PRELIMINARY OFFICIAL STATEMENT DATED MAY 13, 2024

NEW ISSUE | **BOOK ENTRY ONLY**
BANK QUALIFIED | **S&P GLOBAL RATINGS UNDERLYING RATING "AA-"**

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, interest on the Bonds is excluded from gross income for purposes of federal income tax and is excluded, to the same extent, in computing taxable net income of individuals, trusts and estates for Minnesota income tax purposes (such interest is includable in taxable income of corporations and financial institutions for purposes of Minnesota franchise tax). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations. No opinion will be expressed regarding other state or federal tax consequences caused by the receipt or accrual of interest on or arising with respect to ownership of the Bonds. See "Tax Exemption" herein for additional information.

COTTONWOOD COUNTY, MINNESOTA
$10,000,000*
General Obligation Capital Improvement Plan Bonds, 2024A

Dated Date: Date of Delivery (Estimated to be June 18, 2024)

Interest Due: Each February 1 and August 1
Commencing February 1, 2025

*Maturity**	*Amount**	*Rate*	*Yield*	*Price*	*Maturity**	*Amount**	*Rate*	*Yield*	*Price*
02/01/26	$370,000	_____%	_____%	_____	02/01/36	$490,000	_____%	_____%	_____
02/01/27	380,000	_____	_____	_____	02/01/37	510,000	_____	_____	_____
02/01/28	390,000	_____	_____	_____	02/01/38	525,000	_____	_____	_____
02/01/29	405,000	_____	_____	_____	02/01/39	545,000	_____	_____	_____
02/01/30	415,000	_____	_____	_____	02/01/40	565,000	_____	_____	_____
02/01/31	425,000	_____	_____	_____	02/01/41	585,000	_____	_____	_____
02/01/32	435,000	_____	_____	_____	02/01/42	605,000	_____	_____	_____
02/01/33	450,000	_____	_____	_____	02/01/43	630,000	_____	_____	_____
02/01/34	465,000	_____	_____	_____	02/01/44	655,000	_____	_____	_____
02/01/35	475,000	_____	_____	_____	02/01/45	680,000	_____	_____	_____

The General Obligation Capital Improvement Plan Bonds, 2024A (the "Bonds" or the "Issue") are being issued by Cottonwood County, Minnesota (the "County" or the "Issuer") pursuant to Minnesota Statutes, Chapter 475 and Section 373.40, as amended. Proceeds of the Bonds will be used to finance a public works facility and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are valid and binding general obligations of the County and are payable from ad valorem taxes. The full faith and credit of the County is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the County has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the County, without limitation of amount. See *Security/Sources and Uses of Funds* herein for additional information.

The Bonds maturing on February 1, 2033 and thereafter are subject to redemption, in whole or in part, on February 1, 2032 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2026. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing February 1, 2025. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be Northland Trust Services Inc., Minneapolis, Minnesota.

Proposals: Monday, May 20, 2024 11:00 A.M., Central Time

Award: Tuesday, May 21, 2024 9:00 A.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than $9,875,000 (98.75%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see "Establishment of Issue Price" in the Notice of Sale herein for additional details.** *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* A Good Faith Deposit (the "Deposit") in the amount of $200,000, in the form of a federal wire transfer payable to the order of the County, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

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* Preliminary, subject to change.

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THE BONDS ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITER(S) NAMED ON THE FRONT COVER OF THIS OFFICIAL STATEMENT AND SUBJECT TO AN OPINION AS TO VALIDITY OF THE BONDS BY BOND COUNSEL. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER(S) INTENDS, BUT IS NOT OBLIGATED, TO EFFECT SECONDARY MARKET TRADING FOR THE BONDS. CLOSING DATE IS ESTIMATED TO BE JUNE 18, 2024.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERS MADE HEREBY, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COUNTY OR THE UNDERWRITER(S). NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COUNTY SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE COUNTY AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION BY, THE UNDERWRITER(S).

WITHIN THE MEANING OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12, THE INFORMATION INCLUDED IN THE PRELIMINARY OFFICIAL STATEMENT IS DEEMED FINAL BY THE ISSUER AS OF ITS DATE AND IS ACCURATE AND COMPLETE IN ALL MATERIAL RESPECTS, EXCEPT FOR THE OMISSION OF THE OFFERING PRICE(S), INTEREST RATE(S), SELLING COMPENSATION, AGGREGATE PRINCIPAL AMOUNT, PRINCIPAL AMOUNT PER MATURITY, DELIVERY DATE, RATING(S), OTHER TERMS OF THE ISSUE DEPENDING ON SUCH MATTERS, AND THE IDENTITY OF THE UNDERWRITER(S).

SUMMARY OF OFFERING

Cottonwood County, Minnesota
$10,000,000 *
General Obligation Capital Improvement Plan Bonds, 2024A
(Book-Entry Only)

AMOUNT -	$10,000,000
ISSUER -	Cottonwood County, Minnesota (the “County” or the “Issuer”)
AWARD DATE -	May 21, 2024
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920
TYPE OF ISSUE -	General Obligation Capital Improvement Plan Bonds, 2024A (the “Bonds” or the “Issue”)
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Capital Improvement Plan Bonds, 2024A (the “Bonds”) are being issued by Cottonwood County, Minnesota (the “County”) pursuant to Minnesota Statutes, Chapters 475 and Section 373.40, as amended. Proceeds of the Bonds will be used to finance a public works facility and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the County and are payable from ad valorem taxes. The full faith and credit of the County is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the County has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the County, without limitation of amount. See *Authority and Purpose* as well as *Security/Sources and Uses of Funds* herein for additional information.
DATE OF ISSUE -	Date of Delivery (Estimated to be June 18, 2024)
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing February 1, 2025, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).

MATURITIES* -

2/1/2026	$370,000	2/1/2031	$425,000	2/1/2036	$490,000	2/1/2041	$585,000
2/1/2027	380,000	2/1/2032	435,000	2/1/2037	510,000	2/1/2042	605,000
2/1/2028	390,000	2/1/2033	450,000	2/1/2038	525,000	2/1/2043	630,000
2/1/2029	405,000	2/1/2034	465,000	2/1/2039	545,000	2/1/2044	655,000
2/1/2030	415,000	2/1/2035	475,000	2/1/2040	565,000	2/1/2045	680,000

REDEMPTION -	The Bonds maturing on February 1, 2033 and thereafter are subject to redemption, in whole or in part, on February 1, 2032 and on any date thereafter at a price of par plus accrued interest. See *Description of the Bonds* herein for additional information.
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.
PAYING AGENT/REGISTRAR -	Northland Trust Services Inc., Minneapolis, Minnesota
TAX DESIGNATIONS -	NOT Private Activity Bonds - The Bonds are not “private activity bonds” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”). Bank Qualified Tax-Exempt Obligations - The County will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.
LEGAL OPINION -	Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota (“Bond Counsel”)
BOND RATING -	The County received an underlying rating of “AA-” from S&P Global Ratings (“S&P”). See *Bond Rating* herein for additional information.
CLOSING -	Estimated to be June 18, 2024
PRIMARY CONTACTS -	Kelly Thongvivong, County Coordinator, Cottonwood County, Minnesota 507-831-5669 George Eilertson, Managing Director, Northland Securities, Inc., 612-851-5906

* Preliminary, subject to change.

COTTONWOOD COUNTY, MINNESOTA

PRINCIPAL COUNTY OFFICIALS

Elected Officials	County Positions	
Name	*Position*	*Term Expires*
Larry Anderson	Commissioner	1/1/2027
Kevin Stevens	Commissioner	1/1/2025
Donna Gravely	Commissioner	1/1/2027
Norman Holmen	Commissioner	1/1/2025
Tom Appel	Commissioner	1/1/2027

Primary Contacts

Kelly Thongvivong	County Coordinator

BOND COUNSEL

Fryberger, Buchanan, Smith & Frederick, P.A
Duluth, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

NOTICE OF SALE

$10,000,000*
GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2024A

COTTONWOOD COUNTY, MINNESOTA
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

TIME AND PLACE:

Proposals (also referred to herein as "bids") will be opened by the Auditor/Treasurer, or designee, on Monday, May 20, 2024, at 11:00 A.M., CT, at the offices of Northland Securities, Inc. (the County's "Municipal Advisor"), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the County Board at its meeting at the County Offices beginning Tuesday, May 21, 2024 at 9:00 A.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

a) submitted to the office of Northland Securities, Inc.,
b) faxed to Northland Securities, Inc. at 612-851-5918,
c) emailed to PublicSale@northlandsecurities.com
d) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-5915, or
e) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 11:00 A.M., CT, on Monday, May 20, 2024. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 11:00 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the County nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the County to purchase the Bonds regardless of the manner in which the Proposal is submitted.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds.

* The County reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the County through Northland Trust Services, Inc. Minneapolis, Minnesota (the "Paying Agent/Registrar"), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The County will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be June 18, 2024)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 373.40. Proceeds will be used to finance a new public works facility and to pay costs associated with the issuance of the Bonds. The Bonds are payable from ad valorem taxes. The full faith and credit of the County is pledged to their payment and the County has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing February 1, 2025, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date.

MATURITIES

Principal is due annually on February 1, inclusive, in each of the years and amounts as follows:

Year	Amount	Year	Amount	Year	Amount	Year	Amount
2026	$370,000	2031	$425,000	2036	$490,000	2041	$585,000
2027	380,000	2032	435,000	2037	510,000	2042	605,000
2028	390,000	2033	450,000	2038	525,000	2043	630,000
2029	405,000	2034	465,000	2039	545,000	2044	655,000
2030	415,000	2035	475,000	2040	565,000	2045	680,000

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

INTEREST RATES

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.* All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

ESTABLISHMENT OF ISSUE PRICE
(HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)

The winning bidder shall assist the County in establishing the issue price of the Bonds and shall execute and deliver to the County at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the County and Bond Counsel. All actions to be taken by the County under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the County by the County's Municipal Advisor and any notice or report to be provided to the County may be provided to the County's Municipal Advisor.

The County intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

(1) the County shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
(2) all bidders shall have an equal opportunity to bid;
(3) the County may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
(4) the County anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the County shall promptly so advise the winning bidder. The County may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the "Hold-the-Offering-Price Rule"). Bids will **not** be subject to cancellation in the event that the County determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "Initial Offering Price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the **earlier** of the following:

(1) the close of the fifth (5^{th}) business day after the award date; or
(2) the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the "10% Test"), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The County acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to comply with the Hold-the-Offering-Price Rule, if applicable if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public, and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

Notes: Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(1) "public" means any person other than an underwriter or a related party,

(2) "underwriter" means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public).

(3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation or another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) "sale date" means the date that the Bonds are awarded by the County to the winning bidder.

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The County reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the County and shall be at the sole discretion of the County. The successful bidder may not withdraw or modify its Proposal once submitted to the County for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

OPTIONAL REDEMPTION

Bonds maturing on February 1, 2033 through 2045 are subject to redemption and prepayment at the option of the County on February 1, 2032 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the County and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

DELIVERY

Delivery of the Bonds will be within thirty days after award, subject to an approving legal opinion by Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel. The legal opinion will be paid by the County and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF PROPOSAL

Proposals of not less than $9,875,000 (98.75%) and accrued interest on the principal sum of $10,000,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Carolyn Rempel, Auditor/Treasurer
900 3rd Ave.
Windom, MN 56101

A good faith deposit (the "Deposit") in the amount of $200,000 in the form of a federal wire transfer (payable to the order of the County) <u>is only required from the apparent winning bidder</u>, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the County may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The County will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the County. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the County scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The County's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The County will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the County determines to have failed to comply with the terms herein.

INFORMATION FROM SUCCESSFUL BIDDER

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

OFFICIAL STATEMENT

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the County agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

FULL CONTINUING DISCLOSURE UNDERTAKING

The County will covenant in the resolution awarding the sale of the Bonds and in a Continuing Disclosure Undertaking to provide, or cause to be provided, annual financial information, including audited financial statements of the County, and notices of certain material events, as required by SEC Rule 15c2-12.

BANK QUALIFICATION

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

BOND INSURANCE AT UNDERWRITER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the County has requested and received a rating on the Bonds from a rating agency, the County will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The County reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: April 16, 2024

BY ORDER OF THE COITTONWOOD COUNTY BOARD

/s/Carolyn Rempel
Auditor/Treasurer

Additional information may be obtained from:
Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Telephone No.: 612-851-5900

SCHEDULE A

EXPECTED OFFERING PRICES

(*Attached*)

EXHIBIT A

(ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED)

$__________________

GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2024A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] ("[SHORT NAME OF UNDERWRITER]"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.[1]

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms***.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 21, 2024.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

[1] Treas. Reg. §1.148-1(f)(3)(i)(B) requires that all bidders have an equal opportunity to bid to purchase bonds. If the bidding process affords an equal opportunity for bidders to review other bids prior to submitting their bids, then this representation should be modified to describe the bidding process.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Fryberger, Buchanan, Smith & Frederick, P.A. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: ____

Name: ______________________________________

Dated: June 18, 2024

(ISSUE PRICE CERTIFICATE – HOLD-THE-OFFERING-PRICE RULE APPLIED)

$____________________
GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2024A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] ("[SHORT NAME OF UNDERWRITER]"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

1. ***Initial Offering Price of the Bonds***.

(a) [SHORT NAME OF UNDERWRITER] offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Notice of Sale and bid award, [SHORT NAME OF UNDERWRITER] has agreed in writing that, (i) for each Maturity of the Bonds, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. ***Defined Terms***.

(a) *Holding Period* means, for each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (____________), or (ii) the date on which [SHORT NAME OF THE UNDERWRITER][the Underwriters] [has][have] sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b) *Issuer* means the Cottonwood County, Minnesota.

(c) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 21, 2024

(f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDEWRITING FIRM] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Fryberger, Buchanan, Smith & Frederick, P.A. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: ____

Name: ______________________________________

Dated: June 18, 2024

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(*Attached*)

AUTHORITY AND PURPOSE

The General Obligation Capital Improvement Plan Bonds, 2024A (the "Bonds" or the "Issue") are being issued by Cottonwood County, Minnesota (the "County") pursuant to Minnesota Statutes, Chapters 475 and Section 373.40, as amended. Proceeds from issuance of the Bonds will be used to finance a public works facility and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds are valid and binding general obligations of the County and are payable from ad valorem taxes. The full faith and credit of the County is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the County has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the County, without limitation of amount.

Sources and Uses of Funds

Following are the sources and uses of funds in connection with the issuance of the Bonds.

Sources of Funds	
Par Amount of Bonds	$ 10,000,000*
Issuer Equity Contribution	3,065,813
Total Sources of Funds:	$ 13,065,813
Uses of Funds	
Deposit to Project Fund	$ 12,662,190
Capitalized Interest Fund	207,813
Costs of Issuance/Underwriter's Discount	195,500
Rounding Amount	310
Total Uses of Funds:	$ 13,065,813

BONDHOLDERS' RISKS

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, any secondary marketing practices in connection with a particular bond issue are suspended or terminated. Additionally, prices of bond issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

* Preliminary, subject to change.

Ratings Loss

S&P Global Ratings has assigned a rating of "AA-" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Additional regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Bonds.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

Tax Exemption, Bank Qualification and Loss of Tax Exemption

If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and post-issuance tax covenants of the Issuer may result in the inclusion of interest on the Bonds in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

The Bonds are designated as "qualified tax-exempt obligations" under the exception provided in Section 265(b)(3) of the Code, and the Issuer has further covenanted to comply with certain other requirements, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code. Actions, or inactions, by the Issuer in violation of its covenants could affect the designation, which could also affect the pricing and marketability of the Bonds.

It is also possible that actions of the Issuer after the closing of the Bonds will alter the tax status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset.

Pending Federal and State Tax Legislation

From time to time, there is State legislation proposed, as well as Presidential proposals, proposals of various federal committees, and legislative proposals pending in Congress that could, if enacted, alter or amend one or more of the federal or state tax matters described herein in certain respects or would adversely affect the market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. In addition, regulatory actions are from time to time announced or proposed, and litigation threatened or commenced, which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Tax Levy Procedures

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad valorem tax levied against all of the property valuation within the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service of the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of the owners of the Bonds (consisting primarily of an action in the nature of mandamus requiring the Issuer and certain other public officials to perform the terms of the resolution for the Bonds) may have to be enforced from year to year.

Factors Beyond Issuer's Control

A combination of epidemic, pandemic, economic, climatic, political or civil disruptions outside of the control of the Issuer, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local governments. Real or perceived threats to the financial stability of the Issuer may have an adverse effect on the value of the Bonds in the secondary market. State of Minnesota cash flow problems could also affect local governments, including reductions in, or delayed payments of, local government state aid (LGA) and possibly increase Issuer property taxes.

Cybersecurity

The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

Suitability of Investment

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

Summary

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

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be June 18, 2024), and will be issued as fully registered Bonds in the denominations of $5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing February 1, 2026. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing February

1, 2025. The Bonds when issued, will be registered in the name of Cede & Co. (the "Registered Holder"), as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder of the Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof ("Authorized Denominations"). Individual purchasers ("Beneficial Owners") of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the offices of the Paying Agent and Bond Registrar or a duly appointed successor. Interest on the Bonds will be paid by check or draft mailed by the Bond Registrar to the registered holders thereof as such appear on the registration books maintained by the Bond Registrar as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the "Record Date").

Registration, Transfer and Exchange

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar, may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond resolution and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

Optional Redemption

The Bonds maturing on February 1, 2033 and thereafter are subject to redemption, in whole or in part, on February 1, 2032 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the County. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Book-Entry System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants

("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County or Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the Cottonwood County takes no responsibility for the accuracy thereof.

FULL CONTINUING DISCLOSURE

In order to assist the Underwriter(s) in complying with SEC Rule 15c2-12 (the "Rule"), pursuant to a resolution awarding the Issue and a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the County on or before Bond closing, the County has and will covenant for the benefit of holders of the Bonds to annually provide certain financial and operating data, relating to the County to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format prescribed by the MSRB, and to provide notices of the occurrence of certain events enumerated in the Rule to the MSRB. The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificate in substantially the form attached hereto as Appendix B.

The County previously entered into a continuing disclosure agreement with the General Obligation Water Revenue Refunding Bonds, Series 2020A. While the County has filed its audited financial statements each year on a timely basis in compliance with the undertaking, a material event notice was filed late for the issuance of the General Obligation Water Revenue Bond, Series 2020B. The material event notice has now been filed as required. A failure by the County to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure Certificate* herein for additional information.

The County has retained a Dissemination Agent for its continuing disclosure filings.

UNDERWRITER

The Bonds are being purchased by _______ (the "Underwriter") at a purchase price of $_______, which is the par amount of the Bonds of $_______ less the Underwriter's discount of $_______, plus the original issue premium of $_________.

MUNICIPAL ADVISOR

The County has retained Northland Securities, Inc. as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. Northland Securities, Inc. is registered as a municipal advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources that have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the County to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

Northland Securities, Inc., is a subsidiary of Northland Capital Holdings, Inc. First National of Nebraska, Inc., is the parent company of Northland Capital Holdings, Inc and First National Bank of Omaha.

FUTURE FINANCING

The County does not anticipate the need to issue any additional general obligation debt within the next three months.

BOND RATING

The County received an underlying rating of "AA-" from S&P Global Ratings ("S&P"). No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. This rating reflects only the opinion of S&P and any explanation of the significance of this rating may be obtained only from S&P. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of S&P, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. This rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency.

LITIGATION

As of the date of this Official Statement, the County is not aware of any threatened or pending litigation that questions the organization or boundaries of the County or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

CERTIFICATION

The County will furnish a statement to the effect that this Official Statement to the best of its knowledge and belief, as of the date of sale and the date of delivery, is true and correct in all material respects, and does not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The County has always promptly met all payments of principal and interest on its indebtedness when due.

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota ("Bond Counsel") as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Bonds. See *Appendix A – Form of Legal Opinion*.

Bond Counsel has not participated in the preparation of this Official Statement and is not passing upon its accuracy, completeness or sufficiency. Bond Counsel has not examined, nor attempted to examine, or verify, any of the financial or statistical statements or data contained in this Official Statement, and will express no opinion with respect thereto.

TAX EXEMPTION

The following is a summary of certain U. S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on present federal and Minnesota laws, regulations, rulings and decisions, including the U.S. Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The County has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.

Tax-Exempt Interest

In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., as Bond Counsel to the County, under existing federal and Minnesota laws, regulations, rulings and decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates and trusts for Minnesota income tax purposes; is includable in the taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. The County has made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Premium Bonds

A bondholder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the bondholder's federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates and trusts. Bondholders should consult their tax advisers for an explanation of the amortization rules.

Discount Bonds

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued original issue discount, if any), the purchaser will be treated as having purchased the Bond with market discount (unless a statutory de minimis rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond). Bondholders should consult their tax advisers for an explanation of accrual.

Collateral Tax Matters

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and applicable corporations as defined in Section 59(k) of the Code relating to the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Bond Counsel expresses no opinion regarding such consequences. Prospective purchasers of the Bonds should consult their own tax advisors as to such consequences.

Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued original issue discount) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the bondholder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the bondholder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain bondholders are exempt from information reporting. Potential bondholders should consult their tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

Federal and State Tax Law Developments

From time to time, legislative proposals are introduced in Congress and in the states which, if enacted, could alter or amend the federal and state tax matters referred to above or would adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted or whether, if enacted, it would apply to Bonds (such as the Bonds contemplated herein) issued prior to enactment. In addition, regulatory actions are from time-to-time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

The above, including the discussion concerning collateral tax matters, is not intended to be a comprehensive list of all federal or state tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or state income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds should consult their tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds, including without limitation the calculations of alternative minimum tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

Qualified Tax-Exempt Obligations

The County will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. Sections 265(a)(2) and 291 of the Code impose additional limitations on the deductibility of such interest expense.

COTTONWOOD COUNTY, MINNESOTA

GENERAL INFORMATION

Access and Transportation

Cottonwood County, located in southwestern Minnesota, is located approximately 60 miles west of Mankato and 135 miles southwest of the Twin Cities Metropolitan Area. The county is comprised of seven cities and eighteen townships, in addition to eight school districts that are located entirely or partially within the County. The County Seat is located in the City of Windom in the south central region of the County. Access is provided via U.S. Highway 71, State Highways 30, 60 and 62 as well as county roads 1, 2, 3, 7, 10 and 13.

Area

416,250 Acres
(650.39 Square Miles)

Population

2000 Census	12,048	2020 Census	11,517
2010 Census	11,687	2024 Estimate[1]	10,912

Labor Force Data[2]

Comparative average labor force and unemployment rate figures for year-end 2023 and year-end 2022 are listed below. Figures are not seasonally adjusted and numbers of people are estimated by place of residence.

	2023		2022	
	Civilian Labor Force	*Unemployment Rate*	*Civilian Labor Force*	*Unemployment Rate*
Cottonwood County	6,886	4.5%	6,664	2.8%
Minnesota	3,099,163	3.0	3,077,500	2.7

Income Data[3]

Comparative income levels are listed below for the County, the State of Minnesota and the United States.

	Cottonwood County	State of Minnesota	United States
Median Family Income	$82,446	$107,072	$92,646
Per Capita Income	32,818	44,947	41,261

County Government

Cottonwood County, organized on July 29, 1870, is governed by the general laws of the State of Minnesota. The Board sets policies and makes program decisions for all departments and County business. The County has a governing body with a chairperson and four commissioners. The professional staff consists of an attorney, auditor/treasurer, assessor, county coordinator and engineer.

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[1] Source: Cottonwood County estimate.
[2] Source: Minnesota Department of Employment and Economic Development.
[3] Source: 2018-2022 American Community Survey, U.S. Census Bureau.

Employee Pension Programs

The County employs 97 people, 79 full-time and 18 part-time employees. The pension plan currently covers all of the County's employees.

The County participates in contributory pension plans through the Public Employees Retirement Association (PERA) under Minnesota Statutes, Chapters 353 and 356, which cover all full-time and certain part-time employees. PERA administers the General Employees Retirement Fund (GERF), the Public Employees Police and Fire Fund (PEPFF) and the Public Employees Correctional Fund (PECF), which are cost sharing, multiple-employer retirement plans. Benefits are established by State Statute and vest after three years of credited service. State Statute requires the County to fund current service pension cost as it accrues. Defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF (formerly "PERF") and PEPFF. That report may be obtained at www.mnpera.org, or by writing to PERA at 60 Empire Drive, #200, St. Paul, MN 55103-2088 or by calling 651-296-7460 or 800-652-9026.

The County makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.5% of their annual covered salary in 2023. PEPFP members were required to contribute 11.8% of their annual covered salary in 2023. State statute requires the County to contribute the following percentages of annual covered payroll: 7.5% for Coordinated Plan GERF members, 17.70% for PEPFF members, and 8.75% for PECF.

County contributions to PERF, PEPFF and the Public Employees Correctional Fund for the past three years have been as follows:

Year	*Amount*
2022	$455,508
2021	443,222
2020	431,570

Other Postemployment Benefits (OPEB)

Plan Description
The County operates a single-employer retiree benefit plan which provides medical benefits for retirees. There are 82 active and 4 former employees in the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Changes in Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability beginning of fiscal year 2022	$ 275,375
Changes for the year:	
Service Cost	$ 37,253
Interest	6,482
Differences between expected and actual experiences	2,087
Changes in assumptions	(2,467)
Benefit payments	(13,812)
Net Changes	29,543
Total OPEB liability end of fiscal year 2022	$ 304,918

Additional information regarding the County's OPEB obligations is provided in the County's Annual Financial Report, excerpts of which are provided in Appendix C of this Official Statement.

General Fund Budget Summary

	2023 Budget	2024 Budget
Revenues:		
Property Taxes	$12,763,421	$13,646,950
Licenses and Permits	72,640	85,420
Intergovernmental Revenue	9,862,793	10,438,537
Charges for Services	295,850	305,800
Fines and Forfeits	12,000	12,000
Miscellaneous	755,037	1,053,664
Total Revenues	$23,761,741	$25,542,371
Expenditures:		
General Government	$11,511,056	$12,878,992
Capital Outlay	1,721,037	1,665,035
Public Works	10,529,648	10,998,344
Total Expenditures	$23,761,741	$25,542,371
Revenues Over (Under) Expenditures	$0	$0

Estimated Cash/Investment Balances as of March 1, 2024 (unaudited)

Fund Name	
General Fund	$ 15,943,121
Highway Fund	4,153,300
Enterprise Fund	2,638,033
Trust and Agency Fund	1,264,096
Total	$ 23,998,550

Financial Institutions

Banking and financial services providers within the County include the following: Bank Midwest, BMO Bank National Association, and United Prairie Bank.

Education

The following are the four main school districts serving students residing in the County: ISD No. 173 (Mountain Lake), ISD No. 2884 (Red Rock Central), ISD No. 177 (Windom), and ISD No. 2898 (Westbrook Walnut Grove).

Major/Leading Employers

Following are some of the major/leading employers within the County, as provided by the County and Data Axle Reference Solutions:

Name	*Location*	*Product/Service*	*Number of Employees*[1]
Toro Company	Windom	Machinery, Equipment Supplies	700
ISD No. 177, Windom	Windom	Public Education	350
Fortune Transportation	Windom	Trucking	200
FAST Manufacturing	Windom	Agricultural Manufacturing	133
Windom Area Health	Windom	Hospital and Clinic	160
Evangelical Lutheran /Good Samaritan Society	Mountain Lake	Nursing Care Facility	106
Balzer, Inc.	Mountain Lake	Agricultural Manufacturing	100
Evangelical Lutheran /Good Samaritan Society	Windom	Nursing Care Facility	100
Cottonwood County	Countywide	County Government	97
City of Windom	Windom	City Government	79
Home for Creative Living	Windom	Nursing Care Facility	75

Largest Taxpayers[2]

Following are ten of the largest taxpayers within the County:

Name	*Classification*	*2023/2024 Tax Capacity*	*Percent of Total Tax Capacity ($53,202,328)*[3]
Northern Border Pipeline Co	Utility	$ 409,800	0.77%
Minnesota Supreme Feeders Inc.	Agricultural	341,839	0.64
Verna Farms LLC	Agricultural	318,966	0.60
Hytta Land LLC	Agricultural	271,434	0.51
Individual	Agricultural	265,839	0.50
Individual	Agricultural	264,916	0.50
Premium Purveyors	Industrial	256,328	0.48
New Vision Co-Op	Industrial	254,368	0.48
Individual	Agricultural	248,995	0.47
Individual	Agricultural	236,114	0.44
		$ 2,868,599	5.39%

1 Includes full-time, part-time, and seasonal employees.

2 As reported by Cottonwood County.

3 Before tax increment adjustment.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

State Law defines the "market value" of real property as the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm's-length transaction. The assessor uses sales and market value income trends to estimate the value of property in an open market transaction. This value is also called "estimated market value". This value is set on January 2 of each year. Property taxes levied each year are based on the value of property on January 2 of the preceding year. According to Minnesota Statutes, Chapter 273, all real property subject to taxation is to be appraised at maximum intervals of five years.

Taxable Market Value

The "taxable market value" is the amount used for calculating property taxes. The taxable market value may differ from the estimated market value due to the application of special programs that exclude value from taxation. These programs currently include, but are not limited to, Homestead Market Value Exclusion and Green Acres.

Market Value Exclusion

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at $76,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of $30,400 at $76,000 of market value. For a homestead valued between $76,000 and $413,800, the exclusion is $30,400 minus nine percent of the valuation over $76,000. For a homestead valued at $413,800 or more, there is no valuation exclusion.

Sales Ratio

The Minnesota Department of Revenue conducts the Assessment Sales Ratio Study to compare real estate sales prices to local assessor valuations. The State uses the study results to ensure consistency in property assessments across the state. There are three different sales ratio studies that cover three distinct time periods. The 12-month study includes sales that occur from October 1st of a given year to September 30th of the following year and are compared to market values used for property taxation. The median ratio from the 12-month study is the sales ratio used to calculate indicated and economic market values.

Economic and Indicated Market Value

"Economic market value" and "indicated market value" reflect adjustments made to account for the effects of the sales ratio. The economic market value is determined by dividing the estimated market value of the jurisdiction by the sales ratio. Economic market value provides an estimation of the full value of property if it were valued at 100% of its value in the marketplace (prior to the application of legislatively mandated exclusions). The indicated market value is determined by dividing the taxable market value of the jurisdiction by the sales ratio. This value represents an estimation of the "full value" of property for taxation, after the deduction of legislative exclusions.

Net Tax Capacity

Property taxes are calculated on the basis of the "net tax capacity value". Net tax capacity is calculated by multiplying the taxable market value of a parcel by the statutory class rate for the use classification of the property. These class rates are subject to revisions by the State Legislature. The table following this section contains current and historical class rates for primary property classifications.

Tax Cycle

Minnesota local government ad valorem property taxes are extended and collected by the various counties within the state. The process begins in the fall of every year with the certification, to the county auditor, of all local taxing districts' property tax levies. Local tax rates are calculated by dividing each taxing district's levy by its net tax capacity. One percentage point of local tax rate represents one dollar of tax per $100 net tax capacity. A list of taxes due is then prepared by the county auditor and turned over to the county treasurer on or before the first Monday in January.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements (excluding manufactured homes) are to be mailed out no later than March 31, and manufactured home property tax statements no later than July 15. The due dates for payment of real and personal property taxes (excluding manufactured homes) are one-half on or before May 15 (May 31 for resorts) and one-half on or before October 15 (November 15 for farm property). Personal property taxes for manufactured homes become due one-half on or before August 31 and one-half on or before November 15. Delinquent property taxes are penalized at various rates depending on the type of property and the length of delinquency.

Tax Levies for General Obligation Bonds (Minnesota Statutes, Section 475.61)

State Law requires the governing body of any municipality issuing general obligations, prior to delivery of the obligations, to levy by resolution a direct general ad valorem tax upon all taxable property in the municipality to be spread upon the tax rolls for each year of the term of the obligations. The tax levies for all years shall be specified and such that if collected in full will, together with estimated collections of special assessments and other revenues pledged for the payment of said obligations, produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due.

Such resolution shall irrevocably appropriate the taxes so levied and any special assessments or other revenues so pledged to the municipality's debt service fund or a special debt service fund or account created for the payment of one or more issues of obligations.

The governing body may, at its discretion, at any time after the obligations have been authorized, adopt a resolution levying only a portion of such taxes, to be filed, assessed, extended, collected and remitted, and the amount therein levied shall be credited against the tax required to be levied prior to delivery of the obligations.

The recording officer of the municipality shall file in the office of the county auditor of each county in which any part of the municipality is located a certified copy of the resolution, together with full information regarding the obligations for which the tax is levied. No further action by the municipality is required to authorize the extension, assessment and collection of the tax, but the municipality's liability on the obligations is not limited thereto and its governing body shall levy and cause to be extended, assessed and collected any additional taxes found necessary for full payment of the principal and interest. The auditor shall annually assess and extend upon the tax rolls the amount specified for such year in the resolution, unless the amount has been reduced as authorized below or, if the municipality is located in more than one county, the portion thereof that bears the same ratio to the whole amount as the tax capacity value of taxable property in that part of the municipality located in the county bears to the tax capacity value of all taxable property in the municipality.

Tax levies so made and filed shall be irrevocable, except that if the governing body in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

All such taxes shall be collected and remitted to the municipality by the county treasurer as other taxes are collected and remitted, and shall be used only for payment of the obligations on account of that levied or to repay advances from other funds used for such payments, except that any surplus remaining in the debt service fund when the obligations and interest thereon are paid may be appropriated to any other general purpose by the municipality.

Levy Limits

The State Legislature periodically enacts limitations on the ability of cities and counties to levy property taxes. Levy limits were reenacted in 2013 and applied to all counties with a population over 5,000 and all cities with a population over 2,500 for taxes payable in 2014 only. Levies "to pay the costs of the principal and interest on bonded indebtedness" and "to provide for the bonded indebtedness portion of payments made to another political subdivision of the State of Minnesota" are designated special levies and can be levied in addition to the amount allowed by levy limitations.

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The following is a partial summary of these factors:

Property Tax Classifications

Class	Type of Property		Class Rate Schedule 2021/2022	2022/2023	2023/2024
1a	Residential Homestead:	First $500,000	1.00%	1.00%	1.00%
		Over $500,000	1.25	1.25	1.25
1c	Commercial seasonal-residential recreational- under 250 days and includes homestead				
		First $600,000	.50	.50	.50
		$600,001-2,300,000	1.00	1.00	1.00
		Over $2,300,000†	1.25	1.25	1.25
2a	Agricultural Homestead – House, Garage, One Acre:				
		First $500,000	1.00	1.00	1.00
		Over $500,000	1.25	1.25	1.25
	Remainder of Farm* –				
		First $1,880,000			
		Over $1,880,000			
		First $1,890,000	0.50	0.50	
		Over $1,890,000	1.00	1.00	
		First $2,150,000			0.50
		Over $2,150,000			1.00
	Agricultural Homestead Land[1]		1.00	1.00	1.00
2a	Non-Homestead Agricultural Productive Land*		1.00	1.00	1.00
2b	Non-Homestead Rural Vacant Land[2]		1.00	1.00	1.00
3a	Commercial/Industrial and Public Utility				
		First $150,000†	1.50	1.50	1.50
		Over $150,000†	2.00	2.00	2.00
4a	Apartment (4+ units, incl. private for-profit hospitals)		1.25	1.25	1.25
4bb(1)	Residential Non-Homestead (Single Unit)				
		First $500,000	1.00	1.00	1.00
		Over $500,000	1.25	1.25	1.25
4c(1)	Seasonal Residential Recreational/Commercial†				
	(Resort):	First $500,000	1.00	1.00	1.00
		Over $500,000	1.25	1.25	1.25
4c(12)	Seasonal Residential Recreational†				
	Non-Commercial (Cabin):	First $500,000*	1.00	1.00	1.00
		Over $500,000*	1.25	1.25	1.25
4d	Qualifying Low-Income Rental Housing				
		First $100,000		.75	.75
		Over $100,000		.25	.25
		First $174,000	.75		
		Over $174,000	.25		

† Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

1 Homestead remainder & non-homestead; includes structures.

2 Homestead remainder & non-homestead; includes minor ancillary structures.

COTTONWOOD COUNTY, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION[1]

Valuations

	Estimated Market Value 2023/2024	*Net Tax Capacity 2023/2024*
Real Property	$ 5,779,548,800	$ 52,415,137
Personal Property	39,888,100	787,191
Less Tax Increment Deduction	- - -	(579,324)
Total Adjusted Valuation	$ 5,819,436,900	$ 52,623,004

Valuation Trends (Real and Personal Property)

Levy Year/ Collection Year	*Economic Market Value*	*Sales Ratio*	*Estimated Market Value*	*Taxable Market Value*	*Tax Capacity Before Tax Increments*	*Tax Capacity After Tax Increments*
2023/2024	N/A	N/A	$5,819,436,900	$5,737,18,995	$53,202,328	$52,623,004
2022/2023	$4,603,014,480	85.16%	3,919,367,800	3,832,294,092	35,302,533	34,538,390
2021/2022	3,606,458,868	91.98	3,314,093,500	3,224,596,244	29,385,625	28,652,259
2020/2021	3,245,207,189	105.46	3,418,252,200	3,328,055,068	30,061,144	29,369,872
2019/2020	3,526,215,441	95.01	3,348,721,400	3,257,119,142	29,237,105	28,544,564

Breakdown of Valuations

2023/2024 Tax Capacity, Real and Personal Property (before tax increment adjustments):

Residential Homestead	$ 4,711,520	8.86%
Agricultural	42,627,738	80.12
Commercial & Industrial	3,213,592	6.04
Public Utility	87,436	0.16
Railroad	94,212	0.18
Residential Non-Homestead	1,649,591	3.10
Seasonal/Recreational	31,048	0.06
Personal Property	787,191	1.48
Totals:	$ 53,202,328	100.00%

[1] Property valuations, tax rates, and tax levies and collections are provided by Cottonwood County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue. The 2023/2024 economic market value and sales ratio are not currently available.

Tax Capacity Rates

Tax capacity rates for a County resident within the City of Windom, for the past five-assessable/collection years have been as follows:

Levy Year/ Collection Year	*2019/20 Tax Capacity Rates*	*2020/21 Tax Capacity Rates*	*2021/22 Tax Capacity Rates*	*2022/23 Tax Capacity Rates*	*2023/24 Tax Capacity Rates*
Cottonwood County	38.796%	38.830%	40.103%	34.764%	24.348%
City of Windom	74.163	70.387	71.827	64.827	57.626
ISD No. 177, Windom	29.169	29.117	28.482	23.503	16.868
SW Regional Development	0.149	0.151	0.162	0.134	0.093
Totals:	142.277%	138.485%	140.574%	123.228%	98.935%
Market Value Rates:	*2019/2020*	*2020/2021*	*2021/2022*	*2022/2023*	*2023/2024*
ISD No. 177 (Windom)	0.26798%	0.25986%	0.26266%	0.24378%	0.21837%

Tax Levies and Collections[1]

		Collected During Collection Year		Collected and/or Abated as of 12/31/23	
Levy/Collect	Net Levy	Amount	Percent	Amount	Percent
2023/2024	$12,506,184		In Process of Collection		
2022/2023	11,688,952	$11,631,086	99.50%	$11,631,086	99.50%
2021/2022	11,187,874	11,128,861	99.47	11,171,827	99.86
2020/2021	11,081,458	11,043,022	99.65	11,072,934	99.92
2019/2020	10,768,300	10,699,013	99.36	10,766,759	99.99

[1] 2023/2024 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Cottonwood County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit[1] [2]

Minnesota Statutes, Section 475.53 states that a city or county may not incur or be subject to a net debt in excess of three percent (3%) of its estimated market value. Net debt is, with limited exceptions, debt paid solely from ad valorem taxes.

Computation of Legal Debt Margin as of May 2, 2024:

2023/2024 Estimated Market Value	$ 5,819,436,900
Multiplied by 3%	x .03
Statutory Debt Limit	$ 174,583,107
Less outstanding debt applicable to debt limit:	
$10,000,000 G.O. Capital Improvement Plan Bonds, Series 2024A (This Issue)	$ 10,000,000
Total Debt applicable to debt limit:	$ 10,000,000
Legal debt margin	$ 164,583,107

[1] Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of $1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than $1,000,000 are not subject to the statutory debt limit.

[2] Pursuant to Minnesota Statutes Section 475.521, capital improvement bonds are not subject to the statutory debt limit established in Section 475.53 if the issuer's population is less than 2,500.

COTTONWOOD COUNTY, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of May 2, 2024, Plus This Issue)

	This Issue			
Purpose:	**G.O. Capital Improvement Plan Bonds, Series 2024A**			
Dated:	06/18/24			
Original Amount:	$10,000,000			
Maturity:	1-Feb	***TOTAL***	***TOTAL***	
Interest Rates:		***PRINCIPAL:***	***PRIN & INT:***	
2024	$0	$0	$0	2024
2025	0	0	375,554	2025
2026	370,000	370,000	699,655	2026
2027	380,000	380,000	698,318	2027
2028	390,000	390,000	697,348	2028
2029	405,000	405,000	701,319	2029
2030	415,000	415,000	700,044	2030
2031	425,000	425,000	698,494	2031
2032	435,000	435,000	696,451	2032
2033	450,000	450,000	698,503	2033
2034	465,000	465,000	699,545	2034
2035	475,000	475,000	694,738	2035
2036	490,000	490,000	694,053	2036
2037	510,000	510,000	697,298	2037
2038	525,000	525,000	694,440	2038
2039	545,000	545,000	695,443	2039
2040	565,000	565,000	695,321	2040
2041	585,000	585,000	694,188	2041
2042	605,000	605,000	692,021	2042
2043	630,000	630,000	693,708	2043
2044	655,000	655,000	694,129	2044
2045	680,000	680,000	693,260	2045
	$10,000,000	$10,000,000	$14,303,825	

NOTE: 33% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

COTTONWOOD COUNTY, MINNESOTA
DEBT ISSUED FOR RED ROCK RURAL
WATER SYSTEM, MINNESOTA
(As of May 2, 2024)

Purpose:	**G.O. Crossover Re-funding Bonds, Series 2011A**	**G.O. Water Revenue Re-funding Bonds, Series 2020A**	**G.O. Water Revenue Bond, Series 2020B**			
Dated:	08/01/11	12/17/20	12/23/20			
Original Amount:	$1,450,000	$4,590,000	$1,350,000			
Maturity:	1-Jan	1-Jan	1-Jan	**TOTAL**	**TOTAL**	
Interest Rates:	2.00-3.70%	1.00-3.00%	1.75%	**PRINCIPAL:**	**PRIN & INT:**	
2024	$0	$0	$0	$0	$48,678	2024
2025	110,000	160,000	60,051	330,051	442,641	2025
2026	115,000	165,000	62,120	342,120	444,827	2026
2027	120,000	165,000	63,207	348,207	440,616	2027
2028	0	170,000	64,313	234,313	318,371	2028
2029	0	170,000	65,438	235,438	313,271	2029
2030	0	165,000	66,583	231,583	304,896	2030
2031	0	165,000	67,749	232,749	303,081	2031
2032	0	170,000	38,934	208,934	276,071	2032
2033	0	165,000	70,141	235,141	298,896	2033
2034	0	175,000	71,368	246,368	306,516	2034
2035	0	170,000	72,617	242,617	298,931	2035
2036	0	175,000	73,888	248,888	301,171	2036
2037	0	170,000	75,181	245,181	293,071	2037
2038	0	180,000	76,496	256,496	299,571	2038
2039	0	175,000	77,835	252,835	291,021	2039
2040	0	180,000	79,197	259,197	292,471	2040
2041	0	175,000	0	175,000	203,338	2041
2042	0	175,000	0	175,000	199,838	2042
2043	0	175,000	0	175,000	196,228	2043
2044	0	175,000	0	175,000	192,509	2044
2045	0	170,000	0	170,000	183,844	2045
2046	0	175,000	0	175,000	185,069	2046
2047	0	180,000	0	180,000	186,075	2047
2048	0	180,000	0	180,000	182,025	2048
	$345,000	$4,125,000	$1,085,117	$5,555,117	$6,803,020	
	(1) (2)	(1) (3) (4)	(1)			

NOTE: 43% OF GENERAL OBLIGATION DEBT PAYABLE FROM RRWS REVENUES WILL BE RETIRED WITHIN TEN YEARS.

(1) These bonds are payable primarily from special assessments and net revenues of the Red Rock Rural Water System and additionally secured by ad valorem taxes on all taxable property within the County and without limitation of amount.

(2) These bonds crossover refunded $1,415,000 of the $2,010,000 General Obligation Refunding Bonds, Series 2003, dated July 15, 2003. Maturities 2013 through 2027 were called for redemption on January 12, 2012 at a price of par plus accrued interest.

(3) These bonds current refunded the General Obligation Water Revenue Bonds, Series 2008A. Maturities 2021 through 2048 were called for redemption on December 18, 2020 at a price of par plus accrued interest. These bonds also current refunded the General Obligation Water Revenue Bonds, Series 2008C. Maturities 2021 through 2048 were called for redemption on December 18, 2020 at a price of par plus accrued interest.

(4) Schedule reflects mandatory sinking fund payments.

Indirect Debt*

Issuer	*2023/2024 Tax Capacity Value*(1)	*2023/2024 Tax Capacity Value in County*(1)	*Percentage Applicable in County*	*Outstanding General Obligation Debt*	*Taxpayers' Share of Debt*
City of Mountain Lake	$ 1,224,752	$1,224,752	100.00%	$8,907,095	$ 8,907,095
City of Westbrook	387,066	387,066	100.00	835,000	835,000
City of Windom	4,458,444	4,458,444	100.00	18,240,000	18,240,000
ISD No. 173, Mountain Lake	12,993,958	11,811,015	90.90	13,124,000	11,929,716
ISD No. 2884, Red Rock Central	22,386,322	15,068,588	67.31	38,815,000	26,126,377
ISD No. 177, Windom	17,448,885	13,289,773	76.16	25,265,000	19,241,824
ISD No. 330, Heron Lake-Okabena	10,583,610	1,468,308	13.87	2,965,000	411,246
				Total Indirect Debt:	$ 85,691,258

(Remainder of page intentionally left blank)

* Only those taxing jurisdictions with general obligation debt outstanding that is not payable from revenues are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, general obligation debt payable from revenues, or general obligation tax/aid anticipation certificates of indebtedness. Debt listed is as of May 2, 2024, unless otherwise noted.

(1) Tax Capacity Value is after tax increment deduction adjustments.

General Obligation Debt

Bonds secured by taxes (includes this issue)	$ 10,000,000
Bonds secured by water revenues	5,555,117
Subtotal	$ 15,555,117
Less bonds secured by water revenues	(5,555,117)
Direct General Obligation Debt	10,000,000
Add taxpayers' share of indirect debt	85,691,258
Direct and Indirect Debt	$ 95,691,258

Facts for Ratio Computations

2022/2023 Economic Market Value (real and personal property)	$4,603,014,480
Population (2024 estimate)	10,912

Debt Ratios Excluding Revenue-Supported Debt

	Direct Debt	*Indirect Debt*	*Direct and Indirect Debt*
To Economic Market Value	.22%	1.86%	2.08%
Per Capita	$916	$7,853	$8,769

APPENDIX A

Form of Legal Opinion

FRYBERGER
LAW FIRM

June 18, 2024

Cottonwood County
900 Third Avenue
Windom, MN 56101

[PURCHASER TBD]

RE: Cottonwood County, Minnesota
$10,000,000 General Obligation Capital Improvement Plan Bonds, Series 2024A

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by Cottonwood County, Minnesota, (the "Issuer"), of the above-referenced bonds dated the date hereof (the "Bonds"). The Bonds are issued pursuant to Minnesota Statutes, Sections 373.40 and Chapter 475.

A. Scope of Examination. For the purpose of rendering this opinion letter, we have examined the following:

1. a resolution of the Issuer adopted on May 21, 2024 authorizing the issuance and delivery of the Bonds (the "Resolution");

2. the Officers' Certificate of the Issuer dated the date hereof setting forth and certifying as to certain matters, including but not limited to the use and investment of the proceeds of the Bonds (the "Tax Certificate");

3. applicable law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer and others with respect to the authorization, sale and issuance of the Bonds; and

4. such other documents as we consider necessary in order to render this opinion.

B. Reliance. As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officers of the Issuer and others without undertaking to verify such facts by independent investigation. We have also relied, without independent investigation, upon representations and certifications made by the Issuer in the Tax Certificate and the representations and certifications made by the Issuer, agents of the Issuer and others in connection with the issuance of the Bonds as to: (a) the nature, cost, use and useful economic life of the facilities and/or improvements financed by the Bonds, (b) the application to be made of the proceeds of the Bonds, (c) the investment of such proceeds and (d) other matters material to the tax-exempt status of the interest borne by the Bonds, including the anticipated sources of repayment of the Bonds.

We have also relied, without independent investigation, on the determination of the Issuer to issue the Bonds for the purpose of refunding certain of its outstanding obligations (set forth in the Resolution) as conclusive evidence of the validity of such obligations.

C. Assumptions.

1. In rendering the opinions contained in Section D below, we have assumed: (a) the legal capacity for all purposes relevant hereto of all natural persons, (b) with respect to all parties to agreements or instruments relevant hereto other than the Issuer, that such parties had the requisite power and authority (corporate or otherwise) to execute, deliver and perform such agreements or instruments, (c) that such agreements or instruments are the valid, binding and enforceable obligations of each such party, other than the Issuer, (d) the authenticity of all documents submitted to us as originals and the authenticity of the originals, (e) the conformity to original documents of all documents submitted to us as certified or photostatic copies, (f) the genuineness of the signatures on all documents submitted to us, and (g) the accuracy of the facts and representations stated in all documents submitted to us.

2. In rendering the opinions contained in paragraphs 3 and 4 of Section D below, we have assumed that the proceeds of the Bonds will be applied in accordance with the provisions of the Resolution and the representations made by the Issuer in the Tax Certificate and that the Issuer will make or cause to be made any necessary calculations and pay to the United States any amounts required under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

3. For the purpose of rendering the opinion set forth in paragraph 3 of Section D, below, we have also assumed compliance by the Issuer with requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. The Issuer has covenanted to comply with each such requirement.

D. Opinions. Based upon such examination, assumptions and reliance, on the basis of federal and State of Minnesota (the "State") laws, regulations, rulings and decisions in effect on the date hereof, but excluding any pending legislation which may have a retroactive date prior to the date hereof, and subject to certain limitations set forth in Section E below, it is our opinion that:

1. The Bonds are valid and binding general obligations of the Issuer enforceable in accordance with their terms.

2. All taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the principal of and interest on the Bonds.

3. The Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trusts and estates for State income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of State franchise tax. Interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax or the State alternative minimum tax imposed on individuals, trusts and estates; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

4. Based solely on factual representations by the Issuer, the Bonds have been designated by the Issuer as "qualified tax-exempt obligations" under and within the meaning of Section 265(b)(3)(b) of the Code.

E. Qualifications and Limitations. The opinions expressed in Section D above are subject to the following:

1. We express no opinion as to federal or state tax consequences arising from ownership of the Bonds other than as set forth in Section D hereof.

2. The rights of the owners and enforceability of the Bonds are subject to and may be limited by (a) state and federal laws, rulings, decisions and principles of equity affecting remedies, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law); (b) the effect of any applicable bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance or other similar laws affecting the enforcement of creditors' or secured creditors' rights or laws relating to creditors' or secured creditors' rights against public instrumentalities heretofore or hereafter enacted to the extent constitutionally applicable; (c) the exercise of judicial discretion in appropriate cases; and (d) federal and state securities laws and public policy relating thereto.

3. Failure by the Issuer to comply with applicable requirements of the Code could cause the interest on the Bonds to be includable in the gross income of the owners thereof for federal income taxation, either prospectively or retroactively to the date hereof.

4. Our opinions expressed in Section D above are limited to the law of the State and the federal law of the United States of America, and we assume no responsibility as to

the applicability to this transaction, or the effect thereon, of the law of any other jurisdiction.

5. Except as expressly stated in this opinion, we express no opinion as to compliance with any federal securities laws or any state securities or Blue Sky laws.

6. This opinion is rendered as of the date set forth above and we express no opinion as to circumstances or events which may occur subsequent to such date.

7. The foregoing opinions are being furnished to you solely for your benefit and may not be relied upon by, nor may copies be delivered to, any other person without our prior written consent.

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

Respectfully submitted,

Fryberger, Buchanan, Smith & Frederick, P.A.

APPENDIX B

Form of Continuing Disclosure

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Cottonwood County, Minnesota (the "Issuer") in connection with the issuance of the $10,000,000 General Obligation Capital Improvement Plan Bonds, Series 2024A, dated June 18, 2024 (the "Obligations"). The Obligations are being issued pursuant to a Resolution of the Issuer dated May 21, 2024 (the "Resolution"). The Issuer covenants and agrees as follows:

Section 1. (a) Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the Rule (defined below). References in this Disclosure Certificate to holders of the Obligations shall include the beneficial owners of the Obligations. This Disclosure Certificate constitutes the written understanding under the Rule.

(b) Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

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

"Annual Report" means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Code" means the Internal Revenue Code of 1986, as amended.

"Dissemination Agent" means such person from time to time designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" means, with respect to the Issuer a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of one of the foregoing. The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

"IRS" means the Internal Revenue Service of the Department of the Treasury.

"Listed Events" means any of the events listed in Sections 5(a) and 5(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, whose current address is 1300 I Street NW, Suite 1000, Washington, DC 20005.

"Official Statement" means the Official Statement, dated ________________, 2024, delivered in connection with the original issuance and sale of the Obligations, together with any amendments thereto or supplements thereof.

"Participating Underwriter" means any of the original underwriter(s) of the Obligations required to comply with the Rule in connection with offering of the Obligations.

"Rule" means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time. Reference is also made to SEC Release No. 34-83885 (File No. S7-01-17) for additional information relating to the Issuer's compliance with this Certificate.

"SEC" means the Securities and Exchange Commission or any successor to its functions governing state and municipal securities.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 365 days after the end of the fiscal year (presently December 31), commencing with the fiscal year ended December 31, 2023, provide to the MSRB, filed in accordance with Section 1(b) of this Disclosure Certificate, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date; provided, however, unaudited financial information will be provided and the Audited Financial Statements will be submitted to the MSRB when and if available. The Issuer may provide the Annual Report by specific reference to documents previously provided to the MSRB or filed with the SEC; provided, however, that if the document so referenced is a final official statement within the meaning of the Rule, such final official statement must be available from the MSRB.

(b) Not later than 15 days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Issuer shall provide the Annual Report to the Dissemination Agent (if the Issuer is not the Dissemination Agent).

(c) If the Issuer is unable or fails to provide an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of such fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

(a) Economic and Financial Information – "Valuations," "Tax Capacity Rates," and "Tax Levies and Collections"

(b) Summary of Debt and Debt Statistics

Section 5. Reporting of Significant Events.

(a) The Issuer shall give, or cause to be given notice of the occurrence of any of the following events with respect to the Obligations, in a timely manner not in excess of 10 business days after the occurrence of the event:

(1) principal and interest payment delinquencies;

(2) unscheduled draws on debt service reserves reflecting financial difficulties;

(3) unscheduled draws on credit enhancements reflecting financial difficulties;

(4) substitution of credit or liquidity providers, if any, or their failure to perform;

(5) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);

(6) tender offers;

(7) defeasances;

(8) rating changes;

(9) bankruptcy, insolvency, receivership or similar event of the Issuer; or

(10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

(b) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Obligations, *if material*, in a timely manner not in excess of 10 business days after the occurrence of the event:

(1) non-payment related defaults;

(2) unless described in (a)(5) above, other notices or determinations by the IRS with respect to the tax-exempt status of the Obligations, or other events affecting the tax-exempt status of the Obligations;

(3) modifications to rights of holders of the Obligations;

(4) bond calls;

(5) release, substitution or sale of property securing repayment of the Obligations;

(6) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(7) appointment of a successor or additional trustee or the change of name of a trustee; or

(8) incurrence of a Financial Obligation or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect security holders.

(c) For purposes of the event identified in subsection (a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(d) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under subsection (b), the Issuer shall as soon as possible determine if such event would constitute material information for holders of Obligations.

(e) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

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

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

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

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Obligations may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Obligations.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Obligations, and shall create no rights in any other person or entity.

Section 13. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Certificate if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated as of June 18, 2024.

COTTONWOOD COUNTY,
MINNESOTA

By ______________________________
Chair

By ______________________________
County Coordinator

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APPENDIX C

County's Financial Report

The following financial statements are excerpts from the annual financial report for the year ended December 31, 2022. The complete financial report for the year 2022 and the prior two years are available for inspection at the Cottonwood County Courthouse and the office of Northland Securities. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report

Board of County Commissioners
Cottonwood County
Windom, 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 Cottonwood County, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cottonwood County as of December 31, 2022, and the respective changes in financial position, and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Coronavirus State and Local Fiscal Recovery Funds

As discussed in Note 1 to the financial statements, in 2022, the County identified 2021 expenditures to be applied to the Coronavirus State and Local Fiscal Recovery Funds, which represents a restatement of beginning net position in the business-type activities and Landfill Enterprise Fund. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Restructuring of Funds

As discussed in Note 1 to the financial statements, in 2022, the County reclassified restricted accounts from the Building Capital Projects Fund to the General Fund. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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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 County'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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 County'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; and

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County'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; Budgetary Comparison Schedules for the General Fund and the Road and Bridge Special Revenue Fund; Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits; PERA retirement plan schedules; and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide

any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cottonwood County's basic financial statements. The Budgetary Comparison Schedule for the Building Capital Projects Fund; combining fiduciary funds financial statements; Schedule of Intergovernmental Revenue; and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 Supplementary Information as identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

August 7, 2023

Management's Discussion and Analysis

Cottonwood County
Windom, Minnesota

Management's Discussion and Analysis
December 31, 2022
(Unaudited)

Cottonwood County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2022. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements.

Financial Highlights

- Governmental activities' total net position is $86,504,008, of which $70,373,322 is the investment in capital assets, leaving $9,839,115 of the governmental activities' net position restricted for specific uses and $6,291,571 as unrestricted.

- Business-type activities have a total deficit net position of $60,545, of which $908,932 is the net investment in capital assets, leaving ($969,447) as unrestricted.

- Cottonwood County's net position increased by $4,944,324 for the year ended December 31, 2022. This increase is comprised of an increase of $6,072,914 in the governmental activities' net position and a net decrease of $806,536 in the business-type activities' net position, which includes a $322,054 restatement.

- The net cost of governmental activities was $7,730,500 for the current fiscal year. The net cost was funded by general revenues and other items totaling $13,803,414.

- Governmental funds' fund balances increased by $2,485,450.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the basic financial statements. Cottonwood County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and other information are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

There are two government-wide financial statements. The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on Exhibit 3. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities

Our analysis of the County as a whole begins on Exhibit 1. The Statement of Net Position and the

Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net position and changes in net position. You can think of the County's net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Position and the Statement of Activities, the County is divided into two kinds of activities:

- Governmental activities—Most of the County's basic services are reported here, including general government, public safety, highways and streets, sanitation, health and human services, culture and recreation, and conservation of natural resources. Property taxes and state and federal grants finance most of these activities.

- Business-type activities—The County charges a fee to customers to help it cover all or most of the cost of services it provides. The County's solid waste landfill activities are reported here.

Fund Financial Statements

Our analysis of the County's major funds begins on Exhibit 3. The fund financial statements provide detailed information about the significant funds—not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's three kinds of funds—governmental, proprietary, and fiduciary—use different accounting methods.

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

- Proprietary funds—When the County charges customers for the services it provides—whether to outside customers or to other units of the County—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's enterprise fund presents the same information as the business-type activities in the government-wide statements but provides more detail and additional information, such as cash flows.

- Fiduciary funds—Fiduciary funds are used to account for assets held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the County's own programs or activities. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All fiduciary funds are presented on separate statements on Exhibits 10, 11, C-1, and C-2 of this report.

Other Information

In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning Cottonwood County's budgetary comparison schedules for the General Fund and the Road and Bridge Special Revenue Fund (Exhibits A-1 to A-2), changes in its obligation to provide other postemployment benefits to its employees (Exhibit A-3), and schedules of proportionate share of net pension liability and schedules of contributions (Exhibits A-4 to A-9).

The County as a Whole

The County's combined net position is $86,443,463. Our analysis in the tables below focuses on the net position and changes in net position of the County's governmental and business-type activities.

Net Position

	2022			
	Governmental Activities	Business-Type Activities	Total	2021
Assets				
Current and other assets	$ 24,985,407	$ 1,559,025	$ 26,544,432	$ 23,591,466
Capital assets	70,373,322	1,441,121	71,814,443	67,379,705
Total Assets	$ 95,358,729	$ 3,000,146	$ 98,358,875	$ 90,971,171
Deferred Outflows of Resources	$ 3,667,593	$ 76,438	$ 3,744,031	$ 2,796,257
Liabilities				
Long-term liabilities outstanding	$ 9,754,994	$ 3,117,354	$ 12,872,348	$ 7,081,873
Other liabilities	2,480,513	7,653	2,488,166	1,840,552
Total Liabilities	$ 12,235,507	$ 3,125,007	$ 15,360,514	$ 8,922,425
Deferred Inflows of Resources	$ 286,807	$ 12,122	$ 298,929	$ 3,667,918
Net position				
Net investment in capital assets	$ 70,373,322	$ 908,932	$ 71,282,254	$ 66,494,909
Restricted	9,839,115	-	9,839,115	8,681,590
Unrestricted	6,291,571	(969,477)	5,322,094	6,000,586
Total Net Position	$ 86,504,008	$ (60,545)	$ 86,443,463	$ 81,177,085

Net position of the County's governmental activities was $86,504,008. Unrestricted net position—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—was $6,291,571 at the end of the year. The net position of business-type activities was ($60,545).

Changes in Net Position

	2022			
	Governmental Activities	Business-Type Activities	Total	2021
Revenues				
Program revenues				
Fees, charges, and others	$ 1,994,147	$ 814,755	$ 2,808,902	$ 2,720,011
Operating grants and contributions	7,123,393	-	7,123,393	6,706,377
Capital grants and contributions	2,333,053	-	2,333,053	4,357,936
General revenues				
Property taxes	11,220,833	335	11,221,168	11,141,229
Other taxes	827,387	-	827,387	750,548
Grants, gifts, and miscellaneous	1,752,992	(179,091)	1,573,901	2,077,387
Total Revenues	$ 25,251,805	$ 635,999	$ 25,887,804	$ 27,753,488
Expenses				
General government	$ 4,046,958	$ -	$ 4,046,958	$ 3,993,709
Public safety	3,746,458	-	3,746,458	2,814,550
Highways and streets	6,331,074	-	6,331,074	5,223,115
Sanitation	414,817	-	414,817	390,114
Health and human services	3,253,705	-	3,253,705	2,867,610
Culture and recreation	359,260	-	359,260	391,799
Conservation of natural resources	1,010,274	-	1,010,274	1,278,833
Economic development	-	-	-	257,000
Interest	18,547	-	18,547	12,699
Landfill	-	1,762,387	1,762,387	1,627,980
Total Expenses	$ 19,181,093	$ 1,762,387	$ 20,943,480	$ 18,857,409
Increase (decrease) before transfers	$ 6,070,712	$ (1,126,388)	$ 4,944,324	$ 8,896,079
Transfers	2,202	(2,202)	-	-
Increase (decrease) in Net Position	$ 6,072,914	$ (1,128,590)	$ 4,944,324	$ 8,896,079
Net Position – January 1, as restated	80,431,094	1,068,045	81,499,139	72,281,066
Net Position – December 31	$ 86,504,008	$ (60,545)	$ 86,443,463	$ 81,177,085

The County's activities increased net position by 6.1 percent ($86,443,463 for 2022 compared to $81,177,085 for 2021).

Total County Revenue

Governmental Activities

Revenues for the County's governmental activities were $25,251,805, while total expenses were $19,181,093 and transfers in were $2,202. This reflects a $6,072,914 increase in net position for the year ended December 31, 2022.

Business-Type Activities

Revenues of the County's business-type activities were $635,999, expenses were $1,762,387, and transfers out were $2,202. After a restatement of $322,054, this reflects a net decrease of $806,536 in net position for the year ending December 31, 2022.

Governmental Activities' Expenses

The cost of the County's governmental activities this year was $19,181,093. However, as shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through County taxes and other general revenue was $13,803,414 because some of the cost was paid by those who directly benefited from the programs ($1,994,147) or by other governments and organizations that subsidized certain programs with grants and contributions ($9,456,446).

The following presents the cost of each of the County's five largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Governmental Activities

	2022	
	Total Cost of Services	Net Cost of Services
Highways and streets	$ 6,331,074	$ 2,700,607
General government	4,046,958	(3,739,531)
Public safety	3,746,458	(3,240,136)
Health and human services	3,253,705	(3,178,192)
Conservation of natural resources	1,010,274	(134,624)
All others	792,624	(138,624)
Totals	$ 19,181,093	$ (7,730,500)

The County's Funds

As the County completed the year, its governmental funds (as presented in the Balance Sheet) reported a combined fund balance of $18,678,046, which is above last year's total of $16,192,596. The governmental funds' change in fund balance (an increase of $2,485,450 for 2022) represents a 15.4 percent increase in governmental fund balances.

The General Fund showed a net increase in fund balance of $1,223,340, after restatement. The overall increase in fund balance resulted from more revenue than expected in 2022, with the largest variances being special assessments, intergovernmental revenue, and charges for services. In addition, conservation of natural resources expenditures were less than expected.

The Road and Bridge Special Revenue Fund's fund balance increased $685,614 in 2022. The increase is a result of planned construction that was not expended but was levied in 2022 and less equipment and maintenance shop expenditures than expected in 2022.

In 2022, the Ditch Special Revenue Fund showed an increase in fund balance of $4,829.

The Building Capital Projects Fund had a net increase in fund balance of $571,667 in 2022, after restatement of $489,566. The increase is due to long-term capital outlay projects that were not expended in 2022 but were included in the 2022 levy.

General Fund Budgetary Highlights

Budget amendments were made for 2022.

Capital Assets and Debt Administration

Capital Assets

At the end of 2022, the County had $71,814,443 invested in a broad range of capital assets (net of accumulated depreciation), including land, buildings, highways and streets, and equipment. This amount represents a net increase of $4,434,738, or 6.6 percent, over last year.

Capital Assets

	2022			
	Governmental Activities	Business-Type Activities	Total	2021
Land	$ 662,310	$ 249,586	$ 911,896	$ 701,896
Right-of-way	858,459	-	858,459	858,459
Construction in progress	902,089	-	902,089	9,953
Buildings	3,032,275	20,912	3,053,187	3,095,453
Land improvements	-	975,559	975,559	1,052,097
Machinery and equipment	2,746,142	195,064	2,941,206	3,048,886
Infrastructure	62,172,047	-	62,172,047	58,612,961
Totals	$ 70,373,322	$ 1,441,121	$ 71,814,443	$ 67,379,705

Additional information on the County's capital assets can be found in Note 3 in the notes to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of $1,738,723 versus $1,645,236 last year, an increase of 5.7 percent over last year.

Outstanding Debt

	2022	2021
Loans payable	$ 1,738,723	$ 1,645,236

The County's general obligation bond rating is an AA-. This rating is assigned by national rating agencies. The state limits the amount of net debt that counties can issue to three percent of the market value of all taxable property ($3,919,367,800) in the County. The County's outstanding net debt ($1,738,723) is significantly below this state-imposed limit ($117,581,034).

Additional information on the County's long-term debt can be found in Note 3 in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The County's elected and appointed officials considered many factors when setting landfill fees, the fiscal year 2023 budget, and property tax rates.

- Cottonwood County is anticipating reductions of state aids to local governments. The County will do its best to maintain a stable service environment even if state reductions are implemented.

- County governmental fund expenditures for 2023 are budgeted to decrease slightly by 2.23 percent from 2022.

- Property taxes levied have increased 4.50 percent for 2023.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor/Treasurer, Donna Torkelson, Cottonwood County Courthouse, 900 – 3rd Avenue, Windom, Minnesota 56101; (507) 831-1342.

Basic Financial Statements

Government-Wide Financial Statements

Cottonwood County
Windom, Minnesota

Exhibit 1

Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	$ 19,708,677	$ 204,026	$ 19,912,703
Receivables	3,956,190	58,945	4,015,135
Internal balances	532,189	(532,189)	-
Inventories	671,351	-	671,351
Prepaid items	117,000	1,958	118,958
Restricted assets			
Cash and pooled investments	-	1,826,285	1,826,285
Capital assets			
Non-depreciable	2,422,858	249,586	2,672,444
Depreciable – net of accumulated depreciation	67,950,464	1,191,535	69,141,999
Total Assets	**$ 95,358,729**	**$ 3,000,146**	**$ 98,358,875**
Deferred Outflows of Resources			
Deferred other postemployment benefits outflows	$ 66,150	$ 1,803	$ 67,953
Deferred pension outflows	3,601,443	74,635	3,676,078
Total Deferred Outflows of Resources	**$ 3,667,593**	**$ 76,438**	**$ 3,744,031**
Liabilities			
Accounts payable	$ 344,750	$ 612	$ 345,362
Salaries payable	234,739	7,041	241,780
Unearned revenue	1,901,024	-	1,901,024
Long-term liabilities			
Due within one year	220,120	3,343	223,463
Due in more than one year	2,170,487	2,898,811	5,069,298
Other postemployment benefits liability	295,639	9,279	304,918
Net pension liability	7,068,748	205,921	7,274,669
Total Liabilities	**$ 12,235,507**	**$ 3,125,007**	**$ 15,360,514**
Deferred Inflows of Resources			
Deferred other postemployment benefits inflows	$ 68,034	$ 2,604	$ 70,638
Deferred pension inflows	218,773	9,518	228,291
Total Deferred Inflows of Resources	**$ 286,807**	**$ 12,122**	**$ 298,929**

Cottonwood County
Windom, Minnesota

Exhibit 1
(Continued)

Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Net Position			
Net investment in capital assets	$ 70,373,322	$ 908,932	$ 71,282,254
Restricted for			
General government	277,076	-	277,076
Public safety	382,615	-	382,615
Highways and streets	1,735,456	-	1,735,456
Conservation of natural resources	2,478,242	-	2,478,242
Economic development	102,070	-	102,070
Opioid remediation activities	75,513	-	75,513
Capital projects	4,788,143	-	4,788,143
Unrestricted	6,291,571	(969,477)	5,322,094
Total Net Position	**$ 86,504,008**	**$ (60,545)**	**$ 86,443,463**

Cottonwood County
Windom, Minnesota

Statement of Activities
For the Year Ended December 31, 2022

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Governmental activities		
General government	$ 4,046,958	$ 299,927
Public safety	3,746,458	168,339
Highways and streets	6,331,074	437,042
Sanitation	414,817	364,226
Health and human services	3,253,705	-
Culture and recreation	359,260	99,650
Conservation of natural resources	1,010,274	624,963
Interest	18,547	-
Total governmental activities	**$ 19,181,093**	**$ 1,994,147**
Business-type activities		
Landfill	1,762,387	814,755
Total	**$ 20,943,480**	**$ 2,808,902**

General Revenues
Property taxes
Gravel taxes
Mortgage registry and deed tax
Wheelage tax
Windpower tax
Grants and contributions not restricted to specific programs
Payments in lieu of tax
Investment income
Miscellaneous
Gain on sale of capital assets
Transfers

Total general revenues and transfers

Change in net position

Net Position – January 1, as previously reported
Restatement (Note 1)

Net Position – January 1, as restated

Net Position – Ending

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

Exhibit 2

Program Revenues									
Operating Grants and Contributions		Capital Grants and Contributions		Net (Expense) Revenue and Changes in Net Position					
				Governmental Activities		Business-Type Activities		Total	
$	7,500	$	-	$	(3,739,531)	$	-	$	(3,739,531)
	337,983		-		(3,240,136)		-		(3,240,136)
	6,261,586		2,333,053		2,700,607		-		2,700,607
	72,440		-		21,849		-		21,849
	75,513		-		(3,178,192)		-		(3,178,192)
	117,684		-		(141,926)		-		(141,926)
	250,687		-		(134,624)		-		(134,624)
	-		-		(18,547)		-		(18,547)
$	**7,123,393**	**$**	**2,333,053**	**$**	**(7,730,500)**	**$**	**-**	**$**	**(7,730,500)**
	-		-		-		(947,632)		(947,632)
$	**7,123,393**	**$**	**2,333,053**	**$**	**(7,730,500)**	**$**	**(947,632)**	**$**	**(8,678,132)**
				$	11,220,833	$	335	$	11,221,168
					90,070		-		90,070
					13,246		-		13,246
					135,464		-		135,464
					588,607		-		588,607
					993,803		-		993,803
					320,122		-		320,122
					217,774		(179,091)		38,683
					188,985		-		188,985
					32,308		-		32,308
					2,202		(2,202)		-
				$	**13,803,414**	**$**	**(180,958)**	**$**	**13,622,456**
				$	**6,072,914**	**$**	**(1,128,590)**	**$**	**4,944,324**
				$	80,431,094	$	745,991	$	81,177,085
					-		322,054		322,054
				$	**80,431,094**	**$**	**1,068,045**	**$**	**81,499,139**
				$	**86,504,008**	**$**	**(60,545)**	**$**	**86,443,463**

Fund Financial Statements

Governmental Funds

Balance Sheet
Governmental Funds
December 31, 2022

	General	Road and Bridge	Ditch	Building	Total
Assets					
Cash and pooled investments	$ 9,637,917	$ 4,121,291	$ 825,654	$ 5,123,815	$ 19,708,677
Taxes receivable – delinquent	85,368	-	-	-	85,368
Special assessments receivable					
Delinquent	34,195	-	142	-	34,337
Noncurrent	1,433,957	-	-	-	1,433,957
Accrued interest receivable	120,215	-	-	-	120,215
Loans receivable	97,147	-	-	-	97,147
Due from other governments	-	2,185,166	-	-	2,185,166
Inventories	-	671,351	-	-	671,351
Prepaid items	96,581	20,419	-	-	117,000
Advance to other funds	1,452,725	-	-	-	1,452,725
Total Assets	**$ 12,958,105**	**$ 6,998,227**	**$ 825,796**	**$ 5,123,815**	**$ 25,905,943**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 204,603	$ 39,858	$ 100,289	$ -	$ 344,750
Salaries payable	169,034	65,705	-	-	234,739
Unearned revenue	1,901,024	-	-	-	1,901,024
Advance from other funds	-	-	920,536	-	920,536
Total Liabilities	**$ 2,274,661**	**$ 105,563**	**$ 1,020,825**	**$ -**	**$ 3,401,049**
Deferred Inflows of Resources					
Unavailable revenue	**$ 1,641,540**	**$ 2,185,166**	**$ 142**	**$ -**	**$ 3,826,848**

Cottonwood County
Windom, Minnesota

Exhibit 3
(Continued)

Balance Sheet
Governmental Funds
December 31, 2022

	General	Road and Bridge	Ditch	Building	Total
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)					
Fund Balances					
Nonspendable					
Prepaid items	$ 96,581	$ 20,419	$ -	$ -	$ 117,000
Long-term loans receivable	97,147	-	-	-	97,147
Advance to other funds	1,452,725	-	-	-	1,452,725
Inventories	-	671,351	-	-	671,351
Restricted for					
Law library	56,814	-	-	-	56,814
Recorder's technology fund	107,606	-	-	-	107,606
Recorder's compliance fund	101,934	-	-	-	101,934
Enhanced 911	192,608	-	-	-	192,608
Sheriff drug contingency	1,682	-	-	-	1,682
Permit to carry administration	141,434	-	-	-	141,434
Sheriff forfeitures	46,891	-	-	-	46,891
Attorney forfeitures	10,522	-	-	-	10,522
Attorney – prostitution prosecution, training, and education	200	-	-	-	200
Septic/sewer loan repayments	830,077	-	-	-	830,077
Land restoration	523,887	-	-	-	523,887
Aquatic invasive species program	168,008	-	-	-	168,008
Buffer administration	491,454	-	-	-	491,454
Low-interest small business loans	102,070	-	-	-	102,070
Opioid remediation	75,513	-	-	-	75,513
Highway construction	-	973,058	-	-	973,058
Ditch maintenance and repairs	-	-	795,753	-	795,753
County buildings	-	-	-	4,788,143	4,788,143
Assigned for					
Road and bridge	-	3,042,670	-	-	3,042,670
Capital outlay	-	-	-	335,672	335,672
Unassigned	4,544,751	-	(990,924)	-	3,553,827
Total Fund Balances	**$ 9,041,904**	**$ 4,707,498**	**$ (195,171)**	**$ 5,123,815**	**$ 18,678,046**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 12,958,105**	**$ 6,998,227**	**$ 825,796**	**$ 5,123,815**	**$ 25,905,943**

Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities December 31, 2022

Fund balance – total governmental funds (Exhibit 3)		**$ 18,678,046**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		70,373,322
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources – unavailable revenue in the governmental funds.		3,826,848
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Loans payable	$ (1,738,723)	
Compensated absences	(651,884)	
Other postemployment benefits liability	(295,639)	
Net pension liability	(7,068,748)	(9,754,994)
Deferred outflows of resources and deferred inflows of resources resulting from changes in the components of the other postemployment benefits liability are not reported in the governmental funds.		
Deferred other postemployment benefits outflows		66,150
Deferred other postemployment benefits inflows		(68,034)
Deferred outflows of resources and deferred inflows of resources resulting from changes in the components of the net pension liability are not reported in the governmental funds.		
Deferred pension outflows		3,601,443
Deferred pension inflows		(218,773)
Net Position of Governmental Activities (Exhibit 1)		**$ 86,504,008**

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

Cottonwood County
Windom, Minnesota

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	General	Road and Bridge	Ditch	Building	Total
Revenues					
Taxes	$ 8,514,917	$ 2,360,396	$ -	$ 1,149,170	$ 12,024,483
Special assessments	310,440	-	396,699	-	707,139
Licenses and permits	24,244	16,750	-	-	40,994
Intergovernmental	2,074,021	8,605,175	-	-	10,679,196
Settlements	75,513	-	-	-	75,513
Charges for services	646,089	285,469	-	-	931,558
Fines and forfeits	11,873	-	-	-	11,873
Investment earnings	129,754	-	-	-	129,754
Miscellaneous	344,780	134,823	5,907	129,742	615,252
Total Revenues	**$ 12,131,631**	**$ 11,402,613**	**$ 402,606**	**$ 1,278,912**	**$ 25,215,762**
Expenditures					
Current					
General government	$ 3,787,980	$ -	$ -	$ 22,904	$ 3,810,884
Public safety	3,322,175	-	-	-	3,322,175
Highways and streets	-	10,157,645	-	-	10,157,645
Sanitation	540,105	-	-	-	540,105
Health and human services	15,966	-	-	-	15,966
Culture and recreation	349,416	-	-	-	349,416
Conservation of natural resources	511,088	-	480,002	-	991,090
Capital outlay					
General government	-	-	-	194,775	194,775
Intergovernmental					
Highways and streets	-	650,259	-	-	650,259
Health and human services	2,851,644	-	-	-	2,851,644
Debt service					
Principal	160,838	-	-	-	160,838
Interest	3,501	-	15,046	-	18,547
Total Expenditures	**$ 11,542,713**	**$ 10,807,904**	**$ 495,048**	**$ 217,679**	**$ 23,063,344**
Excess of Revenues Over (Under) Expenditures	**$ 588,918**	**$ 594,709**	**$ (92,442)**	**$ 1,061,233**	**$ 2,152,418**

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

Exhibit 5
(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	General	Road and Bridge	Ditch	Building	Total
Other Financing Sources (Uses)					
Transfers in	$ 15,089	$ -	$ 112,360	$ -	$ 127,449
Transfers out	(124,558)	-	(15,089)	-	(139,647)
Loans issued	254,325	-	-	-	254,325
Proceeds from sale of capital assets	-	32,308	-	-	32,308
Total Other Financing Sources (Uses)	**$ 144,856**	**$ 32,308**	**$ 97,271**	**$ -**	**$ 274,435**
Net Change in Fund Balance	**$ 733,774**	**$ 627,017**	**$ 4,829**	**$ 1,061,233**	**$ 2,426,853**
Fund Balance – January 1, as previously reported	$ 7,818,564	$ 4,021,884	$ (200,000)	$ 4,552,148	$ 16,192,596
Restatement (Note 1)	489,566	-	-	(489,566)	-
Fund Balance – January 1, as restated	**$ 8,308,130**	**$ 4,021,884**	**$ (200,000)**	**$ 4,062,582**	**$ 16,192,596**
Increase (decrease) in inventories	**$ -**	**$ 58,597**	**$ -**	**$ -**	**$ 58,597**
Fund Balance – December 31	**$ 9,041,904**	**$ 4,707,498**	**$ (195,171)**	**$ 5,123,815**	**$ 18,678,046**

Cottonwood County
Windom, Minnesota

Exhibit 6

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities For the Year Ended December 31, 2022

Net change in fund balance – total governmental funds (Exhibit 5)		**$ 2,426,853**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in unavailable revenue.		
Unavailable revenue – December 31	$ 3,826,848	
Unavailable revenue – January 1	(4,207,667)	(380,819)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets and infrastructure	$ 7,098,164	
Current year depreciation	(2,442,207)	4,655,957
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and transfers) is to decrease net position.		(37,113)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Proceeds of new debt – loans issued	$ (254,325)	
Repayment of debt principal – loan payments	160,838	(93,487)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.		
Change in inventories	$ 58,597	
Change in deferred other postemployment benefits outflows	(17,720)	
Change in deferred pension outflows	998,919	
Change in compensated absences	1,344	
Change in other postemployment benefits liability	(28,361)	
Change in net pension asset	(51,814)	
Change in net pension liability	(4,727,125)	
Change in deferred other postemployment benefits inflows	10,647	
Change in deferred pension inflows	3,257,036	(498,477)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 6,072,914**

Proprietary Fund

Cottonwood County
Windom, Minnesota

Exhibit 7

Statement of Fund Net Position
Proprietary Fund
December 31, 2022

	Landfill Enterprise Fund
Assets	
Current assets	
Cash and pooled investments	$ 204,026
Accounts receivable	58,945
Prepaid items	1,958
Restricted assets	
Cash and pooled investments	1,826,285
Total current assets	**$ 2,091,214**
Noncurrent assets	
Capital assets	
Nondepreciable	$ 249,586
Depreciable – net	1,191,535
Total noncurrent assets	**$ 1,441,121**
Total Assets	**$ 3,532,335**
Deferred Outflows of Resources	
Deferred other postemployment benefits outflows	$ 1,803
Deferred pension outflows	74,635
Total Deferred Outflows of Resources	**$ 76,438**

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

Exhibit 7
(Continued)

Statement of Fund Net Position
Proprietary Fund
December 31, 2022

	Landfill Enterprise Fund
Liabilities	
Current liabilities	
Accounts payable	$ 612
Salaries payable	7,041
Compensated absences payable – current	3,343
Total current liabilities	**$ 10,996**
Noncurrent liabilities	
Advance from other funds	$ 532,189
Compensated absences payable – long-term	30,326
Estimated liability for landfill closure/postclosure care	2,868,485
Other postemployment benefits liability	9,279
Net pension liability	205,921
Total noncurrent liabilities	**$ 3,646,200**
Total Liabilities	**$ 3,657,196**
Deferred Inflows of Resources	
Deferred other postemployment benefits inflows	$ 2,604
Deferred pension inflows	9,518
Total Deferred Inflows of Resources	**$ 12,122**
Net Position	
Net investment in capital assets	$ 908,932
Unrestricted	(969,477)
Total Net Position	**$ (60,545)**

Exhibit 8

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2022

		Landfill Enterprise Fund
Operating Revenues		
Charges for services	$	787,560
Licenses and permits		203
Miscellaneous		27,327
Total Operating Revenues	**$**	**815,090**
Operating Expenses		
Personal services	$	266,646
Professional services		82,984
Other services and charges		366,901
Utilities		9,641
Depreciation		169,706
Landfill closure and postclosure care costs		852,254
Total Operating Expenses	**$**	**1,748,132**
Operating Income (Loss)	**$**	**(933,042)**
Nonoperating Revenues (Expenses)		
Investment income (loss)	$	(179,091)
Interest expense		(14,255)
Loss on the disposal of property		(14,400)
Total Nonoperating Revenues (Expenses)	**$**	**(207,746)**
Income (Loss) Before Transfers	**$**	**(1,140,788)**
Transfers in		12,198
Change in Net Position	**$**	**(1,128,590)**
Net Position – January 1, as previously reported	$	745,991
Restatement (Note 1)		322,054
Net Position – January 1, as restated	**$**	**1,068,045**
Net Position – December 31	**$**	**(60,545)**

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

Cottonwood County
Windom, Minnesota

Exhibit 9

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2022
Increase (Decrease) in Cash and Cash Equivalents

		Landfill Enterprise Fund
Cash Flows from Operating Activities		
Receipts from customers and users	$	808,264
Payments to suppliers		(504,714)
Payments to employees		(247,229)
Net cash provided by (used in) operating activities	**$**	**56,321**
Cash Flows from Noncapital Financing Activities		
Transfers in	**$**	**12,198**
Cash Flows from Capital and Related Financing Activities		
Advance from other funds	**$**	**(394,066)**
Cash Flows from Investing Activities		
Fair market value of investments	**$**	**(179,091)**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**(504,638)**
Cash and Cash Equivalents – January 1, as restated		**2,534,949**
Cash and Cash Equivalents – December 31	**$**	**2,030,311**
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position – Exhibit 7		
Cash and pooled investments	$	204,026
Restricted cash and pooled investments		1,826,285
Total Cash and Cash Equivalents – December 31	**$**	**2,030,311**

Exhibit 9
(Continued)

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2022
Increase (Decrease) in Cash and Cash Equivalents

	Landfill Enterprise Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	**$ (933,042)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	$ 169,706
Landfill closure and postclosure care costs	852,254
(Increase) decrease in accounts receivable	(6,826)
(Increase) decrease in prepaid assets	(1,958)
(Increase) decrease in deferred other postemployment benefits outflows	738
(Increase) decrease in deferred pension outflows	32,687
Increase (decrease) in accounts payable	(45,188)
Increase (decrease) in salaries payable	(1,336)
Increase (decrease) in compensated absences payable	3,062
Increase (decrease) in other postemployment benefits liability	1,182
Increase (decrease) in net pension liability	86,348
Increase (decrease) in deferred other postemployment benefits inflows	(443)
Increase (decrease) in deferred pension inflows	(100,863)
Total adjustments	**$ 989,363**
Net Cash Provided by (Used in) Operating Activities	**$ 56,321**
Noncash Investing, Capital, and Financing Activities	
Net book value of asset transfer to the general fund	**$ 14,400**

Fiduciary Funds

Exhibit 10

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

		Custodial Funds
Assets		
Cash and pooled investments	$	648,300
Taxes receivable for other governments		216,495
Special assessments receivable for other governments		53,240
Total Assets	**$**	**918,035**
Liabilities		
Due to other governments	**$**	**428,201**
Deferred Inflows of Resources		
Prepaid taxes	**$**	**63,666**
Net Position		
Restricted for individuals, organizations, and other governments	**$**	**426,168**

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

Cottonwood County
Windom, Minnesota

Exhibit 11

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022

Additions		Custodial Funds
Contributions from individuals	$	57,884
Property tax collections for other governments		14,616,388
Fees collected for state		517,953
Miscellaneous		90,122
Total Additions	**$**	**15,282,347**
Deductions		
Payments of property tax to other governments	$	14,861,052
Payments to state		609,476
Payments to other individuals/entities		100,139
Total Deductions	**$**	**15,570,667**
Change in Net Position	**$**	**(288,320)**
Net Position – January 1		**714,488**
Net Position – December 31	**$**	**426,168**

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

Note 1 – Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2022. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Financial Reporting Entity

Cottonwood County was established May 23, 1857, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

The County participates in joint ventures and jointly-governed organizations as described in Note 5 – Summary of Significant Contingencies and Other Items.

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. 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 to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) investment in capital assets, (2) restricted, and (3) unrestricted. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and the business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as a separate column in the fund financial statements. The County reports all of its funds as major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue Fund is used to account for restricted revenues from the federal and state government, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited properties.

The Building Capital Projects Fund is used to account for assigned property tax revenues and rental income to pay the cost of constructing and maintaining County buildings.

The County reports the following major enterprise fund:

The Landfill Fund is used to account for the operation, maintenance, and development of the County solid waste landfill.

Additionally, the County reports the following fund type:

Custodial funds are safekeeping in nature. These funds account for monies the County holds for others in a fiduciary capacity.

Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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. Cottonwood County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

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

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

Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can be deposited or effectively withdrawn from cash at any time without prior notice or penalty.

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Investments are reported at their fair value at December 31, 2022. A market approach is used to value all investments. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds may receive investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2022 were $129,754.

Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in the General Fund to indicate that they are not available for appropriation and are not expendable available financial resources.

No allowance for accounts receivable and uncollectible taxes/special assessments has been provided because such amounts are not expected to be material.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments and noncurrent special assessments. No provision has been made for an estimated uncollectible amount.

Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventory in the Road and Bridge Special Revenue Fund consists of expendable supplies held for consumption. The cost of individual inventory items is recorded as an expenditure at the time the item is purchased. Inventories at the government-wide level are reported as expenses when consumed.

Inventories, as reported in the fund financial statements, are equally offset by nonspendable fund balance, which indicates that they do not constitute available spendable resources.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure/expense when consumed rather than when purchased.

Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide and proprietary fund financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Estimated Useful Lives of Capital Assets

Assets	Years
Buildings	25-75
Building improvements	25
Land improvements	10
Public domain infrastructure	
Bridges	75
Roads	50
Machinery and equipment	3-15

Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if it has matured, for example, as a result of employee resignations and retirements. The current portion is a percentage based on the average of the previous five-year severance payouts. For the governmental activities, compensated absences are liquidated by the General Fund and the Road and Bridge Special Revenue Fund. For the business-type activities, compensated absences are liquidated by the Landfill Enterprise Fund.

Long-Term Obligations

In the government-wide financial statements, and in the proprietary 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 statement of net position. Bond premiums and discounts are deferred and 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 funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the 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.

Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/ expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, they are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenue from delinquent taxes and special assessments receivable and grants receivable. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

Pension Plan

For purposes of measuring the net pension asset, liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association of Minnesota (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates, and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. For the governmental activities, the net pension liability is liquidated by the General Fund and the Road and Bridge Special Revenue Fund. For the business-type activities, the net pension liability is liquidated by the Landfill Enterprise Fund.

Classification of Net Position

Net position in the government-wide and proprietary fund financial statements is classified in the following components:

Net investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – the amount of net position that does not meet the definition of restricted or net investment in capital assets.

Classification of Fund Balances

The County's fund balance policy establishes a minimum unassigned fund balance equal to 35 percent of total General Fund expenditures. In the event the unassigned fund balance drops below the established minimum level, the County Board will develop a plan to replenish the fund balance to the established level within two years.

The County's fund balance policy also includes the authority to establish a financial stabilization account that will be a committed fund balance. The County has not established such an account at this time.

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted – amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of actions (resolution) it employed to previously commit these amounts.

Assigned – amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor/Treasurer, who has been delegated that authority by Board resolution.

Unassigned – the residual classification for the General Fund, which includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Period Restatement – Coronavirus State and Local Fiscal Recovery Funds

During the current year, Cottonwood County has identified $322,054 of 2021 expenditures to be applied to the Coronavirus State and Local Fiscal Recovery Funds, assistance listing 21.027. Had these expenditures been identified during 2021, the Landfill Enterprise Fund, and Statement of Net Position unearned revenue would have decreased, and intergovernmental revenue would have increased by this amount. Beginning net position has been restated in the current year to reflect this subsequent change.

Prior Period Adjustment – Restructuring of Funds

During the year ended December 31, 2022, Cottonwood County re-evaluated its restricted accounts and determined that reporting the activities in the General Fund rather than the Capital Projects Fund would be beneficial for financial statement users.

The following balances as of January 1, 2022, were adjusted to reflect this change.

Prior Period Adjustment

	General Fund	Building Capital Projects Fund
Fund balance January 1, 2022, as previously reported	$ 7,818,564	$ 4,552,148
Reclassification of restricted fund balance	489,566	(489,566)
Fund Balance, January 1, 2022, as restated	$ 8,308,130	$ 4,062,582

Note 2 – Stewardship, Compliance, and Accountability

Deficit Net Position

The Landfill Enterprise Fund had negative net position of $60,545 as of December 31, 2022. The deficit will be eliminated with future revenues and an increase in the investment value held by the fund.

Deficit Fund Balance

The Ditch Special Revenue Fund had a negative fund balance of $195,171 as of December 31, 2022; 12 of the 87 ditch systems had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

Individual Ditch System Fund Balance

75 ditches with positive fund balances	$ 795,753
12 ditches with deficit fund balances	(990,924)
Total Fund Balance	$ (195,171)

Excess of Expenditures Over Appropriations

The following fund had expenditures in excess of appropriations (the legal level of budgetary control) for the year ended December 31, 2022:

	Expenditures	Final Budget	Excess
Building Capital Projects Fund	$ 217,679	$ 188,250	$ 29,429

The expenditures in excess of budget were funded by available fund balance.

Note 3 – Detailed Notes

Assets

Deposits and Investments

The County's total cash and investments are as follows:

Reconciliation of the County's Total Cash and Investments to the Basic Financial Statements as of December 31, 2022

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	$ 19,708,677
Business-type activities	
Cash and pooled investments	204,026
Cash and pooled Investments – restricted assets	1,826,285
Statement of fiduciary net position	
Custodial funds	
Cash and pooled investments	648,300
Total Cash and Investments	$ 22,387,288

Deposits

The County is authorized by Minn. Stat. § 118A.02 to designate a depository for public funds. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and federally insured time deposits. Minnesota statutes require that securities pledged as collateral be held 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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has adopted a policy for custodial credit risk by obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2022, the County's deposits were not exposed to custodial credit risk.

Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

(1) 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, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Fair Value of Investments

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

At December 31, 2022, the County had the following recurring fair value measurements.

Recurring Fair Value Measurements as of December 31, 2022

		Fair Value Measurements Using		
	December 31, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. agencies	$ 1,292,014	$ -	$ 1,292,014	$ -
Negotiable certificates of deposit	2,459,802	-	2,459,802	-
Total Investments Included in the Fair Value Hierarchy	$ 3,751,816	$ -	$ 3,751,816	$ -

Investments classified in Level 2 are valued using the following approaches:

- U.S. Agencies: a market approach by utilizing quoted prices for identical securities in markets that are not active; and
- Negotiable Certificates of Deposit: matrix pricing based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings and other credit risk requirements set by state statutes.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County has adopted a policy for custodial credit risk by permitting brokers that obtain investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. At December 31, 2022, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities may be held without limit.

The following table presents the County's cash and investment balances at December 31, 2022, and information relating to potential investment risks:

Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2022

	Credit Risk		Concentration Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	Carrying (Fair) Value
Federal Home Loan Bank bond[1]	AA+	S&P		11/18/2024	$ 94,378
Federal Home Loan Bank bond[1]	AA+	S&P		02/26/2026	133,285
Federal Home Loan Bank bond[1]	AA+	S&P		03/17/2026	202,995
Federal Home Loan Bank bond[1]	AA+	S&P		03/17/2026	180,440
Federal Home Loan Bank bond[1]	AA+	S&P		06/30/2026	111,404
Total Federal Home Loan Bank bonds			19.3%		$ 722,502
School District – GO Bond	Aa3	Moody's		02/01/2025	$ 265,897
School District – GO Bond	AA	S&P		08/01/2026	303,615
Total School District – GO Bonds			15.2%		$ 569,512
Negotiable certificates of deposit with brokers	N/A	N/A	N/A	Various	$ 2,459,802
Total investments					$ 3,751,816
Checking					17,508,688
Savings					1,025,434
Petty cash and change funds					4,350
Certificates of deposit					97,000
Total Cash and Investments					$ 22,387,288

[1]These securities have step provisions, which could result in the notes being called prior to maturity.
N/A – Not Applicable
S&P – Standard & Poor's

Receivables

Receivables as of December 31, 2022, for the County's governmental activities and business-type activities are as follows:

Receivables as of December 31, 2022

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 85,368	$ -
Special assessments – delinquent	34,337	-
Special assessments – noncurrent	1,433,957	1,433,957
Accrued interest	120,215	-
Loans	97,147	93,237
Due from other governments	2,185,166	-
Total	$ 3,956,190	$ 1,527,194
Business-Type Activities		
Accounts	$ 58,945	$ -

Details on Loans Receivable

In 2012, Cottonwood County agreed to loan the Southwest Mental Health Center $131,000 at 2.00 percent interest to help construct a new administrative building. Funds were issued to the Southwest Mental Health Center on May 23, 2013. At December 31, 2022, the outstanding loan balance was $97,147.

Capital Assets

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

Governmental Activities

Changes in Capital Assets for the Year Ended December 31, 2022

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 452,310	$ 210,000	$ -	$ 662,310
Right-of-way	858,459	-	-	858,459
Construction in progress	9,953	902,089	9,953	902,089
Total capital assets not depreciated	$ 1,320,722	$ 1,112,089	$ 9,953	$ 2,422,858
Capital assets depreciated				
Buildings	$ 6,379,349	$ 100,792	$ -	$ 6,480,141
Machinery and equipment	7,167,175	539,165	246,408	7,459,932
Infrastructure	86,496,530	5,356,071	-	91,852,601
Total capital assets depreciated	$ 100,043,054	$ 5,996,028	$ 246,408	$ 105,792,674
Less: accumulated depreciation for				
Buildings	$ 3,305,776	$ 142,090	$ -	$ 3,447,866
Machinery and equipment	4,419,953	503,132	209,295	4,713,790
Infrastructure	27,883,569	1,796,985	-	29,680,554
Total accumulated depreciation	$ 35,609,298	$ 2,442,207	$ 209,295	$ 37,842,210
Total capital assets depreciated, net	$ 64,433,756	$ 3,553,821	$ 37,113	$ 67,950,464
Governmental Activities Capital Assets, Net	$ 65,754,478	$ 4,665,910	$ 47,066	$ 70,373,322

Business-Type Activities

Changes in Capital Assets for the Year Ended December 31, 2022

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 249,586	$ -	$ -	$ 249,586
Capital assets depreciated				
Buildings	$ 52,731	$ -	$ -	$ 52,731
Land improvements	3,511,154	-	-	3,511,154
Machinery and equipment	990,974	-	48,000	942,974
Total capital assets depreciated	$ 4,554,859	$ -	$ 48,000	$ 4,506,859
Less: accumulated depreciation for				
Buildings	$ 30,851	$ 968	$ -	$ 31,819
Land improvements	2,459,057	76,538	-	2,535,595
Machinery and equipment	689,310	92,200	33,600	747,910
Total accumulated depreciation	$ 3,179,218	$ 169,706	$ 33,600	$ 3,315,324
Total capital assets depreciated, net	$ 1,375,641	$ (169,706)	$ 14,400	$ 1,191,535
Business-Type Activities Capital Assets, Net	$ 1,625,227	$ (169,706)	$ 14,400	$ 1,441,121

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

Depreciation Expense Charged to Functions/Programs

Governmental Activities	
General government	$ 135,060
Public safety	68,842
Highways and streets, including depreciation of infrastructure assets	2,210,972
Conservation of natural resources	2,232
Culture and recreation	4,945
Sanitation	20,156
Total Depreciation Expense – Governmental Activities	$ 2,442,207
Business-Type Activities	
Landfill	$ 169,706

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2022, is as follows:

Advances To/From Other Funds

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Ditch Special Revenue	$ 920,536
	Landfill Enterprise	532,189
Total Advances To/From Other Funds		$ 1,452,725

The advance to the Ditch Special Revenue Fund is to provide working capital to ditch systems with low reserves and current operating costs in excess of its revenues. This balance will be paid from future ditch special assessments.

The advance to the Landfill Enterprise Fund is for the construction of cell 8 at the landfill. The landfill is not expected to repay $465,665 within the subsequent year.

Interfund Transfers

Interfund transfers for the year ended December 31, 2022, consisted of the following:

Transfers To/From Other Funds

Transfer In	Transfer Out	Amount	Purpose
General Fund	Ditch Special Revenue Fund	$ 15,089	Eliminate ditch sinking funds
Ditch Special Revenue Fund	General Fund	112,360	Eliminate ditch sinking funds
Landfill Enterprise Fund	General Fund	12,198	Interest distribution
Total Transfers To/From Other Funds		$ 139,647	

Governmental activities and business-type activities includes a transfer of $14,400 for an asset that was transferred from the Landfill Enterprise Fund to the General Fund.

Liabilities and Deferred Inflows of Resources

Construction Commitments

The County has active construction projects as of December 31, 2022. The projects include the following:

Active Construction Projects and Other Commitments as of December 31, 2022

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Road and Bridge Special Revenue Fund		
SP 017-607-021 and SP 017-070-004	$ 5,089,858	$ 53,152
Concrete crushing	65,388	38,612
Bridge Replacement Project	1,189,680	228,946
Total	$ 6,344,926	$ 320,710

Long-Term Debt

Governmental Activities

Loans Payable

In 1996, the County agreed to act as loan and project sponsor for a project loan agreement made under the Clean Water Partnership Law with the State of Minnesota through the Minnesota Pollution Control Agency (PCA) and the Brown-Nicollet-Cottonwood Project Joint Powers Board. The County is required to repay these funds to the PCA. Beginning in 1998, Ag Well loan funds were received through the Minnesota Department of Agriculture. The loan terms and repayment are similar to those received through the PCA. The County is required to repay the funds to the Minnesota Department of Agriculture. All loans are secured by special assessments placed on the individual parcels requesting repair of a failing system. Loan payments are reported in the General Fund.

Debt Service Requirements

Governmental Activities

Debt Service Requirements as of December 31, 2022

Year Ending	Loans Payable*	
December 31	Principal	Interest
2023	$ 155,388	$ 2,475
2024	148,170	1,603
2025	130,737	1,055
2026	121,496	639
2027	110,995	214
2028-2032	168,677	81
2033	689	-
Total	$ 806,152	$ 6,067

*The debt service requirements for a loan from the Minnesota Pollution Control Agency of $932,571 are not known as of December 31, 2022.

Changes in Long-Term Liabilities

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

Governmental Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans payable	$ 1,645,236	$ 254,325	$ 160,838	$ 1,738,723	$ 155,388
Compensated absences	653,228	307,623	308,967	651,884	64,732
Governmental Activities Total Long-Term Liabilities	$ 2,298,464	$ 561,948	$ 469,805	$ 2,390,607	$ 220,120

Business-Type Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated liability for landfill closure and postclosure care	$ 2,016,231	$ 852,254	$ -	$ 2,868,485	$ -
Compensated absences	30,607	9,278	6,216	33,669	3,343
Business-Type Activities Total Long-Term Liabilities	$ 2,046,838	$ 861,532	$ 6,216	$ 2,902,154	$ 3,343

Nonexchange Financial Guaranties – Red Rock Rural Water System

The Red Rock Rural Water System (RRRWS) was established by the Fifth Judicial District under Minn. Stat. §§ 116A.01 through 116A.26 to serve as a multi-county water system in the Counties of Brown, Cottonwood, Jackson, Lyon, Martin, Murray, Nobles, Redwood, and Watonwan.

On August 18, 2011, pursuant to Minn. Stat. chs. 475 and 116A, the County issued the $1,450,000 G.O. Crossover Refunding Bonds, Series 2011A, on behalf of the RRRWS to refund the outstanding portion of the G.O. Refunding Bonds, Series 2003. Scheduled bond payments for the issuance began on July 1, 2012, and continue until the final maturity date of January 1, 2027. Bonds maturing on January 1, 2019, and thereafter are subject to a continuous early redemption option.

On December 17, 2020, pursuant to Minn. Stat. chs. 475 and 116A, the County issued the $4,590,000 G.O. Water Revenue Refunding Bonds, Series 2020A, on behalf of the RRRWS to current refund the G.O. Water Revenue Bonds, Series 2008A and the G.O. Water Revenue Bonds, Series 2008C. Scheduled bond payments for this issuance began on July 1, 2021, and continue until the final maturity date of January 1, 2048. Bonds maturing on January 1, 2030, and thereafter, are subject to a continuous early redemption option.

On December 23, 2020, pursuant to Minn. Stat. chs. 475 and 116A, the County issued the $1,350,000 G.O. Water Revenue Bonds, Series 2020B, on behalf of the RRRWS to finance water system improvements. Scheduled bond payments for this issuance began on January 1, 2021, and continue until the final maturity date of January 1, 2040. Bonds are subject to a continuous early redemption option.

The RRRWS is responsible for the payment of all costs, principal, and interest relating to these bonds through special assessments on the properties being serviced or the net revenues of the water system. In the event of a deficiency in the debt service accounts established by the RRRWS, the County has validly obligated itself to levy additional ad valorem taxes upon all the taxable property within the County to complete debt payments as scheduled. No arrangements have been established for recovery payments should such an event occur. On December 31, 2022, the outstanding principal balance for the 2011A, 2020A, and 2020B bonds were $555,000, $4,440,000, and $1,235,087, respectively.

Deferred Inflows of Resources – Unavailable Revenue

Deferred inflows of resources as of December 31, 2022, for the County's governmental funds are as follows:

Deferred Inflows of Resources

	Unavailable Revenue
Delinquent property taxes	$ 85,368
Special assessments receivable, delinquent and noncurrent	1,468,294
Highway allotments that do not provide current financial resources	2,185,166
Interest revenue	88,020
Total Governmental Funds	$ 3,826,848

Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $2,868,485 landfill closure and postclosure care liability at December 31, 2022, represents the cumulative amount reported to date based on the use of 80 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of $727,344 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2022. The Board expects to close the landfill in 2035. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements and, at December 31, 2022, the County has $1,826,285 in assets restricted for these purposes. The County is underfunded in this account by $1,042,200 at December 31, 2022. Cottonwood County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

Other Postemployment Benefits (OPEB)

Plan Description

Cottonwood County administers an OPEB plan, a single-employer defined benefit health care plan, to eligible retirees and their dependents.

Elected County officials and their dependents and surviving spouses are entitled to one year of paid health insurance for every two years of service to the County as established and amended by County resolution. There is no maximum number of years of coverage for officials elected prior to 1995. Those elected between 1995 and February 4, 2004, are restricted to a maximum of six years of coverage, and those elected thereafter are restricted to a maximum of four years. As of January 1, 2021, the maximum monthly contribution was set at $800.

The County also provides health insurance benefits for eligible retired employees and their dependents. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75. The OPEB plan does not issue a stand-alone financial report.

Employees Covered by the OPEB Benefit Terms
As of the January 1, 2021, Actuarial Valuation

Inactive employees or beneficiaries currently receiving benefit payments	4
Active plan participants	82
Total	86

Total OPEB Liability

The County's total OPEB liability of $304,918 was determined by an actuarial valuation as of January 1, 2021, which was rolled forward to a measurement date of January 1, 2022. The OPEB liability is liquidated through the General Fund, the Landfill Enterprise Fund, and other governmental funds that have personal services.

The total OPEB liability in the fiscal year-end December 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

OPEB Actuarial Assumptions and Other Inputs

Inflation	2.25 percent
Salary increases	Graded by service years ranging from 10.25 percent for one year of service to 3.00 percent for 27 or more years of service
Health care cost trend	7.50 percent, decreasing 0.50 percent per year to an ultimate rate of 4.50 percent

The current year discount rate is 2.25 percent, which is a change from the prior year rate of 2.12 percent. For the current valuation, the discount rate was selected from a range of the Bond Buyer G.O. 20-year Bond Municipal Bond Index, the S&P Municipal Bond 20-year High Grade Rate Index, and the Fidelity 20-year G.O. Municipal Bond Index, where the range is given as the spread between the lowest and highest rate.

Mortality rates are based on SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020.

The actuarial assumptions are currently based on a combination of historical information and the most recent actuarial valuation for PERA as of June 30, 2020.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability
For the Year Ended December 31, 2022

Balance at December 31, 2021	$	275,375
Changes for the year		
Service cost	$	37,253
Interest		6,482
Differences between expected and actual experience		2,087
Changes in assumptions or other inputs		(2,467)
Benefit payments		(13,812)
Net change	$	29,543
Balance at December 31, 2022	$	304,918

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of the Total OPEB Liability to Changes in the
Discount Rate as of December 31, 2022

	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total OPEB liability	$ 324,227	$ 304,918	$ 286,438

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rate:

Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates as of December 31, 2022

	1% Decrease (6.50% Decreasing to 3.50%)	Health Care Cost Trend Rate (7.50% Decreasing to 4.50%)	1% Increase (8.50% Decreasing to 5.50%)
Total OPEB liability	$ 279,117	$ 304,918	$ 335,700

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the County recognized OPEB expense of $45,040. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,927	$ 66,506
Changes in actuarial assumptions	57,897	4,132
Contributions made subsequent to the measurement date	8,129	-
Total	$ 67,953	$ 70,638

The $8,129 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB As of December 31, 2022

Year Ended December 31	OPEB Expense Amount
2023	$ 1,305
2024	1,305
2025	1,312
2026	(4,727)
2027	(3,991)
Thereafter	(6,018)

Changes in Actuarial Assumptions

The following change in actuarial assumptions occurred in 2022:

- The discount rate used changed from 2.12 percent to 2.25 percent.

Pension Plans

Defined Benefit Pension Plans

Plan Description

All full-time and certain part-time employees of Cottonwood County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), the Public Employees Police and Fire Plan (the Police and Fire Plan), and the Public Employees Local Government Correctional Service Retirement Plan (the Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and the Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Cottonwood County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing five percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the correctional facility and its inmates are covered by the Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years, or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits, but are not yet receiving them, are bound by the provisions in effect at the time they last terminated their public service.

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

For General Employees Plan 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. For Police and Fire Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2021.

Member and Employer Required Contribution Rates

	Member Required Contribution	Employer Required Contribution
General Employees Plan – Coordinated Plan members	6.50%	7.50%
Police and Fire Plan	11.80%	17.70%
Correctional Plan	5.83%	8.75%

Employer Contributions for the Year Ended December 31, 2022

General Employees Plan	$	255,384
Police and Fire Plan		137,364
Correctional Plan		62,760

The contributions are equal to the statutorily required contributions as set by state statute.

Pension Costs

General Employees Plan

At December 31, 2022, the County reported a liability of $3,524,415 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.0445 percent. It was 0.0463 percent measured as of June 30, 2021. The County recognized pension expense of $496,157 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031. The County recognized an additional $15,438 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

General Employees Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2022

The County's proportionate share of the net pension liability	$	3,524,415
State of Minnesota's proportionate share of the net pension liability associated with the County		103,315
Total	$	3,627,730

The County 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:

General Employees Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 29,439	$ 38,999
Changes in actuarial assumptions	828,929	14,173
Difference between projected and actual investment earnings	8,308	-
Changes in proportion	73,092	67,327
Contributions paid to PERA subsequent to the measurement date	128,278	-
Total	$ 1,068,046	$ 120,499

The $128,278 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	$ 317,129
2024	333,099
2025	(149,690)
2026	318,731

Police and Fire Plan

At December 31, 2022, the County reported a liability of $2,728,456 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.0627 percent. It was 0.0627 percent measured as of June 30, 2021. The County recognized pension expense of $192,776 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed $18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2022. The contribution consisted of $9 million in direct state aid that meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of $9 million on October 1 each year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional $23,107 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Police and Fire Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2022

The County's proportionate share of the net pension liability	$ 2,728,456
State of Minnesota's proportionate share of the net pension liability associated with the County	119,123
Total	$ 2,847,579

Legislation also requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized $5,643 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

The County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Police and Fire Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 167,795	$ -
Changes in actuarial assumptions	1,606,117	17,763
Difference between projected and actual investment earnings	41,372	-
Changes in proportion	2,842	54,939
Contributions paid to PERA subsequent to the measurement date	68,834	-
Total	$ 1,886,960	$ 72,702

The $68,834 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Police and Fire Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	$ 330,977
2024	336,348
2025	297,482
2026	553,604
2027	227,013

Correctional Plan

At December 31, 2022, the County reported a liability of $1,021,798 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.3074 percent. It was 0.3154 percent measured as of June 30, 2021. The County recognized pension expense of $355,021 for its proportionate share of the Correctional Plan's pension expense.

The County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Correctional Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 33,582
Changes in actuarial assumptions	667,230	1,477
Difference between projected and actual investment earnings	18,784	-
Changes in proportion	3,128	31
Contributions paid to PERA subsequent to the measurement date	31,930	-
Total	$ 721,072	$ 35,090

The $31,930 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Correctional Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	$ 296,410
2024	306,541
2025	(30,986)
2026	82,087

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2022, was $1,043,954.

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2022

	General Employees Fund	Police and Fire Fund	Correctional Fund
Inflation	2.25% per year	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year	3.00% per year
Investment Rate of Return	6.50%	6.50%	6.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan per year through December 31, 2054, and 1.50 percent per year thereafter. For the Police and Fire Plan, cost-of-living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2022, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated July 12, 2022, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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.

Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33.50%	5.10%
International equities	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent for the General Employees Plan in 2022, which remained consistent with 2021. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Plan and Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060, and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061, for the Police and Fire Plan and June 30, 2062, for the Correctional Plan, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent, based on the weekly rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index. An equivalent single discount rate of 5.40 percent for the Police and Fire Plan and 5.42 percent for the Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50 percent applied to all years of projected benefits to the point of asset depletion and 3.69 percent thereafter.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2022:

General Employees Plan

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

Police and Fire Plan

- The single discount rate changed from 6.50 percent to 5.40 percent.

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

Correctional Plan

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2022

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	5.50%	$ 5,566,997	4.40%	$ 4,129,169	4.42%	$ 1,799,845
Current	6.50%	3,524,415	5.40%	2,728,456	5.42%	1,021,798
1% Increase	7.50%	1,849,182	6.40%	1,596,064	6.42%	410,078

Pension Plan Fiduciary Net Position

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

Defined Contribution Plan

Five elected officials of Cottonwood County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental

Investment Fund. For administering the plan, PERA receives two percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total Contributions by Dollar Amount and Percentage of Covered Payroll Made by the Employer For the Year Ended December 31, 2022

	Employee	Employer
Contribution amount	$ 7,355	$ 7,355
Percentage of covered payroll	5.00%	5.00%

Note 4 – Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County has entered into joint powers agreements with other Minnesota municipalities to form the Southwest/West Central Service Cooperative to establish, procure, and administer group employee benefits. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2022 and 2023. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Service Cooperative is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. Cottonwood County became a participating member effective January 1, 2008. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the Service Cooperative and are based partially on the experience of the County and partially on the experience of the group. The Service Cooperative solicits proposals from carriers and negotiates the contracts.

Note 5 – Summary of Significant Contingencies and Other Items

Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

Cottonwood County continues to investigate and delineate the vinyl chloride plume from the landfill utilizing the services of Short Elliott Hendrickson, Inc. The Minnesota Pollution Control Agency is constantly and consistently informed of the investigative process and results.

Joint Ventures

Counties Providing Technology

Counties Providing Technology (CPT) was established in 2018, under the authority conferred upon by member parties by Minn. Stat. § 471.59, for the purpose of purchasing the former software vendor, Computer Professionals Unlimited, Inc., (CPUI) and to provide for the development, operation, and maintenance of technology applications and systems. Cottonwood County and 22 other counties are members of CPT. Each member county provided an initial contribution to start up CPT and provide funds for the purchase of CPUI. CPT purchased CPUI in September 2018 for a purchase price of $3,600,000.

Control is vested in the CPT Board, which consists of one individual appointed by each member county's Board of Commissioners. The joint powers agreement provides that initial operating capital contributed by each member is to be repaid from any excess in fund balance at the end of the fiscal year, in proportion to the initial contribution. Once the initial contribution is repaid, there is no remaining equity interest for the member counties.

Financing is primarily from county member contributions. During 2022, Cottonwood County contributed $77,810 to CPT. Current financial information can be obtained from the Stevens County Auditor/Treasurer, 400 Colorado Avenue, Suite 303, Morris, Minnesota 56267.

Des Moines Valley Health and Human Services

Des Moines Valley Health and Human Services (DVHHS) was formed pursuant to Minn. Stat. § 471.59, by Cottonwood and Jackson Counties. DVHHS began official operations on January 1, 2014, and performs human services and public health functions. Funding is provided by the member counties based on consideration of the population based on the most recent national census. DVHHS is governed by the Board of Commissioners made up of the five Commissioners from each member county.

Financing is provided by state and federal grants and appropriations from member counties. Cottonwood County's contributions in 2022 for the health and human services function were $2,851,644. Complete financial statements of DVHHS can be obtained at 11 Fourth Street, Windom, Minnesota 56111.

Cottonwood County Family Services Collaborative

The Cottonwood County Family Services Collaborative was established in 2000 under the authority of Minn. Stat. §§ 124D.23 and 245.491. The Collaborative includes DVHHS; Cottonwood County Corrections; Southwestern Mental Health Center; Independent School District 177; Independent School District 173; Independent School District 2884; Independent School District 991; Western Community Action, Inc./Head Start; and Cottonwood County. The primary function of the Collaborative is to create opportunities to enhance family strengths and support through service coordination and access to informal communication.

The Collaborative is financed primarily by state grants. Control of the Collaborative is vested in the Governing Board consisting of ten members. The Governing Board is composed of one member from each Executive Committee organization. The DVHHS acts as the fiscal agent for the Collaborative. During 2022, Cottonwood County provided $20,000 in funding to the Collaborative Integrated Fund.

Complete financial information can be obtained by contacting DVHHS at 11 Fourth Street, Windom, Minnesota 56111.

Red Rock Rural Water System

The Red Rock Rural Water System was established pursuant to Minn. Stat. ch. 116A through a joint powers agreement pursuant to Minn. Stat. § 471.59 and under the jurisdiction of the Fifth Judicial District. Brown, Cottonwood, Jackson, Lyon, Martin, Murray, Nobles, Redwood, and Watonwan Counties have agreed to guarantee their shares of debt arising within each respective county. The Red Rock Rural Water System provides water for participating rural water users and cities within the water district. The cost of providing these services is recovered through user charges.

The governing body is composed of nine members appointed to three-year terms by the District Court. Each county is responsible for levying and collecting the special assessments from the benefited properties within the county. The bond issue and notes payable are shown as long-term debt in the financial statements of the Red Rock Rural Water System. Complete financial information can be obtained from the Red Rock Rural Water System, 305 West Whited Street, Jeffers, Minnesota 56145.

Southwest Regional Solid Waste Commission

Cottonwood County has entered into a joint powers agreement with 11 other counties to create and operate the Southwest Regional Solid Waste Commission under the authority of Minn. Stat. § 471.59. The Commission was formed to exercise the County's authority and obligation pursuant to Minn. Stat. chs. 400 and 115A; to provide for the management of solid waste in the respective counties; and provide the greatest public service benefit possible for the entire contiguous 12-county area encompassed by the counties in planning, management, and implementation of methods to deal with solid waste in southwest Minnesota.

The governing board is composed of one Board member from each of the participating counties. Financing of the Commission's solid waste management program is through appropriations from the participating counties, grants and loans from the Minnesota Office of Waste Management, or from the sale of bonds or other obligations secured by revenues of the Commission. Administration and planning costs of the Commission are assessed to the counties on equal shares.

The Commission is headquartered in Ivanhoe, Minnesota, where Lincoln County acts as fiscal host. A complete financial report of the Southwest Regional Solid Waste Commission can be obtained from the Lincoln County Auditor, 319 North Rebecca Street, PO Box 29, Ivanhoe, Minnesota 56142.

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Southwestern Minnesota Adult Mental Health Consortium Board was created under the authority of Minn. Stat. § 471.59. Presently, its members include Big Stone, Chippewa, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; Southwest Health and Human Services, representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties; and DVHHS, representing

Cottonwood and Jackson Counties. The Board is headquartered in Windom, Minnesota, where DVHHS acts as fiscal agent.

The Board takes actions and enters into agreements as necessary to plan and develop within the Southwestern Minnesota Adult Mental Health Consortium Board's geographic jurisdiction, a system of care that serves the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained by contacting DVHHS at 11 Fourth Street, Windom, Minnesota 56111.

Southwestern Mental Health Center, Inc.

Southwestern Mental Health Center, Inc., is a private, non-profit agency established in 1959 by Cottonwood, Jackson, Nobles, Pipestone, and Rock Counties in southwest Minnesota. It was formed for the purpose of providing mental health services and programs to the residents of these counties.

During 2022, Cottonwood County did not contribute to Southwestern Mental Health Center, Inc., for mental health services. Complete financial statements for Southwestern Mental Health Center, Inc., can be obtained at 216 East Luverne Street, Luverne, Minnesota 56156.

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The purpose of the Board is to provide policy guidance on issues surrounding energy development in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use. During the year, Cottonwood County paid $2,500 to the Board.

Southwest Minnesota Regional Emergency Communications Board

As of August 23, 2013, the Southwest Minnesota Regional Radio Board changed its name to the Southwest Minnesota Regional Emergency Communications Board. The Southwest Minnesota Regional Radio Board was established April 22, 2008, between Cottonwood County, the City of Marshall, the City of Worthington, and 12 other counties under authority of Minn. Stat. §§ 471.59 and 403.39. The purpose of the agreement is to formulate a regional radio board to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

Control is vested in a Joint Powers Board consisting of one County Commissioner and one City Council member for each party to the agreement. The members representing counties and cities are appointed by their respective governing bodies for the membership of that governing body. In addition, voting members of the Board include a member of the Southwest Minnesota Regional Advisory Committee, a member of the Southwest Minnesota Regional Radio System User Committee, and a member of the Southwest Minnesota Owners and Operators Committee.

Financing is provided by appropriations from member parties and by state and federal grants. During 2022, Cottonwood County contributed $2,510 to the Joint Powers Board.

Southwest Minnesota Private Industry Council, Inc.

The Southwest Minnesota Private Industry Council, Inc., (SW MN PIC) is a private nonprofit corporation, which was created through a joint powers agreement on October 1, 1983, and began operations in 1985 under the Job Training Partnership Act (JTPA) authorized by Congress to administer and operate job training programs in a 14-county area of Southwestern Minnesota. These counties include Big Stone, Chippewa, Cottonwood, Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, Swift, and Yellow Medicine.

SW MN PIC is governed by the Chief Elected Official Board, which is composed of one representative from each member county. Cottonwood County did not contribute to this organization in 2022. Separate financial information can be obtained from the Lyon County Government Center, 607 West Main Street, Marshall, Minnesota 56258.

Advocate, Connect, Educate (A.C.E.) of Southwest Minnesota

Cottonwood County, in conjunction with Lincoln, Lyon, Murray, Nobles, Redwood, and Rock Counties, and the Southwest Regional Development Commission, pursuant to Minn. Stat. § 471.59, have formed an agreement to coordinate the delivery of volunteer services to non-profit community service entities and local units of government meeting the guidelines for receiving volunteer services under the authority of the counties. The entity known as Retired and Senior Volunteer Program of Southwest Minnesota (RSVP of Southwest Minnesota) changed its name to A.C.E. of Southwest Minnesota as of January 1, 2014. The Board comprises one voting member from each participating County and one voting member of the A.C.E. of Southwest Minnesota Advisory Council. In 2022, Cottonwood County made contributions of $23,495 to the A.C.E. of Southwest Minnesota.

PrimeWest Health

The PrimeWest Central County-Based Purchasing Initiative (since renamed PrimeWest Health) was established in December 1998 by a joint powers agreement with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties under the authority of Minn. Stat. § 471.59. Beltrami, Clearwater, and Hubbard Counties were later added to PrimeWest Health. Pipestone County has since joined Southwest Health and Human Services for public health and human services functions. The partnership is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

Control of PrimeWest Health is vested in a Joint Powers Board of Directors, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board of Directors is appointed by the County Commissioners of the county represented.

In the event of termination of the joint powers agreement, all assets owned pursuant to this agreement shall be sold, and the proceeds, together with monies on hand, will be distributed to the current members based on their proportional share of each member's county-based purchasing eligible population.

Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services, initial start-up loans from the member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. Cottonwood County did not make any contributions to PrimeWest Health in 2022.

Complete financial information can be obtained from its administrative office at PrimeWest Health, 3905 Dakota Street, Suite 101, Alexandria, Minnesota 56308.

Jointly-Governed Organizations

Cottonwood County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organizations listed below:

Area II Minnesota River Basin Project

The Area II Minnesota River Basin Project provides cost-share and technical assistance for the implementation of flood reduction measures to the area between the Cities of Ortonville and Mankato. During the year, Cottonwood County paid $4,042 to the Project.

Greater Blue Earth River Basin Alliance

The Greater Blue Earth River Basin Alliance (GBERBA) establishes goals, policies, and objectives to protect and enhance land and water resources in the Greater Blue Earth River Basin. The Board consists of County Commissioners and members of the Soil and Water Conservation Districts. During the year, Cottonwood County made no payments to the GBERBA.

Redwood-Cottonwood Rivers Control Area

The Redwood-Cottonwood Rivers Control Area (RCRCA) works to improve water quality, reduce erosion, and enhance recreational opportunities by providing education, outreach, monitoring, and technical assistance within the boundaries of the watersheds of the Redwood and Cottonwood Rivers for the participating counties. The RCRCA consists of Brown, Cottonwood, Lincoln, Lyon, Murray, Pipestone, Redwood, and Yellow Medicine Counties. During the year, Cottonwood County made payments of $9,920 to the RCRCA.

Heron Lake Watershed District

The Heron Lake Watershed District was established to protect and improve water resources within the Watershed border. The County Board is responsible for appointing two members of the Board of Managers for the Heron Lake Watershed District, but Cottonwood County's responsibility does not extend beyond making the appointments.

Region Five – Southwest Minnesota Homeland Security Emergency Management Organization

The Region Five – Southwest Minnesota Homeland Security Emergency Management Organization (SWMHSEM) was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the SWMHSEM region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Cottonwood County's responsibility does not extend beyond making this appointment.

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, Cottonwood County contributed $2,940 to the joint powers.

Minnesota Counties Computer Cooperative

Under the Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Cottonwood County expended $18,031 to the MCCC.

South Central Minnesota County Comprehensive Water Planning Project

The South Central Minnesota County Comprehensive Water Planning Project was established to provide regional water quality to Minnesota River Basin member counties. The project involves Blue Earth, Brown, Cottonwood, Faribault, Freeborn, Jackson, Le Sueur, Martin, Nicollet, Sibley, Steele, Waseca, and Watonwan Counties. Cottonwood County did not contribute to the Project in 2022.

Opioid Settlement Funds

Cottonwood County is a participating government in the opioid settlement with pharmaceutical manufacturers, distributers, and pharmacy chains. The County is expected to receive $651,332 over the next 18 years. The majority of the funds are intended for opioid abatement. The *Minnesota Opioids State-Subdivision Memorandum of Agreement* (MOA) identifies the requirements for Minnesota governments participating in the settlement. Pursuant to the terms of the MOA, the County created a separate fund. The County has combined the Opioid Settlement Fund with the General Fund for their financial statements. Funds are restricted until expended. The MOA requires that the County recognize the settlement revenues when the annual distribution is made to the participating governments. Therefore, the County does not record a receivable for the settlement. For the year ended December 21, 2022, the County received $75,513 as part of the settlement.

PROPOSAL FORM

TO: Cottonwood County, Minnesota
C/O Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Phone: 612-851-5900, Fax: 612-851-5918
Email: PublicSale@northlandsecurities.com

Sale Date: May 20, 2024

For all or none of the $10,000,000* General Obligation Jail Bonds, Series 2024A, in accordance with the Notice of Sale, we will pay you $__________________________, (not less than $9,875,000) plus accrued interest, if any, to date of delivery (estimated to be June 18, 2024) for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

Year	Interest Rate	Yield	Year	Interest Rate	Yield	Year	Interest Rate	Yield
2026	____%	____%	2033	____%	____%	2040	____%	____%
2027	____%	____%	2034	____%	____%	2041	____%	____%
2028	____%	____%	2035	____%	____%	2042	____%	____%
2029	____%	____%	2036	____%	____%	2043	____%	____%
2030	____%	____%	2037	____%	____%	2044	____%	____%
2031	____%	____%	2038	____%	____%	2045	____%	____%
2032	____%	____%	2039	____%	____%			

True interest percentage:______________________% Net interest cost: $__________________________

Term Bond Option: Bonds maturing in the years:	To be accumulated into a Term Bond maturing in year:
________ through ________	________.
________ through ________	________.
________ through ________	________.
________ through ________	________.
________ through ________	________.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in the bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds.

As set forth in the Notice of Sale, this bid shall not be cancelled in the event that the competitive sale requirements are not satisfied. The County may determine to apply the Hold-the-Offering-Price Rule to the Bonds (such terms are used as described in the Notice of Sale).

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Official Statement. As Syndicate Manager, we agree to provide the County with the reoffering price of the Bonds within 24 hours of the bid acceptance.

A Good Faith Deposit in the amount as stated in the Notice of Sale in the form of a federal wire transfer payable to the order of the County will only be required from the apparent winning bidder, and must be received within two hours after the receipt of the bids. Award of the Bonds will be on the basis of True Interest Cost (TIC).

Account Members:

Account Manager: ______________________________ By: ___________________________________

The foregoing proposal is hereby duly accepted by and on behalf of the Cottonwood County, Minnesota at 9:00 AM on May 21, 2024.

_____________________________________ _____________________________________

County Coordinator Board Chair

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* The County reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of $5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread