2018	32.632	3.923	36.555	36.137	15.621	47.950	39.946	112.638	92.122	124.451
2019	32.114	3.946	36.060	32.865	16.972	47.143	44.273	113.198	97.305	127.476
2020	31.455	3.643	35.099	34.371	15.865	45.280	44.421	113.891	95.385	124.800
2021	31.335	3.318	34.652	31.717	15.390	44.216	43.719	110.088	93.761	122.587
2022	32.342	2.202	34.543	30.889	15.459	42.438	43.751	109.183	93.753	120.732
2023	27.846	1.726	29.572	26.605	12.871	35.456	37.848	94.025	80.291	102.876

Sources: The data for this table has been provided by the Wright County Auditor / Treasurer's Office.

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago

Table 9

Taxpayer	Classification	2023			2014		
		Net Tax Capacity	Rank	Percentage of Total Tax Capacity Value	Net Tax Capacity	Rank	Percentage of Total Tax Capacity Value
Duke Realty LP	Industrial	\$ 1,312,946	1	4.16%	\$ 214,880	1	2.13%
Centerpoint Energy	Utility	598,334	2	1.90%	151,884	3	1.50%
Wagner Spray Tech Corporation	Industrial	278,512	3	0.88%			
Evans Park Inc	Apartments	227,004	4	0.72%			
Target Corporation	Commercial	209,404	5	0.66%	207,272	2	2.05%
Ahava Realty ADA Compliant LP	Industrial	175,258	6	0.56%			
R Schultz Exchange LLC	Apartments	167,265	7	0.53%			
Otsego Apartments LLC	Apartments	163,449	8	0.52%			
US Home LLC	Residential	155,160	9	0.49%			
Parkview Grand Apartments	Apartments	142,110	10	0.45%			
Elk Inn Partners LP	Commercial				99,250	4	0.98%
Wright-Hennepin Co-Op Electric	Utility				87,875	5	0.87%
Apex Business Center LLC	Industrial				74,578	6	0.74%
21st Century Bank	Commercial				62,502	7	0.62%
GCI Capital	Commercial				61,316	8	0.61%
Minnwest Bank Central	Commercial				46,250	9	0.46%
TCO Otsego Property Co.	Commercial				42,402	10	0.42%
Totals		<u>\$ 3,429,442</u>		<u>10.87%</u>	<u>\$ 1,048,209</u>		<u>10.38%</u>

Sources: The data for this table has been provided by the Wright County Auditor / Treasurer's Office.

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

Table 10

	Certified Property Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage to Date
2014	\$ 4,500,000	\$ 4,444,153	98.76%	\$ 55,847	\$ 4,500,000	100.00%
2015	4,680,000	4,641,720	99.18%	38,280	4,680,000	100.00%
2016	5,020,206	4,979,508	99.19%	40,698	5,020,206	100.00%
2017	5,629,745	5,606,101	99.58%	23,644	5,629,745	100.00%
2018	6,103,302	6,084,700	99.70%	13,066	6,097,766	99.91%
2019	6,710,109	6,670,163	99.40%	38,016	6,708,179	99.97%
2020	7,194,249	7,134,792	99.17%	56,480	7,191,272	99.96%
2021	7,828,425	7,764,474	99.18%	58,374	7,822,848	99.93%
2022	8,585,005	8,506,576	99.09%	66,385	8,572,961	99.86%
2023	9,330,023	9,256,266	99.21%	-	9,256,266	99.21%

Sources: The data for this table has been provided by Wright County and from City financial maintenance documents.

Note: The components of the Certified Property Tax Levy can be viewed in table 6 of the statistical section.

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years

Table 11

	Governmental Activities		Business-Type Activities		Total Debt	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Equipment Certificates	General Obligation Revenue Bonds	Notes from Direct Borrowings			
2014	\$ 10,664,830	\$ 220,000	\$ 28,606,583	\$ -	\$ 39,491,413	6.33%	\$ 2,638
2015	9,553,029	175,000	28,527,701	-	38,255,730	5.61%	2,473
2016	8,380,857	130,000	26,448,820	-	34,959,677	4.68%	2,182
2017	7,293,686	85,000	24,334,937	-	31,713,623	3.95%	1,910
2018	8,534,989	40,000	22,126,056	-	30,701,045	3.53%	1,772
2019	7,378,641	-	17,515,267	-	24,893,908	2.62%	1,373
2020	6,129,492	-	15,026,658	9,438,936	30,595,086	2.70%	1,532
2021	4,719,716	-	16,735,843	16,305,983	37,761,542	2.94%	1,774
2022	4,017,111	-	40,370,203	15,696,489	60,083,803	4.23%	2,646
2023	3,289,506	-	11,149,563	35,586,609	50,025,678	3.38%	2,114

Sources: The data for this table has been provided from City financial maintenance documents.

Note: More detailed information for Population and Personal Income can be viewed in table 16 of the statistical section.

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years

Table 12

	General Obligation Bonds	Equipment Certificates	Total General Bonded Debt Outstanding	Less: Amounts Restricted to Debt Service	Net General Obligation Debt	Percentage of Estimated Actual Value of Property	Per Capita
2014	\$ 10,664,830	\$ 220,000	\$ 10,884,830	\$ 5,430,795	\$ 5,454,035	0.52%	\$ 364
2015	9,553,029	175,000	9,728,029	4,506,243	5,221,786	0.44%	337
2016	8,380,857	130,000	8,510,857	4,292,589	4,218,268	0.31%	263
2017	7,293,686	85,000	7,378,686	3,596,348	3,782,338	0.26%	228
2018	8,534,989	40,000	8,574,989	4,484,680	4,090,309	0.25%	236
2019	7,378,641	-	7,378,641	3,979,190	3,399,451	0.18%	188
2020	6,129,492	-	6,129,492	3,076,069	3,053,423	0.15%	153
2021	4,719,716	-	4,719,716	2,362,735	2,356,981	0.11%	111
2022	4,017,111	-	4,017,111	2,137,694	1,879,417	0.08%	83
2023	3,289,506	-	3,289,506	1,931,847	1,357,659	0.04%	57

Sources: The data for this table has been provided from City financial maintenance documents.

Note: More detailed information for Population can be viewed in table 16 of the statistical section.

Note: More detailed information for Estimated Property Values can be viewed in table 6 of the statistical section.



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CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
COMPUTATION OF DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2023

Table 13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
School Districts:			
No. 728 - Elk River	\$ 285,730,000	20.54%	\$ 58,688,942
No. 882 - Monticello	40,890,000	4.59%	1,876,851
No. 885 - St. Michael-Albertville	126,030,000	5.35%	6,742,605
Wright County	<u>126,585,000</u>	13.20%	<u>16,709,220</u>
Total Overlapping Debt	<u>\$ 579,235,000</u>		84,017,618
City of Otsego Direct Debt			<u>3,289,506</u>
Total Direct and Overlapping Debt			<u>\$ 87,307,124</u>

Sources: The majority of the data for this table has been provided by Wright County Auditor / Treasurer's Office.

Sources: The remaining data for this table was provided by School District No. 728.

Note: More detailed information for the City's outstanding debt can be viewed in table 11 of the statistical section.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Note: The percentage of overlapping debt applicable is estimated using tax capacity values. Applicable percentages were estimated by determining the portion of each entity's tax capacity that is within the City's boundaries, and dividing it by the entity's total tax capacity.

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Taxable Market Value	\$ 923,045,300	\$ 1,054,531,800	\$ 1,212,196,700	\$ 1,348,313,400
Debt Limit Percentage	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>
Debt Limit	27,691,359	31,635,954	36,365,901	40,449,402
Total Net Debt Applicable to Limit	<u>5,454,035</u>	<u>5,221,786</u>	<u>4,218,268</u>	<u>3,782,338</u>
Legal Debt Margin	<u>\$ 22,237,324</u>	<u>\$ 26,414,168</u>	<u>\$ 32,147,633</u>	<u>\$ 36,667,064</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	19.70%	16.51%	11.60%	9.35%

Sources: The data for this table has been provided by Wright County and from City financial maintenance documents.

Table 14

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 1,514,316,600	\$ 1,695,884,100	\$ 1,892,088,300	\$ 2,087,427,000	\$ 2,315,141,700	\$ 2,951,117,012
<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>
45,429,498	50,876,523	56,762,649	62,622,810	69,454,251	88,533,510
<u>4,090,309</u>	<u>3,399,451</u>	<u>3,053,423</u>	<u>2,356,981</u>	<u>1,879,417</u>	<u>1,357,659</u>
<u>\$ 41,339,189</u>	<u>\$ 47,477,072</u>	<u>\$ 53,709,226</u>	<u>\$ 60,265,829</u>	<u>\$ 67,574,834</u>	<u>\$ 87,175,851</u>
9.00%	6.68%	5.38%	3.76%	2.71%	1.53%

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years

Table 15

General Obligation Revenue Bonds							
	Water and Sanitary Sewer Utility Charges	Water and Sanitary Sewer Connection Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2014	\$ 2,687,572	\$ 2,435,460	\$ 1,016,382	\$ 4,106,650	\$ -	\$ 1,007,585	407.57%
2015	2,641,566	2,020,299	2,524,073	2,137,792	-	1,007,762	212.13%
2016	2,857,174	3,662,097	2,831,346	3,687,925	2,000,000	1,007,725	122.62%
2017	3,197,486	3,577,039	2,973,383	3,801,142	2,035,000	967,815	126.59%
2018	3,588,031	4,195,354	3,229,493	4,553,892	2,130,000	886,043	150.99%
2019	3,872,764	4,930,688	3,544,713	5,258,739	4,531,906	883,087	97.11%
2020	4,482,841	7,428,178	3,704,373	8,206,646	2,335,000	603,612	279.27%
2021	5,902,263	6,380,178	4,639,776	7,642,665	2,469,779	791,745	234.33%
2022	6,443,632	7,131,721	5,615,835	7,959,518	3,128,000	1,045,956	190.69%
2023	7,599,947	4,281,034	5,876,572	6,004,409	29,820,278	1,572,433	19.13%

Sources: The data for this table has been provided from City financial maintenance documents.

Note: The debt service coverage ratio in 2023 varied significantly from prior years due to the repayment of \$26,215,000 of Series 2022A bonds.

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

Table 16

	Population	No. of Households	Personal Income	Per Capita Personal Income	Unemployment Rate	Median Age	School Enrollments		
							No. 728 Elk River	No. 882 Monticello	No. 885 St. Michael Albertville
2014	14,968	5,218	\$ 623,821,336	\$ 41,677	4.3%	33.8	13,076	4,193	5,904
2015	15,472	5,394	682,361,616	44,103	3.8%	34.1	13,136	4,096	6,096
2016	16,019	5,580	746,373,267	46,593	3.9%	33.2	13,219	4,094	6,286
2017	16,605	5,787	803,366,505	48,381	3.6%	34.3	13,461	4,168	6,335
2018	17,323	5,975	869,285,463	50,181	3.1%	34.7	13,670	4,125	6,463
2019	18,130	6,254	949,341,190	52,363	3.3%	34.3	13,921	4,201	6,557
2020	19,966	6,743	1,132,132,098	56,703	5.6%	33.7	13,464	4,072	6,366
2021	21,289	7,190	1,285,685,288	60,392	3.4%	34.7	13,847	4,166	6,653
2022	22,705	7,599	1,420,402,095	62,559	2.5%	34.6	14,152	4,142	6,670
2023	23,669	7,916	1,480,698,962	62,559	2.9%	34.6	14,352	4,138	6,696

Sources: Population - Minnesota State Demographer (2014-2019 and 2021-2022); U.S. Census Bureau (2020); Estimated by City (2023)
 Households - Minnesota State Demographer (2014-2022); Estimated by City (2023)
 Personal Income - Calculated by the City
 Per Capita Personal Income - US Department of Commerce; Bureau of Economic Analysis
 Unemployment Rate - Minnesota Department of Employment and Economic Development
 Median Age - US Department of Commerce, Bureau of the Census
 School Enrollment - Minnesota Department of Education

Note: Some data was not yet available for 2023. In those instances, 2022 data was shown for the current year.

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
PRINCIPAL EMPLOYMENT SECTORS
 Current Year and Nine Years Ago

Table 17

Employment Industry	2023			2014		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Education & Health Services	1,371	1	32.86%	210	4	10.94%
Trade, Transportation & Utilities	1,021	2	24.47%	508	1	26.46%
Construction	494	3	11.84%	246	3	12.81%
Leisure and Hospitality	444	4	10.64%	444	2	23.13%
Professional & Business Services	406	5	9.73%	186	5	9.69%
Other Services	111	6	2.66%	101	6	5.26%
Financial Activities	70	7	1.68%	32	7	1.67%
Public Administration	44	8	1.05%	29	8	1.51%
Information	34	9	0.81%			
Totals	<u>3,995</u>		<u>95.76%</u>	<u>1,756</u>		<u>91.46%</u>

Sources: The data for this table has been provided from the Minnesota Department of Employment and Economic Development.

Note: Due to data privacy within the State, data for principal employers of the City is not available. Given this limitation, the City determined it was appropriate to provide data regarding employment industry data. The City felt that this data would still provide the user information to understand the degree to which the City's economy is or is not dependent on a certain employment sector.

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
FULL TIME CITY GOVERNMENT POSITIONS BY FUNCTION
 Last Ten Fiscal Years

Table 18

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Government										
Administration	3.0	4.0	3.5	3.6	3.6	3.6	4.0	4.0	4.2	4.2
Finance	3.9	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0
Total General Government	<u>6.9</u>	<u>7.0</u>	<u>6.5</u>	<u>6.6</u>	<u>6.6</u>	<u>6.6</u>	<u>7.0</u>	<u>7.0</u>	<u>8.2</u>	<u>8.2</u>
Public Safety										
Fire & Emergency Services	-	-	-	-	-	-	-	-	-	1.0
Building Inspections	1.0	1.0	1.5	1.5	1.8	2.0	2.0	2.0	2.0	2.0
Total Public Safety	<u>1.0</u>	<u>1.0</u>	<u>1.5</u>	<u>1.5</u>	<u>1.8</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>3.0</u>
Public Works										
Street Maintenance	5.8	6.9	6.9	6.9	6.9	7.8	7.8	7.8	8.4	8.8
Mechanic	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0
Total Public Works	<u>6.8</u>	<u>7.9</u>	<u>7.9</u>	<u>7.9</u>	<u>7.9</u>	<u>8.8</u>	<u>8.8</u>	<u>8.8</u>	<u>9.4</u>	<u>10.8</u>
Culture and Recreation										
Parks Maintenance	1.4	3.5	3.5	3.5	3.9	4.4	4.4	4.4	4.5	5.2
Recreation	1.1	1.4	1.4	1.4	1.6	1.5	2.0	1.5	1.5	1.6
Total Culture and Recreation	<u>2.5</u>	<u>4.9</u>	<u>4.9</u>	<u>4.9</u>	<u>5.5</u>	<u>5.9</u>	<u>6.4</u>	<u>5.9</u>	<u>6.0</u>	<u>6.8</u>
Public Utilities										
Water Utility	2.0	1.3	1.3	1.3	1.4	1.5	1.8	1.8	2.2	2.3
Sanitary Sewer Utility	2.0	3.7	3.7	3.7	4.1	4.5	5.4	5.4	6.5	6.9
Total Public Utilities	<u>4.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.5</u>	<u>6.0</u>	<u>7.2</u>	<u>7.2</u>	<u>8.7</u>	<u>9.2</u>
Total	<u><u>21.2</u></u>	<u><u>25.8</u></u>	<u><u>25.8</u></u>	<u><u>25.9</u></u>	<u><u>27.3</u></u>	<u><u>29.3</u></u>	<u><u>31.4</u></u>	<u><u>30.9</u></u>	<u><u>34.3</u></u>	<u><u>38.0</u></u>

Sources: The data for this table has been provided from City financial maintenance documents.

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

Function	2014	2015	2016	2017
Administration				
Rental Licenses Issued	372	372	387	351
Code Enforcement Citations	16	31	41	30
Registered Voters	7,329		9,324	
Actual Votes Tallied	4,693		7,362	
Police				
Total Calls for Service	4,060	3,575	3,619	4,310
Fire				
Calls - Albertville Department	82	76	93	129
Calls - Elk River Department	74	73	80	92
Calls - Rogers Department			15	12
Building Inspections				
Number of Permits - All Types	692	893	968	722
New Homes Constructed	188	207	219	210
Public Works				
Miles of Streets Constructed	2.30	1.66	2.59	3.93
Miles of Streets Reconstructed			0.35	1.80
Snow Plowing Events	22	16	16	22
Culture and Recreation				
Parks Acres Maintained	184.3	184.3	190.3	160.0
Prairie Festival Attendance	5,100	6,200	5,000	4,000
Recreation Programs Offered	106	132	100	127
Recreation Programs Participants	14,958	12,662	12,662	17,341
Water Utility				
Connections	2,829	3,023	3,155	3,278
Gallons Delivered	37,529,984	389,118,330	393,795,210	491,484,000
Sanitary Sewer Utility				
Average Daily Gallons Treated	539,000	551,000	600,000	627,000

Sources: The data for this table has been provided by each respective City department.

Note: The City made significant changes to the indicators included in this table for 2015. Not all historical data was able to be compiled, and this table will be updated on a go-forward basis.

Table 19

2018	2019	2020	2021	2022	2023
329	332	300	297	334	351
68	18	37	42	51	64
9,754		13,081		13,895	
6,228		11,389		9,402	
4,279	4,484	4,145	3,783	3,696	3,917
131	164	158	204	209	257
96	105	92	110	96	109
27	26	28	59	93	71
1,147	1,173	1,791	1,856	1,826	2,172
300	300	403	435	317	221
7.80	4.68	1.47	3.83	2.83	0.56
5.30	-	0.78	0.76	2.28	3.79
37	21	11	19	32	12
160.0	160.0	173.0	175.0	175.0	175.0
4,800	6,450	-	6,850	8,000	11,000
231	153	52	161	177	186
20,885	18,500	5,359	16,936	23,397	24,383
3,748	4,014	4,335	4,445	5,100	5,295
427,795,004	491,074,000	632,552,814	787,182,348	765,960,269	904,558,000
673,000	738,000	798,000	840,000	900,000	983,000

CITY OF OTSEGO, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
CAPITAL ASSET STATISTICS BY FUNCTION
 Last Ten Fiscal Years

Function	2014	2015	2016	2017
Public Safety				
Fire & Emergency Services Vehicles	-	-	-	-
Building Safety Vehicles	1	1	1	1
Public Works				
Street Miles (MSA)	116.93	118.59	120.88	124.81
Heavy Duty Trucks	8	8	8	8
Light Duty Vehicles	15	15	15	17
Tractors & Grading Equipment	8	8	8	8
Culture and Recreation				
Trail Miles	19.68	19.96	21.13	25.11
Number of Parks	10	10	11	12
Playgrounds	7	7	8	9
Park Shelters	9	9	10	10
Ball Fields	5	5	6	6
Soccer Fields	-	3	3	3
Basketball Courts	5	5	5	5
Tennis Courts	7	7	8	8
Pickleball Courts				
Outdoor Ice Rinks	1	1	1	1
Mowing Equipment	5	5	6	6
Water Utility				
Water Towers	3	3	3	3
Wells	8	8	8	8
Miles of Water Main	63	74	77	79
Hydrants	722	794	846	871
Water Valves	1,603	1,659	1,841	1,881
Sanitary Sewer Utility				
Treatment Facilities	2	2	2	2
Lift Stations	9	9	10	10
Miles of Sanitary Sewer Lines	-	74	76	80
Manholes	1,257	1,366	1,480	1,524
Miles of Sanitary Forcemain	20	20	20	20

Sources: The data for this table has been provided by each respective City department.

Note: The City made significant changes to the statistics included in this table for 2015. Not all historical data was able to be compiled, and this table will be updated on a go-forward basis.

Table 20

2018	2019	2020	2021	2022	2023
-	-	-	-	-	1
1	1	2	2	2	3
131.00	131.00	134.41	138.31	142.00	142.26
9	9	9	10	11	11
17	16	19	16	17	20
7	7	6	7	6	8
25.60	27.95	38.31	42.00	43.40	43.51
14	14	14	14	14	14
10	10	14	14	14	14
12	13	13	16	16	16
6	6	7	7	7	7
3	3	3	3	3	3
6	6	7	6	6	5
8	8	8	7	7	6
			4	4	4
1	1	2	2	3	3
6	6	7	6	6	6
3	3	3	3	4	4
8	7	9	9	10	10
83	87	90	94	93	96
923	975	1,014	1,066	1,197	1,222
1,983	2,106	2,360	2,287	2,673	2,726
2	2	2	2	2	2
10	10	10	10	10	10
82	86.1	96.9	103.7	104.8	104.8
1,594	1,730	1,774	1,814	2,071	2,092
21	21	21	27	27	27



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