

New Issue

S & P Global Ratings: Requested

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain covenants, if the Bonds are issued as tax-exempt bonds, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not an item of tax preference for federal or Minnesota alternative minimum tax purposes; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations and financial institutions. See "Taxability of Interest" herein.

\$1,260,000

City of Crosslake, Minnesota

General Obligation Improvement Bonds, Series 2026A

PURPOSE/AUTHORITY: The \$1,260,000 General Obligation Improvement Bonds, Series 2026A (the "Bonds") are issued pursuant to Minnesota Statutes, Chapters 429 and 475 to provide reimbursement for the 2025 street improvement projects (the "Project"). The Bonds will be general obligations of the City of Crosslake, Minnesota (the "City") for which the City pledges its full faith and credit and power to levy direct general ad valorem taxes.

BID & AWARD: Monday, April 13, 2026, 11:00 a.m. Central; Award 6:00 P.M. Central.

DATED DATE: April 27, 2026

MATURITY: The Bonds will mature February 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$ 120,000	2032	\$ 125,000
2028	115,000	2033	130,000
2029	115,000	2034	135,000
2030	120,000	2035	135,000
2031	125,000	2036	140,000

INTEREST: February 1, 2027, and each August 1 and February 1 thereafter.

CALL DATE: Callable on or after February 1, 2033 at a cost of par plus accrued interest.

MINIMUM BID: \$1,243,620.00 (98.7%)

TAX STATUS: Tax-exempt, bank-qualified

GOOD FAITH DEPOSIT: \$25,200.00, paid by winning bid prior to 3:00 p.m. on day of sale

CLOSING/ DELIVERY: On or about April 27, 2026.

The Bonds are offered, subject to prior sale, withdrawal or modification, when, as and if issued and subject to receipt of an approving legal opinion of Taft Stettinius & Hollister LLP, Bond Counsel, Minneapolis, Minnesota. This Preliminary Official Statement will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and underwriter, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the Issuer with respect to the Bonds, as defined in S.E.C. Rule 15c2-12.

The information contained in this Official Statement is deemed by the City to be final as of the date hereof; however the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this POS constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.



DDA

David Drown Associates, Inc.
Public Finance Advisors

Minneapolis Office:
5029 Upton Avenue South
Minneapolis, MN 55419-1126
612-920-3320 (phone); 612-605-2375 (fax)
www.daviddrown.com

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

Municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure.

PRELIMINARY OFFICIAL STATEMENT

This Preliminary Official Statement was prepared for the Issuer for dissemination to potential customers. The primary purpose of the Preliminary Official Statement is to disclose information regarding the Obligations to prospective underwriters in the interest of receiving competitive bids in accordance with the sale notice contained herein. Unless an addendum is received prior to the sale, this document shall be deemed the "Near Final Official Statement."

REVIEW PERIOD

This Preliminary Official Statement has been distributed to members of the legislative body and other public officials of the Issuer as well as to prospective bidders for an objective review of its disclosure. Comments or omissions or inaccuracies must be submitted to David Drown Associates, Inc. (the "Municipal Advisor") at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a bid received from an underwriter. If there are changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum at least one business day prior to the sale.

FINAL OFFICIAL STATEMENT

Upon award of sale of the Obligations, the legislative body will authorize the preparation of an addendum to the Preliminary Official Statement that includes the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and other information required by law and the identity of the Syndicate Manager and Syndicate Members. This addendum, together with any previous addendum of corrections or additions to the Preliminary Official Statement shall be deemed the complete Final Official Statement. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the bid acceptance.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the Issuer to give any information or to make any representations, other than those contained in the Preliminary Official Statement. This Preliminary Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof. This Preliminary Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Preliminary Official Statement and any addenda thereto was prepared relying on information of the Issuer and other sources and, while believed to be reliable, is not guaranteed as to completeness or accuracy.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein.

Compensation of the Municipal Advisor, payable entirely by the Issuer, is contingent upon the sale of the issue.

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CITY OF CROSSLAKE, MINNESOTA

City of Crosslake City Council

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Jackson Purfeerst	Mayor	2026
Sandy Farder	Council Member	2026
Bob Heales	Council Member	2028
Jayne Knapp	Council Member	2028
Robin Sylvester	Council Member	2026

Administration

Lori Conway	City Administrator	Appointed
Charlene Nelson	City Clerk	Appointed

Bond Counsel

Taft Stettinius & Hollister, LLP
Minneapolis, MN

Municipal Advisor

David Drown Associates, Inc.
Minneapolis, MN

INTRODUCTORY SUMMARY

The following information is furnished solely to provide limited introductory information regarding the \$1,260,000 General Obligation Improvement Bonds, Series 2026A and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the detailed descriptions appearing in this Preliminary Official Statement, including the appendices hereto.

Issuer:	City of Crosslake, Minnesota																								
Sale/Award Date & Time:	Monday, April 13, 2026, 11:00 a.m. Central; Award 6:00 P.M. Central.																								
Dated Date:	April 27, 2026																								
Interest Payments:	February 1, 2027, and each February 1 and August 1 thereafter to registered owners of the Bonds appearing of record in the bond register on the fifteenth day (whether or not a business day) of the month prior (the “Record Date”).																								
Principal Payments:	February 1 in the years and amounts as follows: <table><tr><td><u>Year</u></td><td><u>Amount</u></td><td><u>Year</u></td><td><u>Amount</u></td></tr><tr><td>2027</td><td>\$ 120,000</td><td>2032</td><td>\$ 125,000</td></tr><tr><td>2028</td><td>115,000</td><td>2033</td><td>130,000</td></tr><tr><td>2029</td><td>115,000</td><td>2034</td><td>135,000</td></tr><tr><td>2030</td><td>120,000</td><td>2035</td><td>135,000</td></tr><tr><td>2031</td><td>125,000</td><td>2036</td><td>140,000</td></tr></table>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	2027	\$ 120,000	2032	\$ 125,000	2028	115,000	2033	130,000	2029	115,000	2034	135,000	2030	120,000	2035	135,000	2031	125,000	2036	140,000
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2030	120,000	2035	135,000																						
2031	125,000	2036	140,000																						
Rating:	S & P Global Ratings requested																								
Continuing Disclosure:	Full continuing disclosure																								
Security:	The Bonds will be General Obligations of the City of Crosslake for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition the City pledges special assessments to benefitted properties.																								
Purpose:	The proceeds of this Issue will provide reimbursement for the City’s 2025 street improvement projects (the “Project”).																								
Authority:	Minnesota Statutes, Chapters 429 and 475																								
Optional Redemption:	Callable on or after February 1, 2033 at a cost of par plus accrued interest																								
Tax Status:	Tax-exempt, bank-qualified																								
Legal Opinion:	Taft Stettinius & Hollister, LLP, Minneapolis Minnesota																								
Municipal Advisor:	David Drown Associates, Inc., Minneapolis, Minnesota																								
Closing/Delivery:	On or about April 27, 2026.																								

Questions regarding the Bonds or the Preliminary Official Statement can be directed to and additional copies of the Preliminary Official Statement and the City's audited financial reports can be obtained from the City's Municipal Advisor David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, MN 55410 (612-920-3320).

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TERMS OF OFFERING

City of Crosslake, Minnesota

\$1,260,000

General Obligation Improvement Bonds, Series 2026A

(Book Entry Only)

TERMS OF PROPOSAL

Proposals for the Bonds will be received on Monday, April 13, 2026 at 11:00 A.M. Central Time, at the offices of David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota, after which time they will be opened and tabulated. Consideration for award of the Bonds will be by the City Council of the City of Crosslake (the "City") at 6:00 P.M., Central Time, on that same date.

SUBMISSION OF PROPOSALS

Proposals may be submitted in a sealed envelope or by fax (612) 605-2375 to David Drown Associates, Inc. Signed Proposals, without final price or coupons, may be submitted to David Drown Associates, Inc. prior to the time of sale. The bidder shall be responsible for submitting to David Drown Associates, Inc. the final Proposal price and coupons, by telephone (612) 920-3320 or fax (612) 605-2375 for inclusion in the submitted Proposal. David Drown Associates, Inc. will assume no liability for the inability of the bidder to reach David Drown Associates, Inc. prior to the time of sale specified above.

Notice is hereby given that electronic proposals will be received via PARITY®, in the manner described below, until 11:00 A.M., local time on April 13th 2026. Bids may be submitted electronically via PARITY® pursuant to this Notice until 11:00 A.M., local time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY® conflict with this Notice, the terms of this Notice shall control. For further information about PARITY®, potential bidders may contact David Drown Associates, Inc. or PARITY® at (212) 806-8304.

Neither the City of Crosslake nor David Drown Associates, Inc. assumes any liability if there is a malfunction of PARITY. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner of the Proposal submitted.

DETAILS OF THE BONDS

The Bonds will be dated April 27, 2026, as the date of original issue, and will bear interest payable on February 1 and August 1 of each year, commencing February 1, 2027. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds will mature February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>
2027	\$ 120,000
2028	115,000
2029	115,000
2030	120,000
2031	125,000
2032	125,000
2033	130,000
2034	135,000
2035	135,000
2036	140,000

TERM BOND OPTION

Bids for the bonds may contain a maturity schedule providing for a combination of serial bonds and 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 to the date of redemption. In order to designate term bonds, the bid must specify as provided on the Proposal Form.

BOOK ENTRY SYSTEM

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

REGISTRAR

The City will name Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, MN, as registrar for the Bonds. Northland Bond Services shall be subject to applicable SEC regulations. The City will pay for the services of the registrar.

OPTIONAL REDEMPTION

The City may elect on February 1, 2033 and on any day thereafter, to prepay Bonds due on or after February 1, 2034. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition to tax levies, the City will pledge special assessments to benefitted properties. The proceeds will reimburse the City for costs associated with the City's 2025 street improvement projects.

TYPE OF PROPOSALS

Proposals shall be for not less than \$1,243,620.00 (98.70%) and accrued interest on the total principal amount of the Bonds. The apparent low-bidder as notified by David Drown Associates, Inc. shall wire, to a designated account, a good faith amount of \$25,200.00 by 3:00 p.m. on the date of sale. If the good faith wire transfer is not in process prior to the award, the City shall retain the right to reject the bid. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the City. No proposal can be withdrawn or amended after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a net interest cost (NIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. The City will reserve the right to waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, reject all proposals without cause, and reject any proposal, which the City determines to have failed to comply with the terms herein.

MATURITY ADJUSTMENTS

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

ISSUE PRICE DETERMINATION

In order to provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the City in establishing the issue price of the Bonds and shall complete, execute, and deliver to the City prior to the closing date, a written certification in a form acceptable to the Purchaser, the City, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. However, such Issue Price Certificate may indicate that the Purchaser has purchased the Bonds for its own account in a capacity other than as an underwriter or wholesaler, and currently has no intent to reoffer the Bonds for sale to the public. Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by David Drown Associates, Inc.

The City intends that the sale of the Bonds pursuant to this Terms of Offering shall constitute a "competitive sale" as defined in the Regulation based on the following:

- i. the City shall cause this Terms of Offering to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
- ii. all bidders shall have an equal opportunity to submit a bid;
- iii. the City reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
- iv. the City anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest net interest cost, as set forth in this Terms of Offering (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Offering shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all requirements of a "competitive sale" are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. In such event, any proposal submitted will not be subject to cancellation or withdrawal. Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the City and David Drown Associates, Inc. if a "substantial amount" (as defined in the Regulation) of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which such substantial amount was sold. The City will treat such sale price as the "issue price" for such maturity, applied on a maturity-by-maturity basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly described as

the “hold-the-offering-price” requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and David Drown Associates, Inc. the prices at which a substantial amount of such maturities are sold to the public; provided such determination shall be made and the City and David Drown Associates, Inc. notified of such prices not later than three (3) business days prior to the closing date.

BOND INSURANCE AT PURCHASER'S OPTION

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

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 will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The purchaser shall pay the CUSIP Service Bureau charge for the assignment of CUSIP identification numbers.

SETTLEMENT

Within 40 days following the date of their award, the Bonds will be delivered without cost to the purchaser at a place mutually satisfactory to the City and the purchaser. Delivery will be subject to receipt by the purchaser of an approving legal opinion of bond counsel, and of customary closing papers, including a no-litigation certificate. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the City, or its agents, the purchaser shall be liable to the City for any loss suffered by the City by reason of the purchaser's non-compliance with said terms for payment.

FULL CONTINUING DISCLOSURE

On the date of the actual issuance and delivery of the Bonds, the City will be obligated with respect to more than \$10,000,000 of outstanding municipal securities, including the Bonds being offered hereby. In order to assist bidders in complying with SEC Rule 15c2-12, the City will covenant to provide certain financial and operating information that is customarily prepared and is publicly available and notices of certain material events to the limited extent required by SEC Rule 15c2-12(d)(2). A description of the City's undertaking is set forth in the Official Statement.

OFFICIAL STATEMENT

The City has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a nearly final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota 55410, and telephone (612) 920-3320.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded 5 copies of the Official Statement and the addendum or addenda described above. The City designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated: 9 March, 2026

BY ORDER OF THE CITY COUNCIL

/s/ Lori Conway
City Administrator

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OFFICIAL STATEMENT

CITY OF CROSSLAKE, MINNESOTA

\$1,260,000 General Obligation Improvement Bonds, Series 2026A

INTRODUCTION

This Official Statement provides information relating to the issuance of the \$1,260,000 General Obligation Improvement Bonds, Series 2026A (the "Bonds") by City of Crosslake, Minnesota (the "City"). This Official Statement has been executed on behalf of the City and may be distributed in connection with the sale of Bonds authorized therein.

Inquiries may be made to David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, MN 55410 or by telephoning (612) 920-3320. Information can also be obtained from Ms. Lori Conway, City Administrator, City of Crosslake, 37028 County Road 66, Crosslake, MN 56442-2528 or by telephoning (218) 692-2688.

Full Continuing Disclosure

In order to comply with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule") the City will enter into an undertaking (the "Undertaking") for the benefit of the holders of the Bonds. Through the Undertaking, the City covenants and agrees to provide certain annual financial and operating information about the City and to provide notice of the occurrence of certain material events. This information shall be provided according to the time parameters described in the Undertaking and to the information repositories and the Municipal Securities Rulemaking Board as required by the Rule. The specific provisions of the Undertaking are set forth in the Continuing Disclosure Certificate (the "Certificate") in substantially the form attached hereto as Appendix C. The Certificate will be executed and delivered by the City at the time the Bonds are delivered. The City is the only "obligated person" with respect to the Bonds within the meaning of the Rule.

The City has complied with all Continuing Disclosure requirements in the past five (5) years. The City works with a dissemination agent to assist in monitoring their continuing disclosure requirements. A partial listing of filings from EMMA can be found in Appendix E.

Authority and Purpose

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475 to provide reimbursement for the City's 2025 street improvement projects.

Sources and Uses

<u>Sources</u>		<u>Uses</u>	
Par Amount of the Bonds	\$ 1,260,000	Project Costs	\$ 1,493,471
City Cash Contribution	125,315	Underwriter's Discount (1.30%)	16,380
Prepaid Special Assessments	<u>172,786</u>	Cost of Issuance	<u>48,250</u>
Totals	\$ 1,558,101		\$ 1,558,101

Payment and Security

The Bonds are a general obligation of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. Ad valorem taxes will be levied in an amount sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law. The City will use tax levies and special assessments to benefitted properties to make payments on the Bonds.

Optional Redemption

The Bonds are callable on or after February 1, 2033 at a cost of par plus accrued interest.

Rating

The City has requested a rating on this issue from S & P Global Ratings. The rating reflects only the view of the rating agency and any explanation of the significance of such rating may only be obtained from S & P Global Ratings. There is no assurance that the rating will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Tax Related Considerations

At closing, Taft Stettinius & Hollister, LLP, Bond Counsel, will render an opinion based upon present federal and State of Minnesota laws (which excludes any pending legislation that may have a retroactive effect), regulations, rulings and decisions, to the following effect:

1. Gross Income: 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, trust and estates for Minnesota income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of Minnesota franchise tax;
2. Alternative Minimum 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 applicable to individuals or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022.
3. Compliance: the above opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements that must be satisfied subsequent to the issuance of the Bonds. FAILURE TO COMPLY WITH CERTAIN OF SUCH REQUIREMENTS MAY CAUSE THE INCLUSION OF INTEREST ON THE BONDS IN FEDERAL GROSS INCOME AND IN MINNESOTA TAXABLE NET INCOME RETROACTIVE TO THE DATE OF ISSUANCE OF THE BONDS

No opinion will be expressed by Bond Counsel regarding other federal or state tax consequences arising with respect to the Bonds. See the form of opinion in Appendix B.

Other Federal Tax Considerations

Property and Casualty Insurance Companies Property and casualty insurance companies are required by federal tax law for taxable years beginning after January 31, 1986, to reduce the amount of their loss reserve deduction by 15% of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations acquired after August 7, 1986, including interest on the Bonds.

Foreign Insurance Companies Foreign companies carrying on an insurance business in the United States are subject to a federal tax on income which is effectively connected with their conduct of any trade or business in the United States. Such income includes tax-exempt interest.

Branch Profits Tax Foreign corporations are subject to a federal "branch profits tax" equal to 30% of the "dividend equivalent amount" for the taxable year. The "dividend equivalent amount" is the foreign corporation's "effectively connected earnings and profits", including tax-exempt municipal bond interest.

Passive Investment Income of S Corporations Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Internal Revenue Code of 1986, as amended, for S corporations that have Subchapter C earnings and profits at the close of the taxable year if more than 25% of the

gross receipts of such S corporations is passive investment income.

Financial Institutions For federal income tax purposes, financial institutions are unable to deduct any portion of the interest expense allocable to the ownership of certain tax-exempt obligations acquired after August 7, 1986, including the Bonds but for their designation as qualified tax-exempt obligations. See "Qualified Tax-Exempt Obligations" below.

Social Security and Railroad Retirement Benefits Certain recipients of social security benefits and railroad retirement benefits are required to include a portion of such benefits within gross income by reason of receipt of interest on tax-exempt obligations, including the Bonds.

Exclusion Not Constitutionally Required The United States Supreme Court ruled in 1988 that the exclusion from gross income of interest on state and local bonds is not required by the United States constitution. The Constitution of the State of Minnesota likewise does not require the exclusion from gross income or taxable net income of interest on bonds of Minnesota issuers. Hence, future federal and/or state laws could cause the inclusion of interest on bonds, including the Bonds, in gross income or taxable net income, or could otherwise cause such interest to be taxed or to be included in the calculation of other income which is taxed.

General The above is not a comprehensive list of all federal or state tax consequences which may arise from the receipt or accrual of interest on the Bonds. The receipt or accrual 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 of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Risk Factors

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

Taxes The Bonds of this offering are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (special assessments, water or sewer revenues) be insufficient.

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

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States 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 United States or State of Minnesota income taxation, retroactive to the date of issuance.

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

State Economy; State Aids State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy A combination of economic, climatic, political or civil disruptions or terrorist actions could affect the local economy and result in reduced tax collections and/or increased demands upon local government.

General The above is not a comprehensive list of all federal or state tax consequences which may arise from the receipt or accrual of interest on the Bonds. The receipt or accrual 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 of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Details of Certain Terms

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Record 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 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 month prior to the interest payment date (the "Record Date").

Original Issue Discount

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

Original Issue Premium

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

Term Bond Option

Bids for the bonds may contain a maturity schedule providing for a combination of serial bonds and 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 to the date of redemption. In order to designate term bonds, the bid must specify as provided on the Proposal Form.

Bank-qualified Tax-Exempt Obligations

The City will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the federal 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. “Qualified tax-exempt obligations” are treated as acquired by the financial institution before August 8, 1986. Interest allocable to such obligations remains subject to the 20% disallowance contained in prior law.

Book Entry System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Bond will be issued for each maturity of the Obligations, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York State Banking Law, a “banking organization” within the meaning of the New York State Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York State Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-sale 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, thereby eliminating the need for physical movement of securities bonds. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust and Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporations, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporations (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchanges, Inc., the American Stock Exchanges LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as 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”). The Rules applicable to DTC and its Direct and Indirect Participants are on files with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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, but Beneficial Owners are 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 Obligations 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 bonds representing their ownership interest in the Obligations, except in the event that use of the book entry system for the Obligations is discontinued or as an option upon the transfer of an entire maturity.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Obligations 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. Beneficial Owners of the Obligations may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners of the Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices for the Obligations shall be sent to Cede & Co. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issue or Registrar 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Obligations 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 Issuer or Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC (nor its nominee), the Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or other such nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, Issuer, 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 securities depository with respect to the Obligations at any time by giving reasonable notice to the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, bonds are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered. The information in this section concerning DTC and DTC's book entry-system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Litigation

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or the City's ability to meet its financial obligations.

Future Financing

The City is in the process of updating its five-year street reconstruction plan. Within the next twelve months, the City is contemplating issuing roughly \$1.2 million for street improvements.

Legality

The Bonds are subject to approval as to certain matters by Taft Stettinius & Hollister, LLP of Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has neither been engaged nor undertaken to prepare, opine on, examine or independently verify the accuracy of any portion of this Official Statement, including the financial, statistical or operational statements or data contained in this Official Statement and risks associated with the purchase of the

Bonds, except for statements under “Taxability of Interest” herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as “Appendix B – PROPOSED FORM OF LEGAL OPINION,” and a legal opinion in substantially the form set out in Appendix B herein will be delivered at closing.

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

Municipal Advisor

The City has retained David Drown Associates, Inc., Minneapolis, Minnesota, as Municipal Advisor (the “Municipal Advisor”) in connection with the issuance of the Bonds. In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials and other sources that have access to relevant information contained in the Official Statement. 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 City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Certification

The City has authorized the distribution of this Preliminary Official Statement for use in connection with the initial sale of the Bonds. As of the date of the settlement of the Bonds, the Purchaser(s) will be furnished with a certificate signed by the appropriate officers of the City. The certificate will state that as of the date of the Preliminary Official Statement, it did not and does not as of the date of the certificate contain any untrue statement of 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.

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VALUATIONS – COUNTY AUDITOR

For full valuation, top ten taxpayers, tax rate, tax levy/collections information, please see the full County Auditor's Certificate from Crow Wing County in Minnesota for taxes payable in 2025 found under Appendix A.

TRENDS IN VALUATIONS

<u>Year</u>	<u>Economic Market Value*</u>	<u>Estimated Market Value</u>	<u>Taxable Market Value</u>	<u>Adjusted Net Tax Capacity</u>
2024/25	\$ 2,691,398,953	\$ 2,411,132,300	\$ 2,397,864,842	\$ 27,200,169
2023/24	2,485,566,300	2,407,088,700	2,397,957,128	27,146,207
2022/23	2,413,156,622	2,081,444,200	2,071,033,701	23,153,141
2021/22	1,840,222,963	1,507,683,300	1,495,335,455	16,262,916
2020/21	1,524,354,380	1,383,872,900	1,370,656,395	14,777,098
2019/20	1,424,335,812	1,321,543,900	1,308,828,278	14,034,193
2018/19	1,310,484,415	1,240,887,000	1,227,696,933	13,100,776

* The Economic Market Values come from the Property Record Information System of Minnesota "Economic Market Values" report.

CASH and INVESTMENTS

(as of January 31, 2026)

<u>Fund</u>	<u>Cash/Investments</u>
General	\$ 6,933,974
Debt Service	672,617
Capital	30,665
Enterprise	<u>923,976</u>
Total	\$ 8,561,231

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INDEBTEDNESS*(as of March 1, 2026)***Legal Debt Limit and Margin**

Legal Debt Limit (3% of Pay 2025 Estimated Market Value)*	\$ 72,333,939
Less: Outstanding Debt Subject to Limit	<u>696,000</u>

Legal Debt Margin as of 3/1/2026	\$ 71,637,969
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*The Payable 2025 Estimated Market Value is 2,411,132,300.

General Obligation Debt Supported by Tax Levies

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
11/07/2022	\$ 1,726,000	Disposal System Portion 2022A	02/01/2043	\$ 1,562,000
11/07/2022	527,000	Equipment Certification Portion 2022A*	02/01/2043	226,000
04/26/2021	865,000	Equipment Certificate*	02/01/2029	375,000
09/03/2019	3,815,000	Capital Improvements	02/01/2035	2,475,000
11/01/2018	695,000	Street Reconstruction*	02/01/2027	95,000
12/01/2017	1,015,000	Disposal System	02/01/2028	<u>220,000</u>
Total				\$ 4,953,000

* Bond issues with an asterisk are subject to the City's net debt limit.

General Obligation Debt Special Assessments

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
04/27/2026	\$ 1,260,000	Improvement, This Issue	02/01/2036	\$ 1,260,000
11/07/2022	816,000	Improvements Portion 2022A	02/01/2043	<u>697,000</u>
Total				\$ 1,957,000

Summary of Direct Debt (Gross)

	<u>Gross Debt</u>	Less: <u>Debt Funds</u>	Net <u>Direct Debt</u>
GO Debt Supported by Tax Levies	\$ 4,953,000	\$ 672,617	\$ 4,280,383
GO Debt Supported by Assessments	<u>\$ 1,957,000</u>	<u> </u>	<u>\$ 1,957,000</u>
Total	\$ 6,910,000	\$ 672,617	\$ 6,237,383

Overlapping Debt

<u>Taxing Unit</u>	<u>2024/25 Tax Capacity</u>	<u>% in City</u>	<u>Total G.O. Debt</u>	<u>City Share</u>
Crow Wing County	\$ 213,940,467	12.71%	-	-
ISD # 182	38,950,840	0.28%	\$ 27,208,000	\$ 76,327
ISD # 186	64,541,189	39.99%	30,260,000	12,100,290
ISD # 2174	12,671,020	10.12%	3,470,000	<u>351,169</u>
Total				\$ 12,527,786

Debt Ratios

	<u>Net G.O. Debt</u>	<u>Debt/Economic Market Value \$ 2,691,398,953</u>	<u>Debt per Capita 2,521</u>
Net Direct G.O. Debt*	\$ 6,237,383	0.23%	\$ 2,474
Net Direct and Overlapping GO Debt	18,765,169	0.70%	7,444

* Excludes all GO Revenue and non-general obligations debt.

Annual Debt Service Payments

GO Debt Supported by Taxes

<u>Year</u>	<u>Principal</u>	<u>Payment</u>	<u>% Retired</u>
2026	\$ -	\$ 69,542	0%
2027	756,000	884,955	15%
2028	673,000	782,991	29%
2029	456,000	551,843	38%
2030	339,000	425,356	45%
2031	352,000	429,846	52%
2032	360,000	429,062	59%
2033	373,000	433,004	67%
2034	381,000	431,672	75%
2035	395,000	435,856	82%
2036	94,000	127,825	84%
2037	98,000	127,870	86%
2038	102,000	127,750	88%
2039	106,000	127,465	91%
2040	110,000	127,016	93%
2041	115,000	127,381	95%
2042	119,000	126,560	97%
2043	<u>124,000</u>	<u>126,554</u>	100%
Totals	\$ 4,953,000	\$ 5,892,549	

**GO Debt
Supported by Assessments**

<u>Year</u>	<u>Principal</u>	<u>Payment</u>	<u>% Retired</u>
2026	\$ -	\$ 14,358	0%
2027	166,000	234,524	8%
2028	163,000	218,096	17%
2029	165,000	215,289	25%
2030	172,000	217,250	34%
2031	179,000	218,941	43%
2032	181,000	215,425	52%
2033	189,000	217,644	62%
2034	196,000	218,528	72%
2035	199,000	215,072	82%
2036	206,000	215,269	93%
2037	69,000	73,388	96%
2038	72,000	73,483	100%
2039	-	-	
2040	-	-	
2041	-	-	
2042	-	-	
2043	-	-	
Totals	\$ 1,957,000	\$ 2,347,267	

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GENERAL INFORMATION

Crosslake is located in Crow Wing County, on the Whitefish Chain of Lakes with over 121 miles of shoreline. The City is situated in the east central portion of Minnesota approximately 80 miles north of St. Cloud, 90 miles southwest of Duluth and 20 miles north of Brainerd. Access is provided via County State Aid Highways 3, 66 and 16. There are approximately 52 miles of paved streets within the City's corporate limits.

Organization

Crosslake, organized in 1903, is a Minnesota Statutory City with an 'Optional Plan A' form of government. It has a mayor elected at large for a two-year term and four council members also elected at large for four-year terms. The City Council, as of December 31, 2017, was comprised of the following members:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Jackson Purfeerst	Mayor	2026
Sandy Farder	Council Member	2026
Bob Heales	Council Member	2028
Jayme Knapp	Council Member	2028
Robin Sylvester	Council Member	2026

The City Administrator, Lori Conway, is appointed by the City Council. She is responsible for administering some of the various City departments, implementing Council policies and coordinating the preparation of the annual City budget. Charlene Nelson is the appointed City Clerk.

The City employs 22 people, 16 full-time and six (6) part-time in the areas of administration, planning and zoning, public works, wastewater treatment plant, parks, recreation, and library. They also have their own police and fire departments (see below).

City Services

The municipal sewer system has approximately 367 connections. The Sewer System serves primarily the commercial sector and adjacent residential areas. The system is an activated sludge treatment plant with a treatment capacity of 150,000 gallons per day. The average demand is 50,000 gallons per day and the peak demand is 175,000 gallons per day. The balance of the City is served by individual septic systems.

Fire and Rescue Department. Fire protection is provided by a 25-member volunteer (1 full-time and 24 part-time/paid-on-call) fire and rescue department consisting of a pumper, a tanker, a combination pumper/tanker, a rescue 1 and grass rig as well as other miscellaneous firefighting and rescue equipment.

Police Department. The City operates its own police department with 8 officers, 7 full-time and 1 part-time.

Employee Pensions

The City participates in contributory pension plans through the Public Employees Retirement Association (PERA) under Minnesota Statutes, Chapters 353, 353D, 353E, 353G, and 356. PERA administers the General Employees Retirement Plan (GERP) and the Public Employees Police and Fire Fund (PEPFF), which are cost sharing, multiple-employer retirement plans. The City contribution to GERP/PEPFF for the year ended December 31, 2024 was \$150,092. Please refer to the City's 2024 Audited Financial Statements for detailed information.

Census Data

Population Trends

	<u>Population</u>
2010 U.S. Census	2,141
2020 U.S. Census	2,394
2024 U.S. Census Estimate	2,521

Source: U.S. Census Bureau

Income and Housing Statistics

	<u>City of Crosslake</u>	<u>Crow Wing County</u>	<u>State of Minnesota</u>
2024 per Capita Income	\$ 59,495	\$ 41,915	\$ 47,926
2024 Median Household Income	79,635	73,307	87,117
Percent Living in Poverty	8.6%	11.4%	9.3%

Median Value of Owner-Occupied Housing	\$ 473,700	\$ 325,800	\$ 344,600
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Source: U.S. Census

There are approximately 2,654 single-family housing units and 87 multi-family homes located within the City. 45 single-family homes were constructed in the last 12 months.

Employment Data

	<u>Labor Force Crow Wing County</u>	<u>Unemployment Rate Crow Wing</u>	<u>Statewide</u>
December, 2025	33,927	6.3%	4.3%
December, 2024	33,403	4.0%	2.6%

Source: MN Dept. of Employment & Economic Development

Building Permit Activity

<u>Year</u>	<u>Commercial/Industrial</u>	<u>Residential</u>
2025	26	243
2024	24	229
2023	37	305
2022	12	389
2021	10	279
2020	15	320

Source: City records

Commercial/Industrial Development

In the past three (3) years, the City has seen the following commercial/industrial development in excess of \$50,000.

The National Loon Center has a building under construction with an estimated project cost of \$750,000. It is scheduled to be completed later this year or early 2027. There has been no other commercial development in the last 3 years in excess of \$50,000.

Source: City Records

Financial Services

First National Bank of the North (Walker, MN) reported deposits of \$90,885,000; First Western Bank & Trust (Minot, North Dakota) reported deposits of \$27,241,000; and National Bank of Commerce (Superior, WI) reported deposits of \$37,348,000 as of June 30, 2025. Frandsen Bank & Trust is also listed as having a branch office in the City but reported having \$0 deposits.

Source: FDIC Summary of Deposits

Major Employers

<u>Employer</u>	<u>Product/Service</u>	<u># of Employees</u>
Crosslake Comm School	Public Education	50
Reed's Market & Gas Express	Retail Grocery and Gas	76
Moonlite Bay Family Restaurant	Restaurant	40
Pine Peaks Restaurant	Restaurant	40
The Wharf	Restaurant	40
Zorbaz Pizza/Mexican Restaurant	Restaurant	30
Ace Hardware	Hardware Store	25
Crosslake Charter School	Education	24
Land's End	Architecture	15
City of Crosslake	City Government	27

Source: City Records

Transportation

The City is situated in the east central portion of Minnesota approximately 80 miles north of St. Cloud, 90 miles southwest of Duluth and 20 miles north of Brainerd. Access is provided via County State Aid Highways 3, 66 and 16.

Source: mapquest.com

Education

Crosby-Ironton Public School District (991 Students), Pequot Lake Public Schools (1,807 Students), and Pine River-Backus School District (879 Students) all serve the Crosslake area for grades K-12.

Source: www.niche.com

Utilities

The City of Crosslake is supplied natural gas by Excel Energy and electrical service by Crow wing Cooperative Power and Light.

Source: City records

Communications

The City of Crosslake is provided local telephone service by Crosslake Communications. Teleconferencing, cable TV and internet access are available. A website serving the Crosslake area can be found at: www.cityofcrosslake.org. The City's official newspaper is the Pine and Lakes Echo Journal which is published each Wednesday.

APPENDIX A

COUNTY AUDITOR'S CERTIFICATE

The following pages contain a copy of the Crow Wing County Auditor's Certificate for taxes payable in 2025.

CERTIFICATE AS TO TAXES AND TAXABLE
PROPERTY IN CITY OF CROSSLAKE
(Herein called the "TAXING DISTRICT")

I hereby certify that the TAXING DISTRICT is situated wholly in this County and that:

1. **CURRENT VALUATION** - The taxable market values and net tax capacities of all taxable property in the TAXING DISTRICT in this county as assessed in 2024 for the purpose of computing the rates of taxes collectible in 2025 are as follows:

Property Type	Estimated Market value	Taxable Market value	Net Tax Capacity
Real Estate:			
Residential Homestead (Class 1a, 1b)	701,392,500	689,522,350	7,552,839
Agricultural (Class 1b, 1d, 2a, 2b, 2c)	4,269,800	4,227,892	30,892
Commerical & Industrial (Class 3a, 3b, 4c(3)i, 4c(3)ii, 5(1)):			
Public Utility	451,100	451,100	8,272
Railroad Operating Property			
All Other Commerical-Industrial	89,774,900	89,142,200	1,582,980
Residential Non-Homestead (Class 4a,4b(1-4),4bb,4c(2-5,6-9),4d)	181,594,500	180,872,000	2,136,743
Seasonal Recreational-Residential (Class 1c, 4c1, 4c5, 4c(10) 4c(12))	1,427,722,500	1,427,722,300	15,800,486
Other (Class 5(2))			
Total Real Estate	2,405,205,300	2,391,937,842	27,112,212
Total Personal Property	5,927,000	5,927,000	118,411
Total Real and Personal Property	2,411,132,300	2,397,864,842	27,230,623
Subtract: Tax Increment Captured Tax Capacity			30,059
10% Tax Capacity of 200KV Powerlines built after 7/1/74			0
Fiscal Disparity Contribution Value			510
Local Tax Rate Determination Value			27,200,054
Add: Fiscal Disparity Distribution Value			115
Local Adjusted Taxable Value			27,200,169
Total Manufactured Home	6,176,900	5,664,042	56,671

Homestead Exclusions

Real Estate	Personal Property	Manufactured Home
8,805,158	0	512,858

2. **VALUATION HISTORY** (Real & Personal Property)

Pay Year	EMV/ Taxable Market Value	Total Tax Capacity	Tax Increment Captured	10% Power Lines	Fiscal Disparity Contribution	Local Taxable Value	Fiscal Disparity Distribution	Homestead Exclusions/ Adjusted TCAP
2024	2,407,088,700							4,325,572
	2,397,957,128	27,176,636	30,059		465	27,146,112	95	27,146,207
2023	2,081,444,200							5,758,903
	2,071,033,701	23,176,598	23,090		470	23,153,038	103	23,153,141
2022	1,507,683,300							8,963,615
	1,495,335,455	16,306,018	24,509		18,721	16,262,788	128	16,262,916
2021	1,383,872,900							9,686,001
	1,370,656,395	14,815,603	22,493		16,122	14,776,988	110	14,777,098
2020	1,321,543,900							9,882,922
	1,308,828,278	14,069,520	20,605		14,853	14,034,062	131	14,034,193
2019	1,240,887,000							10,372,911
	1,227,696,933	13,138,641	20,932		17,062	13,100,647	129	13,100,776

3. **TEN LARGEST TAXPAYING PARCELS** - A list of the largest taxpaying parcels in the TAXING DISTRICT in this county is enclosed if requested.

11/05/2025
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ASMT Year 2024

CROW WING COUNTY
Top 10 Taxpayers List - Rank by Original Charges
SUMMARY REPORT
For CITY OF CROSSLAKE

PAGE: 1
TX126MN

Rank	TaxPayer	Estimated Market Value	Taxable Market Value	Net Tax Capacity	Local Tax Capacity	Net Tax Payable	Property Classification
1	WHITEFISH AT THE LAKES PROPCO LLC &	8,370,000	8,370,000	166,650	166,650	135,145.00	3A COMMERCIAL LAND AND BUIL
2	MARINEMAX INC	5,467,600	5,467,600	106,807	106,807	84,887.00	3A COMMERCIAL LAND AND BUIL 3A INDUSTRIAL LAND AND BUIL
3	NORTHERN STATES POWER COMPANY	5,104,100	5,104,100	102,082	101,913	83,120.00	3A U/P GAS UTILITIES NP
4	WILDERNESS PARK OWNERS ASSOC OF CR	7,426,600	7,426,600	90,332	90,332	53,812.00	4C12 SEASONAL RESIDENTIAL R
5	SUNDANCE RIDGE HOMES ON CROSSLAKE	5,181,100	5,181,100	68,613	68,613	43,577.00	1A/4B1 RES 1-3 UNITS - PREV 3A COMMERCIAL LAND AND BUIL 4C12 SEASONAL RESIDENTIAL R
6	GOLDEN RULE ESTATES OWNERS ASSN	6,577,500	6,577,500	72,118	72,118	42,593.00	4C12 SEASONAL RESIDENTIAL R
7	BAILE LOCH LLC	5,276,400	5,276,400	61,762	61,762	36,673.00	4C12 SEASONAL RESIDENTIAL R
8	TAW-61 LLC	4,927,800	4,927,800	60,348	60,348	35,965.00	4C12 SEASONAL RESIDENTIAL R
9	CROSSTECH MANUFACTURING INC	2,092,800	2,092,800	40,561	40,561	31,963.00	3A COMMERCIAL LAND AND BUIL
10	MOONLITE BAY LLC	1,841,800	1,841,800	35,349	35,349	27,969.00	3A COMMERCIAL LAND AND BUIL 4C12 SEASONAL RESIDENTIAL R
Total:		52,265,700	52,265,700	804,622	804,453	575,704.00	

4. TAXING AUTHORITY AND RATE HISTORY - The TAXING DISTRICT has the power to tax property situated in the following County or Counties: CROW WING COUNTY

The following governmental units within this county also have the power to levy taxes in the TAXING DISTRICT:

Government Unit	2020/21		2021/22		2022/23		2023/24		2024/25	
	Tax Cap	Mkt Val	Tax Cap	Mkt Val	Tax Cap	Mkt Val	Tax Cap	Mkt Val	Tax Cap	Mkt Val
****COUNTY****										
CROW WING COUNTY	32.546000	0.000000	31.244000	0.000000	23.769000	0.000000	22.028000	0.000000	22.080000	0.000000
148 - TRANSIT LEVY	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
42 - AIRPORT BONDS	0.081000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
80 - REGIONAL LIBRARY	0.442000	0.000000	0.406000	0.000000	0.298000	0.000000	0.267000	0.000000	0.257000	0.000000
Total Rate	33.069000	0.000000	31.650000	0.000000	24.067000	0.000000	22.295000	0.000000	22.337000	0.000000
MUNICIPALITY										
CITY OF CROSSLAKE	30.357000	0.000000	27.469000	0.000000	20.886000	0.000000	18.783000	0.000000	19.220000	0.000000
****SCHOOL****										
CROSBY-IRONTON	13.523000	0.083190	13.052000	0.076880	9.993000	0.057000	9.485000	0.049540	8.309000	0.047820
PEQUOT LAKES	11.529000	0.112140	10.459000	0.092360	7.971000	0.071360	7.105000	0.061140	7.626000	0.059020
PINE RIVER - BACKUS	6.113000	0.105670	5.981000	0.106350	3.876000	0.060060	4.119000	0.059070	3.125000	0.063040
****SPECIAL****										
CWC HRA	0.653000	0.000000	0.600000	0.000000	0.451000	0.000000	0.404000	0.000000	0.208000	0.000000
CWC HRA TRUST FUND									0.187000	0.000000
Total CWC HRA Rate									0.395000	0.000000
REGION 5	0.125000	0.000000	0.120000	0.000000	0.093000	0.000000	0.088000	0.000000	0.085000	0.000000

5. BONDED INDEBTEDNESS - The TAXING DISTRICT and all governmental units listed in section 4 having bonded debt, have such debt as shown below. Values shown are adjusted net tax capacities which have been adjusted for Fiscal Disparity Contribution and Distribution, Tax Increment Captured Tax Capacity, and Powerlines.

Government Unit	Taxable Net Tax Capacity of Entire Govt. Unit in County	Taxable Net Tax Capacity of Portion in TAXING DIST. in County	Bonded Debt as of 12/31/2024	
****COUNTY****				
CROW WING COUNTY	213,940,467	27,200,169		
MUNICIPALITY				
CITY OF CROSSLAKE	27,200,169	27,200,169	7,187,000	
****SCHOOL****				
CROSBY-IRONTON	38,950,840	109,281	27,205,000	
PEQUOT LAKES	64,541,189	25,808,562	30,260,000	
PINE RIVER - BACKUS	12,671,020	1,282,326	3,470,000	
****SPECIAL****				
CROW WING COUNTY HRA	192,572,022	27,200,169		
REGION 5	213,940,467	27,200,169		

City of Crosslake

Tax Levies and Collections

As of: 10/31/2025

Levy Year/Collection Year	2020/21	2021/22	2022/23	2023/24	2024/25
Original Gross	\$ 4,485,852	\$ 4,467,112	\$ 4,835,459	\$ 5,098,450	\$ 5,227,380
Property Tax Credits	\$ 390	\$ 368	\$ 402	\$ 396	\$ 401
Levy Adjustments (Abatements, Additions, Cancellations)	\$ 235	\$ 556	\$ 499	\$ -	\$ -
Net Tax Levy	\$ 4,485,227	\$ 4,466,188	\$ 4,834,558	\$ 5,098,054	\$ 5,226,979
Amount Collected during Collection Year	\$ 4,444,751	\$ 4,428,846	\$ 4,791,927	\$ 5,051,508	
Amount Delinquent at end of Collection Year	\$ 40,476	\$ 37,342	\$ 42,631	\$ 46,546	\$ 5,226,979
Delinquencies Collected as of:	\$ 40,676	\$ 34,316	\$ 37,807	\$ 32,606	
10/31/2025					
Delinquencies Abated or Cancelled as of:	\$ 54	\$ 352	\$ 3	\$ -	
10/31/2025					
Total Delinquencies Outstanding as of:	\$ (254)	\$ 2,674	\$ 4,821	\$ 13,940	\$ 5,226,979
10/31/2025					

If there are any questions regarding the completed certificate, please contact

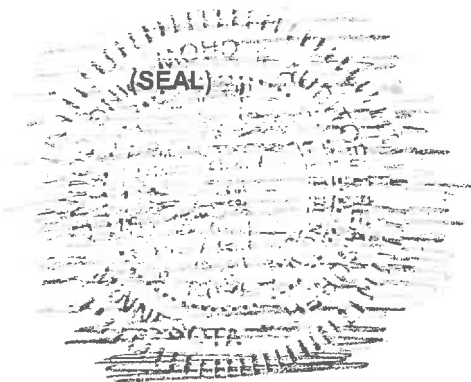
Contact Person(s): MICHAELLE CRONQUIST

Telephone: 218-824-1010

WITNESS My hand and official seal this 5th day of November, 2025.

Michaelle Cronquist

MICHAELLE CRONQUIST
CROW WING COUNTY
ASSESSING SERVICES SUPERVISOR



PROPOSED FORM OF LEGAL OPINION

\$1,260,000
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2026A
CITY OF CROSSLAKE
WASECA COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Crosslake, Waseca County, Minnesota (the "Issuer"), of its \$1,260,000 General Obligation Improvement Bonds, Series 2026A, bearing a date of original issue of April 27, 2026 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

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

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

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

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

This opinion is given as of the date hereof, and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur and be retroactive.

TAFT STETTINIUS & HOLLISTER LLP

[Appendix C to Official Statement]

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Crosslake, Minnesota (the "Issuer"), in connection with the issuance of its \$1,260,000 General Obligation Improvement Bonds, Series 2026A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on April 13, 2026 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

"Official Statement" shall be the Official Statement dated _____, 2026, prepared in connection with the Bonds.

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

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

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

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

SECTION 3. Provision of Annual Reports.

A. If Audited Financial Statements of the Issuer for the Fiscal Year ended December 31, 2025, are not included in the Final Official Statement, then the Issuer shall provide, or shall cause the Dissemination Agent to provide, to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report consisting only of Audited Financial Statements for such Fiscal Year that are consistent with the requirements of Section 4B of this Disclosure Undertaking by not later than December 31, 2026.

B. Beginning in connection with the Fiscal Year ending on December 31, 2026, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2027, and by December 31 of each year thereafter.

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

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

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Valuations – County Auditor; Trends in Valuations; and City Indebtedness.

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

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

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

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

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

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

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

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

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

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

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

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

Dated: April 27, 2026.

CITY OF CROSSLAKE, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

Appendix D

Summary of Tax Levies, Payment Provisions & Valuations

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

Property Valuations (Chapter 273, Minnesota Statutes)

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate and multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to \$413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a and causes a decrease in the Issuer's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

Property Tax Payments and Delinquencies

(Chapters 275, 276, 277, 279 – 282 and 549, Minnesota Statutes)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on non-homestead property is assessed at a rate of 4% until May 31 and increased

to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on non-homestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for non-homestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

Property Tax Credits **(Chapter 273, Minnesota Statutes)**

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

Debt Limitations

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Obligations issued for improvements that are payable wholly or partially from the proceeds of special assessments levied upon benefited property.
2. Warrants or orders having no definite or fixed maturity.
3. Obligations payable wholly from the income from revenue producing conveniences.
4. Obligations issued to create or maintain a permanent improvement revolving fund.
5. Obligations issued for the acquisition and betterment of public waterworks systems, and public lighting, heating or power systems, and any combination thereof, or for any other public convenience from which revenue is or may be derived.

6. Certain debt service loans and capital loans made to school districts.
7. Certain obligations to repay loans.
8. Obligations specifically excluded under the provisions of law authorizing their issuance.
9. Certain obligations to pay pension fund liabilities.
10. Debt service funds for the payment of principal and interest on obligations other than those described above.
11. Obligations issued to pay judgments against the municipality.
12. All other obligations which Minnesota Statutes specifically indicate are not to be included in the computation of the net debt of the municipality.

Levies for General Obligation Debt
(Sections 475.61 and 475.74, Minnesota Statutes)

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

Metropolitan Revenue Distribution
(Chapter 473F, Minnesota Statutes) ("Fiscal Disparities Law")

The Charles R. Weaver Metropolitan Revenue Distribution Act, more commonly known as "Fiscal Disparities," was first implemented for taxes payable in 1975. Forty percent of the increase in commercial-industrial (including public utility and railroad) net tax capacity valuation since 1971 in each assessment district in the Minneapolis/St. Paul seven-county metropolitan area (Anoka, Carver, Dakota, excluding the City of Northfield, Hennepin, Ramsey, Scott, excluding the City of New Prague, and Washington Counties) is contributed to an area-wide tax base. A distribution index, based on the factors of population and real property market value per capita, is employed in determining what proportion of the net tax capacity value in the area-wide tax base shall be distributed back to each assessment district.

Minnesota Property Class Rate Schedule
(current through taxes payable 2022)

Property Type	Taxes Payable Year				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Residential Homestead (1a)					
Up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Residential Non-homestead					
Single Unit (4bb1)					
Up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
1-3 unit and undeveloped land (4b1)	1.25%	1.25%	1.25%	1.25%	1.25%
Market Rate Apartments					
Regular (4a)	1.25%	1.25%	1.25%	1.25%	1.25%
Low-Income (4d)					
Up to \$115, 000 ⁴	0.75%	0.75%	0.75%	0.75%	0.75%
Over \$115, 000 ⁴	0.25%	0.25%	0.25%	0.25%	0.25%
Commercial/Industrial/Public Utility (3a)					
Up to \$150,000	1.50% ¹	1.50% ¹	1.50% ¹	1.50% ¹	1.50% ¹
Over \$150,000	2.00% ¹	2.00% ¹	2.00% ¹	2.00% ¹	2.00% ¹
Electric Generation Machinery	2.00%	2.00%	2.00%	2.00%	2.00%
Commercial Seasonal Residential					
Homestead Resorts (1c)					
Up to \$600,000	0.50%	0.50%	0.50%	0.50%	0.50%
\$600,000 - \$2,300,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$2,300,000	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹
Seasonal Resorts (4c)					
Up to \$500,000	1.00% ¹	1.00% ¹	1.00% ¹	1.00% ¹	1.00% ¹
Over \$500,000	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹	1.25% ¹
Non-Commercial (4c12)					
Up to \$500,000	1.00% ^{1 2}	1.00% ^{1 2}	1.00% ^{1 2}	1.00% ^{1 2}	1.00% ^{1 2}
Over \$500,000	1.25% ^{1 2}	1.25% ^{1 2}	1.25% ^{1 2}	1.25% ^{1 2}	1.25% ^{1 2}
Disabled Homestead (1b)					
Up to \$50,000	0.45%	0.45%	0.45%	0.45%	0.45%
Agricultural Land & Buildings					
Homestead (2a)					
Up to \$500,000	1.00%	1.00%	1.00%	1.00%	1.00%
Over \$500,000	1.25%	1.25%	1.25%	1.25%	1.25%
Remainder of Farm					
Up to \$2,050,000 ⁴	0.50% ²	0.50% ²	0.50% ²	0.50% ²	0.50% ²
Over \$2,050,000 ⁴	1.00% ²	1.00% ²	1.00% ²	1.00% ²	1.00% ²
Non-homestead (2b)	1.00% ²	1.00% ²	1.00% ²	1.00% ²	1.00% ²

¹ Subject to the State General Property Tax.

² Exempt from referendum market value tax.

For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First \$76,000 – 0.40%; \$76,000 to \$500,000 – 1.00%; and over \$500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in St. Paul are exempt under this provision).

APPENDIX E

FINANCIAL STATEMENT

The City's financial statements are audited annually. The following pages contain a copy of the 2024 Audited Financial Statement. Copies of audits are available upon request from David Drown Associates, Inc.

CliftonLarsonAllen LLP the City's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this offering document.

CITY OF CROSSLAKE, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

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INTRODUCTORY SECTION

**CITY OF CROSSLAKE, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2024**

ELECTED OFFICIALS

Position	Term Expires	Name
Mayor	12/31/2024	David Nevin
Council Member	12/31/2026	Sandy Farder
Council Member	12/31/2026	Jackson Purfeerst
Council Member	12/31/2024	Marcia Seibert-Volz
Council Member	12/31/2024	Aaron Herzog

APPOINTED OFFICIALS

Position	Name
City Administrator/Treasurer	Lori Conway
City Clerk	Charlene Nelson

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Crosslake (City), Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City, as of December 31, 2024, and the respective changes in financial position, and where applicable, 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Honorable Mayor and
Members of the City Council
City of Crosslake

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the City's OPEB liability and related ratios, schedule of the City's proportionate share of the net pension liability, schedule of the City's contributions, and budgetary comparison 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The reconciling fund financial statements for the economic development authority component unit 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 GAAS. In our opinion, the reconciling fund financial statements for the economic development authority component unit are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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



CliftonLarsonAllen LLP

Brainerd, Minnesota
June 3, 2025

**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

This section of the City of Crosslake's (City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended December 31, 2024. The Management's Discussion and Analysis (MD&A) is an element of the Required Supplementary Information as specified by U.S. Generally Accepted Accounting Principles (GAAP). Certain comparative information between the current year, 2024, and the prior year, 2023, is also presented in the MD&A.

FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the fiscal year by \$29,426,668 (net position).
- ◆ The City's total net position increased during the fiscal year by \$824,169.
- ◆ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,802,541, a decrease of \$617,756 in comparison with the prior year. Of the total amount, \$8,717,060 is available for spending at the City's discretion (unassigned/assigned fund balance). However, \$821,172 of the General Fund balance has been assigned by the City Council for future capital outlay needs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements (Continued)

The government-wide financial statements include not only the City itself (known as the primary government), but also an Economic Development Authority for which the City is financially accountable. Financial information for this component unit is discretely presented in a separate column adjacent to the financial information presented for the primary government.

The government-wide financial statements can be found on pages 14 through 16 of this report.

Fund Financial Statements

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

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

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

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Tax Increment Financing Fund, and Debt Service Fund. There are no nonmajor governmental funds.

The City adopts an annual appropriated budget for its General Fund and the Tax Increment Financing Fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17 through 20.

**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

Proprietary Fund – The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its sewer operations.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 21 through 25 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$29,426,668 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (70%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position				
	Governmental Activities		Business-Type Activities		2024 Total
	2024	2023	2024	2023	
Current and Other Assets	\$ 10,321,165	\$ 11,036,790	\$ 1,002,500	\$ 924,045	\$ 11,323,665
Capital Assets	18,915,511	18,291,159	8,475,879	8,787,122	27,391,390
Total Assets	29,236,676	29,327,949	9,478,379	9,711,167	38,715,055
Deferred Outflows of Resources	934,808	1,096,773	13,028	22,430	947,836
Long-Term Liabilities Outstanding	5,821,971	6,725,979	1,996,116	2,203,554	7,818,087
Other Liabilities	887,553	993,177	205,052	416,438	1,092,605
Total Liabilities	6,709,524	7,719,156	2,201,168	2,619,992	8,910,692
Deferred Inflows of Resources	1,295,318	1,188,065	30,213	28,607	1,325,531
Net Position					
Net Investment in Capital Assets	13,759,322	12,863,970	6,360,159	6,303,485	20,119,481
Restricted	1,191,134	1,276,629	430,645	591,836	1,621,779
Unrestricted	7,216,186	7,376,902	469,222	189,677	7,685,408
Total Net Position	<u>\$ 22,166,642</u>	<u>\$ 21,517,501</u>	<u>\$ 7,260,026</u>	<u>\$ 7,084,998</u>	<u>\$ 29,426,668</u>

There was an increase of \$649,141 and an increase of \$175,028 in net position reported in connection with the City's governmental activities and business-type activities, respectively.

**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Change in Net Position

The City's total net position increased by \$824,169. Key elements of this increase are as follows:

	Change in Net Position				
	Governmental Activities		Business-Type Activities		2024
	2024	2023	2024	2023	Total
REVENUES					
Program Revenues					
Charges for Services	\$ 619,732	\$ 631,387	\$ 446,001	\$ 382,908	\$ 1,065,733
Operating Grants and Contributions	277,862	239,669	-	-	277,862
Capital Grants and Contributions	1,032,009	160,257	20,100	60,600	1,052,109
General Revenues					
Property Taxes	4,443,729	4,093,881	440,395	565,214	4,884,124
Other Taxes	14,579	12,302	-	-	14,579
Intergovernmental	-	402	-	-	-
Unrestricted Investment Earnings	482,481	461,169	-	-	482,481
Gain on Sale of Capital Assets	158,155	26,000	-	-	158,155
Miscellaneous	56,206	50,637	4,721	1,225	60,927
Total Revenues	7,084,753	5,675,704	911,217	1,009,947	7,995,970
EXPENSES					
General Government	1,901,673	1,667,727	-	-	1,901,673
Public Safety	1,993,873	1,730,238	-	-	1,993,873
Public Works	1,678,487	1,071,413	-	-	1,678,487
Culture and Recreation	714,391	547,659	-	-	714,391
Economic Development	13,221	11,280	-	-	13,221
Interest on Long-Term Debt	133,967	147,828	-	-	133,967
Sewer Utility	-	-	736,189	831,396	736,189
Total Expenses	6,435,612	5,176,145	736,189	831,396	7,171,801
CHANGE IN NET POSITION					
	649,141	499,559	175,028	178,551	824,169
Net Position - Beginning of Year	21,517,501	21,017,942	7,084,998	6,906,447	28,602,499
NET POSITION - END OF YEAR					
	\$ 22,166,642	\$ 21,517,501	\$ 7,260,026	\$ 7,084,998	\$ 29,426,668

The increase in capital grants and contributions is due to insurance proceeds and a large special assessment payoff, and taxes increased due to an increase in collections. The increase in expenses is due to an increase in wages, an increase in consulting fees, and a slight increase in repairs and maintenance.

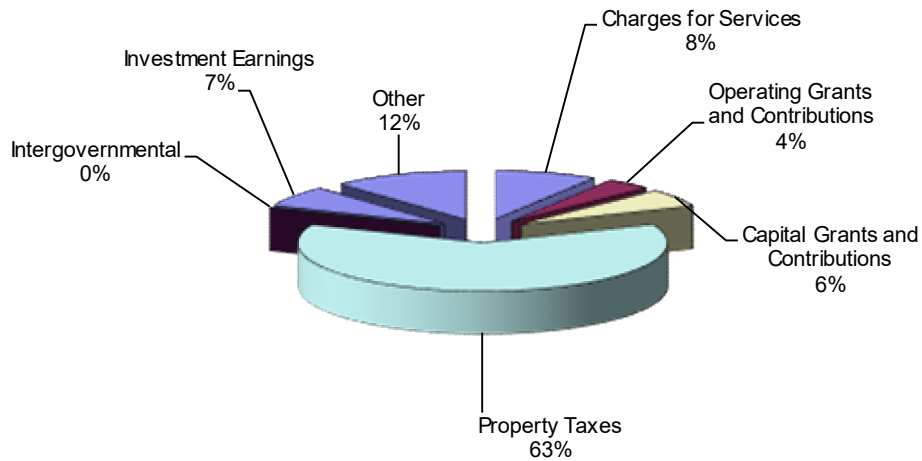
**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

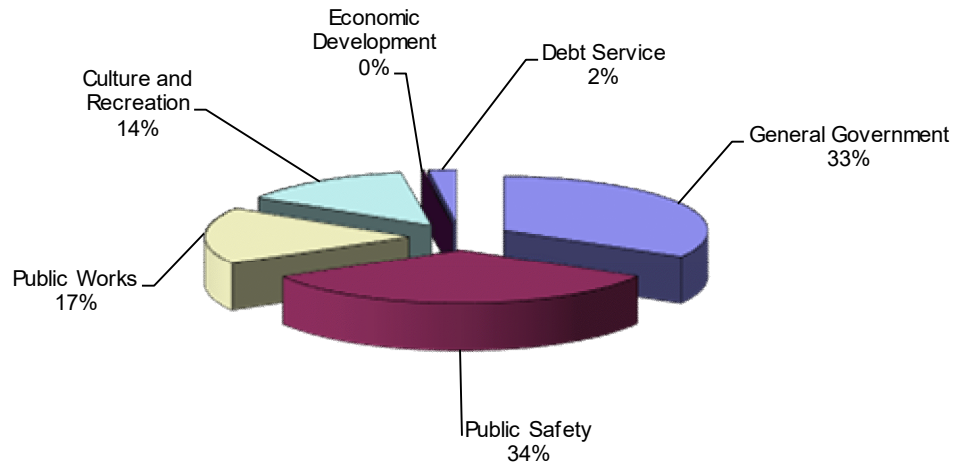
Change in Net Position (Continued)

Governmental Activities – Governmental activities increased the City's net position by \$649,141 in 2024 as compared to an increase of \$499,559 in 2023.

**Governmental Activities Revenues by Source
2024**



**Governmental Activities Expenditures by Type
2024**

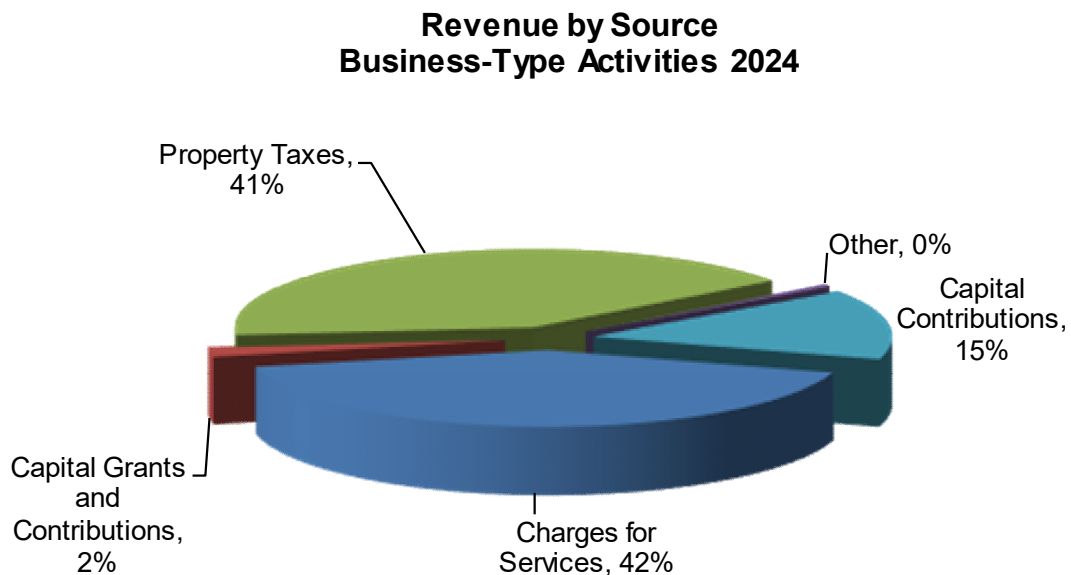
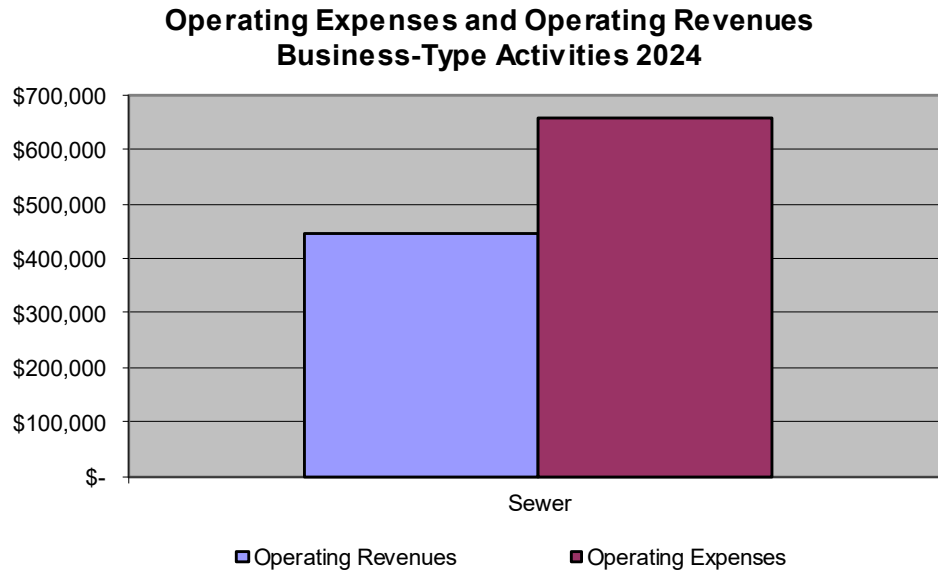


**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Change in Net Position (Continued)

Business-Type Activities – Business-type activities increased the City's net position by \$175,028 in 2024 as compared to the \$178,551 increase in 2023.



**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements and to provide distinct, separate accounting for certain funds at the direction of the City Council.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned/assigned fund balances may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,802,541 a decrease of \$617,756 in comparison with the prior year. Of this amount \$8,717,060 is unassigned/assigned, which is available for spending at the City's discretion. A portion of fund balance is restricted to indicate that it is not available for new spending because it has already been restricted by contractual or legal agreements with outside parties related to 2024 (\$1,038,788). In addition, a portion of unassigned/assigned fund balance has been assigned by the City Council for future years' capital outlay (\$821,172).

The General Fund is the primary operating fund of the City. At the end of the current year, unassigned/assigned fund balance of the General Fund was \$8,717,060. Total fund balance was \$8,763,753. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned/assigned fund balance and total fund balance to total fund expenditures. Unassigned/assigned fund balance and total fund balance represent 81% of total 2024 General Fund expenditures. The fund balance of the City's General Fund decreased by \$651,905, during the current fiscal year.

Proprietary Fund – The City's proprietary fund provides the same type of information found in the business activities portion of the financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no budget revisions during the year.

Revenues were over budget by \$977,181, or approximately 20.83% due in part to the following: \$150,000 Sourcewell grant received, \$93,000 in park dedication fees, an increase in interest income, \$52,000 fire department donation and \$3.4,000 PAL Foundation donations.

Expenditures were over budget by \$424,181, or approximately 6.38% due to an increase in severance payout, an increase in wages, and an increase in consulting fees.

**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2024, amounts to \$27,391,390 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, bridges, and other infrastructure.

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		2024
	2024	2023	2024	2023	Total
Land	\$ 1,232,679	\$ 1,232,679	\$ 185,136	\$ 185,136	\$ 1,417,815
Construction in Progress	144,720	51,984	-	-	144,720
Buildings	6,267,004	6,605,458	2,363,664	2,471,824	8,630,668
Improvements Other Than Buildings	406,794	451,512	17,743	17,743	424,537
Machinery and Equipment	3,877,089	3,219,604	69,601	77,960	3,946,690
Infrastructure	6,987,225	6,729,922	5,839,735	6,034,459	12,826,960
Total	<u>\$ 18,915,511</u>	<u>\$ 18,291,159</u>	<u>\$ 8,475,879</u>	<u>\$ 8,787,122</u>	<u>\$ 27,391,390</u>

Detailed information on the City's capital assets can be found in the Notes to the Financial Statements (3.A.4, Capital Assets).

Long-Term Debt

Governmental Activities – At the end of the current fiscal year, the City's governmental activities had total debt outstanding of \$5,116,246. Of this amount, \$4,491,246 is debt for which the City is liable and which will be paid with taxes and special assessments. The outstanding principal on various equipment leases is \$625,000.

Governmental Activities Outstanding Long-Term Debt

	2024	2023
General Obligation Bonds, Net Premiums	\$ 4,491,246	\$ 4,945,189
GO Equipment Certificates - Direct Placement	625,000	745,000
Total	<u>\$ 5,116,246</u>	<u>\$ 5,690,189</u>

Detailed information on the City's long-term debt can be found in the Notes to the Financial Statements (3.B.1, Long-Term Debt).

The City's total governmental activities debt decreased by \$566,000 during the current fiscal year. This was due to scheduled debt payments.

Business-Type Activities – At the end of the current fiscal year, the business-type activities had total long-term debt of \$2,115,000, consisting of general obligation bonds. This decrease of \$346,000 from 2023 reflects payments made on bonds in the current year.

**CITY OF CROSSLAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt (Continued)

Component Unit – At the end of the current fiscal year, the Economic Development Authority Component Unit did not have any debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- ◆ The City of Crosslake continues to see a modest construction growth in both residential and commercial sectors in comparison to 2022-2023 to 2024. The City's taxable market value increased 0.17% from 2,397,957,128 to 2,411,132,500 and the taxable tax capacity increased .21% from \$27,146,112 to 27,203,661 for taxes payable in 2025. These increases in values along with an overall increase in the City's levy request from 2024 resulted in an increase of 0.44% in the City's tax rate from 18.783% to 19.22% for taxes payable in 2025.

These factors were taken into account by the City of Crosslake when preparing the 2025 budget. The City has reviewed and adjusted various fees for services and will continue to closely monitor expenses in order to proactively adjust to changes in the economy or changes in planned projects.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator/Treasurer, City of Crosslake, 13888 Daggett Bay Road, Crosslake, Minnesota 56442.

BASIC FINANCIAL STATEMENTS

CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Primary Government			Component Unit
	Governmental	Business-Type		Economic
	Activities	Activities	Total	Development
				Authority
ASSETS				
Cash and Investments	\$ 9,183,252	\$ 481,717	\$ 9,664,969	\$ 25,345
Receivables:				
Taxes	92,544	10,203	102,747	366
Accounts	575,030	42,498	617,528	-
Special Assessments	307,356	-	307,356	-
Interest Receivable	110,367	-	110,367	-
Due from Other Governments	5,923	-	5,923	-
Prepayments	46,693	4,726	51,419	-
Restricted Assets:				
Cash and Investments	-	463,356	463,356	-
Capital Assets:				
Land and Construction In Progress	1,377,399	185,136	1,562,535	-
Other Capital Assets, Net of Depreciation	17,538,112	8,290,743	25,828,855	-
Total Assets	29,236,676	9,478,379	38,715,055	25,711
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	822,851	8,200	831,051	-
OPEB Related	111,957	4,828	116,785	-
Total Deferred Outflows	934,808	13,028	947,836	-
LIABILITIES				
Current Liabilities:				
Accounts Payable	6,613	558	7,171	-
Contracts Payable	39,943	720	40,663	-
Accrued Liabilities	87,975	3,247	91,222	-
Accrued Interest Payable	54,515	32,711	87,226	-
Other Postemployment Benefits	46,740	2,015	48,755	-
Unearned Revenue	20,627	-	20,627	-
Long-Term Liabilities:				
Due within One Year	631,140	165,801	796,941	-
Due in More than One Year	4,670,806	1,953,206	6,624,012	-
Other Postemployment Benefits	341,836	14,741	356,577	-
Net Pension Liability	809,329	28,169	837,498	-
Total Liabilities	6,709,524	2,201,168	8,910,692	-
DEFERRED INFLOWS OF RESOURCES				
Pension Related	1,053,831	19,800	1,073,631	-
OPEB Related	241,487	10,413	251,900	-
Total Deferred Inflows	1,295,318	30,213	1,325,531	-
NET POSITION				
Net Investment in Capital Assets	13,759,322	6,360,159	20,119,481	-
Restricted for:				
Tax Increment Financing	14,466	-	14,466	-
Debt Service	1,176,668	430,645	1,607,313	-
Unrestricted	7,216,186	469,222	7,685,408	25,711
Total Net Position	\$ 22,166,642	\$ 7,260,026	\$ 29,426,668	\$ 25,711

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General Government	\$ 1,901,673	\$ 275,833	\$ 11,014	\$ 772,202
Public Safety	1,993,873	152,099	236,856	6,250
Public Works	1,678,487	34,858	-	237,373
Culture and Recreation	714,391	156,942	29,992	5,663
Economic Development	13,221	-	-	-
Interest on Long-Term Debt	133,967	-	-	10,521
Total Governmental Activities	6,435,612	619,732	277,862	1,032,009
Business-Type Activities:				
Sewer	736,189	446,001	-	20,100
Total Business-Type Activities	736,189	446,001	-	20,100
Total Primary Government	\$ 7,171,801	\$ 1,065,733	\$ 277,862	\$ 1,052,109
Component Unit:				
Economic Development Authority	\$ 12,686	\$ -	\$ -	\$ -

GENERAL REVENUES

Taxes:
 Property Taxes, Levied for General Purpose
 Other Taxes
 Unrestricted Investment Earnings
 Gain on Sale of Capital Assets
 Miscellaneous
 Total General Revenues

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development Authority
\$ (842,624)	\$ -	\$ (842,624)	\$ -
(1,598,668)	-	(1,598,668)	-
(1,406,256)	-	(1,406,256)	-
(521,794)	-	(521,794)	-
(13,221)	-	(13,221)	-
(123,446)	-	(123,446)	-
(4,506,009)	-	(4,506,009)	-
-	(270,088)	(270,088)	-
-	(270,088)	(270,088)	-
(4,506,009)	(270,088)	(4,776,097)	-
-	-	-	(12,686)
4,443,729	440,395	4,884,124	18,061
14,579	-	14,579	-
482,481	-	482,481	-
158,155	-	158,155	-
56,206	4,721	60,927	-
5,155,150	445,116	5,600,266	18,061
649,141	175,028	824,169	5,375
21,517,501	7,084,998	28,602,499	20,336
<u>\$ 22,166,642</u>	<u>\$ 7,260,026</u>	<u>\$ 29,426,668</u>	<u>\$ 25,711</u>

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	General Fund	Tax Increment Financing Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 8,157,713	\$ 14,466	\$ 1,011,073	\$ 9,183,252
Receivables:				
Taxes	73,185	-	19,359	92,544
Interest	110,367	-	-	110,367
Special Assessments	106,605	-	200,751	307,356
Accounts	575,030	-	-	575,030
Due from Other Governments	5,923	-	-	5,923
Prepayments	46,693	-	-	46,693
Total Assets	<u>\$ 9,075,516</u>	<u>\$ 14,466</u>	<u>\$ 1,231,183</u>	<u>\$ 10,321,165</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 6,613	\$ -	\$ -	\$ 6,613
Contracts Payable	39,943	-	-	39,943
Accrued Liabilities	87,975	-	-	87,975
Unearned Revenue	20,627	-	-	20,627
Total Liabilities	155,158	-	-	155,158
Deferred Inflows of Resources:				
Unavailable Revenue on Property Taxes	-	-	6,110	6,110
Unavailable Revenue for Grants	50,000	-	-	50,000
Unavailable Revenue on Special Assessments	106,605	-	200,751	307,356
Total Deferred Inflows of Resources	156,605	-	206,861	363,466
Fund Balances:				
Nonspendable for:				
Prepayments	46,693	-	-	46,693
Restricted for:				
Debt Service	-	-	1,024,322	1,024,322
Tax Increment Financing	-	14,466	-	14,466
Assigned for:				
Capital Outlay	821,172	-	-	821,172
Unassigned:				
General Fund	7,895,888	-	-	7,895,888
Total Fund Balances	<u>8,763,753</u>	<u>14,466</u>	<u>1,024,322</u>	<u>9,802,541</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,075,516</u>	<u>\$ 14,466</u>	<u>\$ 1,231,183</u>	<u>\$ 10,321,165</u>

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2024**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS **\$ 9,802,541**

Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Capital Assets, Not Being Depreciated	\$ 1,232,679	
Construction in Progress	144,720	
Capital Assets, Being Depreciated	33,120,884	
Accumulated Depreciation	<u>(15,582,772)</u>	18,915,511

Some of the City's property taxes and special assessments will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 363,466

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the Statement of Net Position. (54,515)

Net Pension Liability and related deferred inflows and outflows of resources are recorded only on the Statement of Net Position. Balances at year-end are:

Net Pension Liability	(809,329)	
Deferred Inflows of Resources - Pension Related	(1,053,831)	
Deferred Outflows of Resources - Pension Related	<u>822,851</u>	(1,040,309)

Other Postemployment Benefits Liability and related deferred inflows and outflows of resources are recorded only on the Statement of Net Position. Balances at year-end are:

Other Postemployment Benefits Payable	(388,576)	
OPEB Deferred Outflows are Reported Only on the Statement of Net Position	111,957	
OPEB Deferred Inflows are Reported Only on the Statement of Net Position	<u>(241,487)</u>	(518,106)

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position.

Bonds Payable	(5,072,000)	
Unamortized Discounts/ Premiums	(44,246)	
Compensated Absences Payable	<u>(185,700)</u>	<u>(5,301,946)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 22,166,642**

CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

	General Fund	Tax Increment Financing Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Taxes	\$ 3,925,749	\$ -	\$ 720,540	\$ 4,646,289
Tax Increments	-	14,579	-	14,579
Licenses and Permits	132,330	-	-	132,330
Intergovernmental	334,541	-	-	334,541
Charges for Services	479,247	-	-	479,247
Fines and Forfeits	28,013	-	-	28,013
Special Assessments	87,455	-	22,346	109,801
Interest	482,481	-	-	482,481
Contributions and Donations	112,578	-	-	112,578
Miscellaneous	86,532	-	-	86,532
Total Revenues	5,668,926	14,579	742,886	6,426,391
EXPENDITURES				
Current:				
General Government	1,363,884	-	-	1,363,884
Public Safety	1,467,639	-	-	1,467,639
Public Works	554,727	-	-	554,727
Culture and Recreation	746,130	-	-	746,130
Economic Development	-	13,221	-	13,221
Miscellaneous	109,454	-	-	109,454
Capital Outlay	2,835,564	-	-	2,835,564
Debt Service:				
Principal Retirement	-	-	566,000	566,000
Interest and Fiscal Charges	-	-	144,095	144,095
Total Expenditures	7,077,398	13,221	710,095	7,800,714
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,408,472)	1,358	32,791	(1,374,323)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	138,000	-	-	138,000
Insurance Proceeds	618,567	-	-	618,567
Total Other Financing Sources (Uses)	756,567	-	-	756,567
NET CHANGE IN FUND BALANCES	(651,905)	1,358	32,791	(617,756)
Fund Balances - Beginning of Year	9,415,658	13,108	991,531	10,420,297
FUND BALANCES - END OF YEAR	<u>\$ 8,763,753</u>	<u>\$ 14,466</u>	<u>\$ 1,024,322</u>	<u>\$ 9,802,541</u>

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2024**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (617,756)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 2,012,319	
Depreciation Expense	<u>(1,387,967)</u>	624,352

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences is the treatment of general obligation bonds and related items is as follows:

Payment of Bond Principal	566,000	
Change in Accrued Interest Expense for General Obligation Bonds	6,285	
Amortization of Bond Discount/Premium	<u>7,943</u>	580,228

Pension expenditures in the governmental funds are measured by current year employee contributions. Pension expenses on the Statement of Activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.

39,257

Other Postemployment Benefit expenditures in the governmental funds are measured by current year employee contributions. Other Postemployment Benefit expenses on the Statement of Activities are measured by the change in Other Postemployment Benefits and the related deferred inflows and outflows of resources.

(3,914)

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

Change in Compensated Absences		(39,386)
--------------------------------	--	----------

Delinquent property taxes, special assessments receivable and unavailable grant revenue will be collected subsequent to year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the governmental funds.

Unavailable Revenue - December 31, 2023	(297,106)	
Unavailable Revenue - December 31, 2024	<u>363,466</u>	<u>66,360</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 649,141

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2024**

	<u>Sewer Fund</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and Investments	\$ 481,717
Receivables:	
Accounts Receivable	42,498
Taxes	8,212
Prepayments	<u>4,726</u>
Total Current Assets	537,153
NONCURRENT ASSETS	
Taxes Receivable	1,991
Restricted Assets:	
Cash and Investments	463,356
Capital Assets:	
Land	185,136
Building and Improvements	4,291,746
Machinery and Equipment	396,570
Sanitary Sewers	<u>8,457,223</u>
Subtotal Capital Assets	13,330,675
Less: Accumulated Depreciation	<u>(4,854,796)</u>
Net Capital Assets	<u>8,475,879</u>
 Total Noncurrent Assets	 <u>8,941,226</u>
 Total Assets	 9,478,379
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	8,200
OPEB Related	<u>4,828</u>
Total Deferred Outflows of Resources	<u>13,028</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 9,491,407</u></u>

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUND
DECEMBER 31, 2024**

	<u>Sewer Fund</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	\$ 558
Contracts Payable	720
Salaries and Wages Payable	3,247
Other Postemployment Benefits Payable	2,015
Accrued Compensated Absences	801
Total Current Liabilities	<u>7,341</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	
Accrued Interest Payable	32,711
Revenue Bonds Payable	<u>165,000</u>
Total Current Liabilities Payable from Restricted Assets	197,711
LONG-TERM LIABILITIES	
Bonds Payable, Net	1,950,000
Net Pension Liability	28,169
Accrued Compensated Absences	3,206
Other Postemployment Benefits Payable	<u>14,741</u>
Total Long-Term Liabilities	1,996,116
DEFERRED INFLOWS OF RESOURCES	
Pension Related	19,800
OPEB Related	<u>10,413</u>
Total Deferred Inflows of Resources	<u>30,213</u>
Total Liabilities and Deferred Inflows of Resources	2,231,381
NET POSITION	
Net Investment in Capital Assets	6,360,159
Restricted For:	
Debt Service	430,645
Unrestricted	<u>469,222</u>
Total Net Position	<u>7,260,026</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 9,491,407</u></u>

See accompanying Notes to Financial Statements.

CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2024

	<u>Sewer Fund</u>
OPERATING REVENUES	
Sales and Charges for Services	\$ 446,001
OPERATING EXPENSES	
Personal Services	95,215
Supplies	28,501
Repairs and Maintenance	67,866
Other Services and Charges	84,852
Depreciation	381,295
Total Operating Expenses	<u>657,729</u>
OPERATING LOSS	(211,728)
NONOPERATING REVENUES (EXPENSES)	
Property Taxes	440,395
Sewer Connection Fees	20,100
Interest Expense	(78,460)
Miscellaneous Revenues	4,721
Total Nonoperating Revenues (Expenses)	<u>386,756</u>
CHANGE IN NET POSITION	175,028
Net Position - Beginning of Year	<u>7,084,998</u>
NET POSITION - END OF YEAR	<u><u>\$ 7,260,026</u></u>

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2024**

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 482,801
Cash Paid to Employees for Services	(124,511)
Cash Paid to Suppliers for Goods and Services	<u>(188,512)</u>
Net Cash Provided by Operating Activities	169,778
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous Revenues	<u>4,721</u>
Net Cash Provided by Noncapital Financing Activities	4,721
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(91,966)
Property Taxes Received	446,201
Collection of Connection Charges	20,100
Interest Paid	(82,105)
Principal Payments on Long-Term Debt	<u>(346,000)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(53,770)</u>
 NET INCREASE IN CASH AND INVESTMENTS	120,729
 Cash and Investments - Beginning of Year	<u>824,344</u>
 CASH AND INVESTMENTS - END OF YEAR	<u><u>\$ 945,073</u></u>

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2024**

	<u>Sewer Fund</u>
RECONCILIATION OF OPERATING LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	\$ (211,728)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	381,295
(Increase) Decrease in Assets and Deferred Outflows:	
Accounts Receivable	36,800
Deferred Outflows of Resources - Pension	12,600
Deferred Outflows of Resources - OPEB	(3,198)
Prepayments	(332)
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	(6,961)
Accrued Liabilities	(260)
Accrued Compensated Absences	(5,993)
Net Pension Liability	(30,452)
Deferred Inflows of Resources - Pension	356
Deferred Inflows of Resources - OPEB	1,250
Other Postemployment Benefits Payable	(3,599)
Net Cash Provided by Operating Activities	<u>\$ 169,778</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets through Contracts and Retainage Payable	<u>\$ 720</u>
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION	
Current Assets:	
Cash and Investments	\$ 481,717
Restricted Assets:	
Cash and Investments	463,356
Total Cash and Investments	<u>\$ 945,073</u>

See accompanying Notes to Financial Statements.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Crosslake (City) was incorporated under the laws of the state of Minnesota and operates under a Mayor-Council form of government. The financial reporting entity consists of the City (primary government) and the component unit (legally separate organization) for which the Primary Government is financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the primary government.

Discretely Presented Component Unit

The Economic Development Authority (EDA) meets the criteria to be included as a discrete presentation. The members of the governing board of the EDA are appointed by the City Council. The City does not have the authority to approve or modify the EDA's operational and capital budgets. However, the tax rates established by the EDA and bonded debt must be approved by the City Council. Separate financial statements have not been prepared.

Related Organization

The Crosslake Firemen's Relief Association (Association) is organized as a nonprofit organization, legally separate from the City, by its members to provide pension and other benefits to such members in accordance with Minnesota Statutes. The Board of Trustees consists of six members elected by the membership and three ex-officio members consisting of the Fire Department Chief, one elected municipal official and one elected or appointed municipal official who are designated as municipal representatives by the City Council annually, in accordance to Minnesota Statutes §424A.04 and the Association issues its own set of financial statements. All funding is conducted in accordance with applicable Minnesota Statutes, whereby state aids flow to the Association. The Association pays benefits directly to its members. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity. The City's portion of the costs of the Association's pension benefits is included in the General Fund.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the primary government and its component unit. These statements include the financial activities of the overall City government. 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. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activity are offset by program revenues. Direct expenses are those that are 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 that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. The City has no fiduciary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. The City has no nonmajor funds.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Issuance of long-term debt and financing through leases are reported as other financing sources.

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

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Tax Increment Financing Fund – The Tax Increment Financing Fund is a special revenue fund used to account for the collection of tax increments and payment of related expenditures.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal, interest, and related costs of governmental funds.

The City reports the following major proprietary fund:

Sewer Fund – The Sewer Fund accounts for the activities of the City's sewer operations.

The City of Crosslake's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). 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 are used by the City are discussed below.

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

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

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

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

1. Cash and Investments (Including Cash Equivalents)

Cash balances are invested to the extent available in various securities as authorized by Minnesota Statutes. Investment earnings are recorded in the individual fund carrying the investment.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash and Investments (Including Cash Equivalents) (Continued)

Cash equivalents are considered to be short-term, highly liquid investments that are readily convertible to cash. Cash and cash equivalents consist of checking and saving certificate accounts, cash on hand, certificates of deposits, and money market savings accounts.

2. Property Taxes

Taxes which remain unpaid are classified as delinquent taxes receivable. Delinquent taxes represent the past seven years of uncollected tax years. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is unavailable in the fund financial statements because it is not known to be available to finance the operations of the City in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

Property Tax Collection Calendar

The City levies its property tax for the subsequent year during the month of December. In Minnesota, the lien date and assessment date is January 2. The property tax is recorded as revenue when it becomes available. Crow Wing County is the collecting agency for the levy and then remits the collections to the City. All taxes not collected as of December 31 each year are included as taxes receivable.

The county auditor makes up the tax list for all taxable property in the City, applying the applicable tax capacity rate to the tax capacity value of individual properties, to arrive at the actual tax for each property. The county auditor also collects the majority of special assessments, except for certain prepayments paid directly to the City.

The county auditor turns over a list of taxes and special assessments to be collected on each parcel of property to the county treasurer in January of each year.

Property owners are required to pay one-half of their real estate taxes by May 15 and the balance by October 15.

Within 30 days after the May settlement, the county treasurer is required to pay 70% of the estimated collections of taxes and special assessments to the City treasurer. The county treasurer must pay the balance to the city treasurer within 60 days after settlement, provided that after 45 days interest begins to accrue.

Within ten business days after November 15, the county treasurer shall pay to each taxing district, except any school district, 100% of the estimated collections arising from taxes levied by and belonging to each taxing district from May 20 to November 20.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Accounts Receivable

No substantial losses are anticipated from present receivable balances. Therefore, no allowance for uncollectible accounts is deemed necessary.

4. Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of improvement projects in accordance with Minnesota Statutes. Assessments are collectible over a term of years at an interest rate established by the City Council upon adoption of each assessment roll. Any annual installments remaining unpaid as of November 30th of each year are certified to the County for collection with property taxes during the following year. Property owners are allowed to prepay future installments without interest or prepayment penalties.

In the governmental fund financial statements, special assessment levies are recorded as a receivable and as deferred inflow of resources at the time of the levy. The deferred inflow of resources is recognized as current revenue as the annual assessment installments become available. Interest on special assessments is also recognized when it becomes measurable and available.

Delinquent special assessments represent the past seven years of uncollected special assessments that have not been collected within 60 days of year-end.

5. Due from Other Governments

Amounts due from other governments is composed primarily of state and federal grants and aids for which the City has spent or will be incurring costs for the various grant purposes.

6. Capital Assets

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets (Continued)

The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). 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.

Land and construction in progress are not depreciated. Other capital assets of the Primary Government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land Improvements	5 to 25
Buildings and Building Improvements	10 to 40
Equipment and Furniture	3 to 25
Infrastructure and Sanitary Sewers	25 to 40

7. Deferred Outflows 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 represents a consumption of net position that applies to a future period. The City will not recognize the related outflow until a future event occurs.

8. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

10. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

11. Pensions

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

12. Equity

Fund Balance – In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance is the portion of fund balance that cannot be spent because it is either in nonspendable form or there is a legal or contractual requirement for the funds to remain intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the governmental body itself or by some person or body delegated to exercise such authority in accordance with the policy established by the Council.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Equity (Continued)

Unassigned fund balance is the residual classification for the City's General Fund and includes all spendable amounts not contained in the other classifications. It is the City's policy that at the end of each fiscal year, the City will maintain unassigned portion of fund balance for cash flow of an amount not less than 50% of the General Fund's operating expenditure budget. If unassigned fund balance falls below this point the City will replenish it over a three year period funded by property taxes.

Committed fund balance is required to be established, modified, or rescinded by resolution of the City Council prior to each year-end.

Assigned fund balance is established, modified, or rescinded by the City Administrator/Treasurer and City Clerk and subject to final approval by the City Council prior to the issuance of the financial statements and is used to reflect the intended purpose for which it is to be used. When restricted and unrestricted fund balance is available for expenditure, it is the City's policy to first use restricted fund balance, and then unrestricted resources as they are needed. When committed, assigned, and unassigned fund balance is available for expenditure, it is the City's policy to use committed, assigned, and then unassigned fund balance.

Net Position – Net position represents the difference between assets, deferred inflows, deferred outflows, and liabilities in the government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt used to build or acquire the capital asset. Net position is reported as restricted in government-wide and proprietary fund financial statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. When restricted and unrestricted net position is available for an expense, it is the City's policy to use restricted first and then unrestricted.

13. Adoption of New Accounting Standards

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures.

The City adopted the requirements of the guidance effective January 1, 2024, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard did not result in any material adjustments.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Each fall, the City Council adopts an annual budget for the general and TIF funds. Legal budgetary control is at the fund level.

The budget for the General and TIF Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted. All annual appropriations lapse at fiscal year-end.

B. Excess of Expenditures Over Appropriations

Expenditures exceeded budgeted amounts in the following fund at December 31, 2024:

	Expenditures	Budget	Excess
General Fund	\$ 7,077,398	\$ 6,653,217	\$ 424,181
Tax Increment Financing Fund	13,221	11,622	1,599

All expenditures in excess of budget were considered to be crucial to operations and were approved by the City Council.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

The City maintains a cash and investment pool that is available for use by all funds. In accordance with Minnesota Statutes the City maintains deposits at financial institutions which are authorized by the City Council.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated “A” or better; revenue obligations of a state or local government rated “AA” or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits (Continued)

The City's deposits in banks at December 31, 2024 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

2. Investments

The City has an investment policy and is permitted to invest its idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of 13 months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Interest rate risk – Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Investments are categorized to give an indication of the level of interest rate risk assumed at year-end. Investments as of December 31, 2024 are as follows:

Investment Type	Total	12 Months or Less	13 to 24 Months
Minnesota Municipal Money Market Fund 4M Liquid Asset Fund	\$ 5,710,712	\$ 5,710,712	\$ -
Minnesota Municipal Money Market Fund 4M Term Series	1,500,000	1,500,000	-
Total	<u>\$ 7,210,712</u>	<u>\$ 7,210,712</u>	<u>\$ -</u>

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Investments (Continued)

The City's investment with the 4M fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M fund is an unrated external investment pool and the fair value of the position in the pool is the same as the value of pool shares. The pool is valued at amortized cost. For this investment pool, there are no restrictions on withdrawals from the 4M Liquid Asset Fund, which may be affected on a same day basis. All investments in the 4M PLUS Fund must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to 7 days interest on the amount withdrawn.

The Minnesota Municipal Money Market Fund does not have its own credit rating. PMA Financial Network, Inc., who administers the Minnesota Municipal Money Market Fund, holds an organization credit rating of AA by Standard & Poor's.

The City follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. These inputs include bonds valued by a pricing service that uses matrix pricing and valuation multiples.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Investments (Continued)

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
Minnesota Municipal Term Series	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 1,500,000
Investments at Amortized Costs				5,710,712
Total Investments				<u>\$ 7,210,712</u>

The deposits and investments are presented in these financial statements:

Deposits	\$ 2,942,958
Investments	<u>7,210,712</u>
Total Cash and Investments	<u>\$ 10,153,670</u>
Cash and Investments - Governmental Funds	\$ 9,183,252
Cash and Investments - Proprietary Funds	945,073
Cash and Investments - Component Unit	<u>25,345</u>
Total Cash and Investments	<u>\$ 10,153,670</u>

3. Restricted Cash and Investments

Restricted cash and investments are those restricted by loan covenants, contracts, or other external parties. At December 31, 2024, restricted cash and investments consisted of the following:

Restricted Assets - Cash and Investments	
Restricted for Debt Service - Sewer Fund	\$ 463,356
Total Restricted Cash and Investments	<u>\$ 463,356</u>

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the Primary Government for the year ended December 31, 2024 is as follows:

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,232,679	\$ -	\$ -	\$ 1,232,679
Construction in Progress	51,984	854,274	(761,538)	144,720
Total Capital Assets, Not Being Depreciated	1,284,663	854,274	(761,538)	1,377,399
Capital Assets, Being Depreciated:				
Buildings	9,708,676	-	-	9,708,676
Improvements Other Than Buildings	1,219,282	13,397	-	1,232,679
Machinery and Equipment	6,026,968	1,156,638	(84,183)	7,099,423
Infrastructure	14,330,558	749,548	-	15,080,106
Total Capital Assets, Being Depreciated	31,285,484	1,919,583	(84,183)	33,120,884
Less: Accumulated Depreciation for:				
Buildings	(3,103,218)	(338,454)	-	(3,441,672)
Improvements Other Than Buildings	(767,770)	(58,115)	-	(825,885)
Machinery and Equipment	(2,807,364)	(499,153)	84,183	(3,222,334)
Infrastructure	(7,600,636)	(492,245)	-	(8,092,881)
Total Accumulated Depreciation	(14,278,988)	(1,387,967)	84,183	(15,582,772)
Total Capital Assets, Being Depreciated, Net	17,006,496	531,616	-	17,538,112
Governmental Activities Capital Assets, Net	\$ 18,291,159	\$ 1,385,890	\$ (761,538)	\$ 18,915,511

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets, Not Being Depreciated:				
Land	\$ 185,136	\$ -	\$ -	\$ 185,136
Construction in Progress	-	70,052	(70,052)	-
Total Capital Assets, Not Being Depreciated	185,136	70,052	(70,052)	185,136
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,291,746	-	-	4,291,746
Machinery and Equipment	402,238	-	(5,668)	396,570
Sanitary Sewers	8,387,171	70,052	-	8,457,223
Total Capital Assets, Being Depreciated	13,081,155	70,052	(5,668)	13,145,539
Less: Accumulated Depreciation for:				
Buildings and Improvements	(1,802,179)	(108,160)	-	(1,910,339)
Machinery and Equipment	(324,278)	(8,359)	5,668	(326,969)
Sanitary Sewers	(2,352,712)	(264,776)	-	(2,617,488)
Total Accumulated Depreciation	(4,479,169)	(381,295)	5,668	(4,854,796)
Total Capital Assets, Being Depreciated, Net	8,601,986	(311,243)	-	8,290,743
Business-Type Activities Capital Assets, Net	<u>\$ 8,787,122</u>	<u>\$ (241,191)</u>	<u>\$ (70,052)</u>	<u>\$ 8,475,879</u>

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

Governmental Activities:

General Government	\$ 513,244
Public Safety	315,740
Public Works	396,319
Culture and Recreation	162,664
Total Depreciation Expense - Governmental Activities	<u>\$ 1,387,967</u>

Business-Type Activities:

Sewer	\$ 381,295
Total Depreciation Expense - Business-Type Activities	<u>\$ 381,295</u>

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities

1. Long-Term Debt

The City issues general obligation bonds and certificates of indebtedness to provide funds for economic development and for the acquisition and construction of major capital facilities including infrastructure. General obligation bonds and certificates of indebtedness have been issued for both governmental and business-type activities. General obligation bonds and certificates of indebtedness are direct obligations and pledge the full faith and credit of the City.

General obligation bonds currently outstanding for the Primary Government are as follows:

	Range of Interest Rates	Original Issue	Amount Outstanding
BONDED INDEBTEDNESS			
PRIMARY GOVERNMENT			
GENERAL OBLIGATION BONDS			
G.O. Disposal System Bonds, Series 2017A	1.15-2.30%	\$ 1,015,000	\$ 430,000
G.O. Street Reconstruction Bonds, Series 2018A	2.75-3.25%	695,000	280,000
G.O. CIP Bonds, Series 2019A	2.00-2.125%	3,815,000	2,950,000
G.O. Bonds, Series 2022A	4.12%	3,069,000	2,902,000
CERTIFICATES OF INDEBTEDNESS			
G.O. Equipment Certificate of Indebtedness, Series 2021A	2.00%	865,000	625,000
Total Primary Government General Obligation Bonds		<u>\$ 13,769,000</u>	<u>\$ 7,187,000</u>

Summary of long-term debt transactions for the year ended December 31, 2024 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	\$ 4,893,000	\$ -	\$ (446,000)	\$ 4,447,000	\$ 469,000
Unamortized Premiums and Discounts	52,189	-	(7,943)	44,246	-
GO Equipment Certificates - Direct Placement	745,000	-	(120,000)	625,000	125,000
Total Bonds Payable	5,690,189	-	(573,943)	5,116,246	594,000
Compensated Absences	150,324	35,376	-	185,700	37,140
Governmental Activity Long-Term Liabilities	<u>\$ 5,840,513</u>	<u>\$ 35,376</u>	<u>\$ (573,943)</u>	<u>\$ 5,301,946</u>	<u>\$ 631,140</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds	\$ 2,461,000	\$ -	\$ (346,000)	\$ 2,115,000	\$ 165,000
Compensated Absences	10,000	-	(5,993)	4,007	801
Business-Type Activity Long-Term Liabilities	<u>\$ 2,471,000</u>	<u>\$ -</u>	<u>\$ (351,993)</u>	<u>\$ 2,119,007</u>	<u>\$ 165,801</u>

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

1. Long-Term Debt (Continued)

Annual debt service requirements to maturity for general obligation bonds of the Primary Government are as follows:

General Obligation Bonds			General Obligation Bonds		
	Governmental Activities			Business-Type Activities	
	Principal	Interest		Principal	Interest
2025	\$ 469,000	\$ 111,843	2025	\$ 165,000	\$ 76,391
2026	485,000	98,030	2026	168,000	71,705
2027	502,000	83,718	2027	175,000	66,755
2028	418,000	70,533	2028	178,000	61,541
2029	310,000	60,995	2029	71,000	57,412
2030-2034	1,687,000	189,976	2030-2034	400,000	239,784
2035-2038	576,000	26,127	2035-2038	490,000	148,526
Total	<u>\$ 4,447,000</u>	<u>\$ 641,222</u>	2039-2043	468,000	39,511
			Total	<u>\$ 2,115,000</u>	<u>\$ 761,625</u>

General Obligation Equipment Certificates - Direct Placement		
	Governmental Activities	
	Principal	Interest
2025	\$ 125,000	\$ 11,250
2026	125,000	8,750
2027	125,000	6,250
2028	125,000	3,750
2029	125,000	1,250
Total	<u>\$ 625,000</u>	<u>\$ 31,250</u>

In 2017, the City issued \$1,015,000 in General Obligation Disposal System Bonds, Series 2017A. The Bonds were issued to finance a portion of the costs to improve the City's wastewater treatment plant.

In 2018, the City issued \$695,000 in General Obligation Street Reconstruction Bonds, Series 2018A. The bonds were issued to finance 2018 street projects.

In 2019, the City issued \$3,815,000 in in General Obligation Capital Improvement Plan Bonds, Series 2019A. The bonds were issued to finance the new City Administration/Police Center and Fire Hall renovation projects.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

1. Long-Term Debt (Continued)

In 2021, the City issued \$865,000 in General Obligation Equipment Certificates, Series 2021A. The bonds were issued to finance the purchase of a new fire truck.

In 2022, the City issued \$3,069,000 in General Obligation Bonds, Series 2022A. The bonds were issued to finance 2022 road improvements, the sanitary sewer extension, and the financing of a new truck.

2. Conduit Debt Obligations

The City issued conduit debt to provide financial assistance for the construction of a charter school building. The bonds are payable by Lakes Area Kids Enrichment Foundation, a Minnesota nonprofit corporation. Upon repayment of the facilities bonds, ownership of the facilities transfers to the nonprofit. None of these bonds constitutes a debt of the City; accordingly, they have not been reported as liabilities in the accompanying financial statements. At December 31, 2024, \$5,348,480 of Educational Facilities Revenue Notes existed.

3. Risk Management

The City 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 City (primary government) has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating as common risk management and insurance program for Minnesota cities. The City also carries commercial insurance for certain other risks of loss, including employee health insurance. The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member assessments and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The pool can make additional assessments to make the pool self-sustaining.

The City has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The City's component unit is covered by the City's commercial insurance to cover losses in the above described risk areas.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

2. Public Employees Police and Fire Plan

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. Police and Fire Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

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

C. Contributions

Minnesota Statutes Chapter 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024, were \$69,793. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2024, were \$80,299. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$406,483 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$10,511.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0110% at the end of the measurement period and 0.0112% for the beginning of the period.

City's Proportionate Share of the Net	
Pension Liability	\$ 406,483
State of Minnesota's Proportionate Share of	
the Net Pension Liability with the City	10,511
Total	<u>\$ 416,994</u>

For the year ended December 31, 2024, the City recognized pension expense of \$57,267 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$130 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$18,702 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2024, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 38,220	\$ -
Changes of Assumptions	1,985	153,848
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	118,039
Changes in Proportion	36,245	13,823
City Contributions Made Subsequent to the Measurement Date	41,880	-
Total	<u>\$ 118,330</u>	<u>\$ 285,710</u>

The \$41,880 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Pension Expense Amount
2025	\$ (117,879)
2026	(7,205)
2027	(53,021)
2028	(31,155)

2. Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$431,015 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0328% at the end of the measurement period and 0.0324% for the beginning of the period.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$16,430.

City's Proportionate Share of the Net Pension Liability	\$ 431,015
State of Minnesota's Proportionate Share of the Net Pension Liability with the City	16,430
Total	<u><u>\$ 447,445</u></u>

For the year ended December 31, 2024, the City recognized pension expense of \$87,178 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$6,459 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$9,303 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment

At December 31, 2024, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 167,970	\$ -
Changes of Assumptions	473,798	634,681
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	140,145
Changes in Proportion	20,046	13,095
City Contributions Made Subsequent to the Measurement Date	50,907	-
Total	<u>\$ 712,721</u>	<u>\$ 787,921</u>

The \$50,907 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Pension Expense Amount
2025	\$ (15,755)
2026	113,584
2027	(68,029)
2028	(166,898)
2029	10,991

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Totals	100.0 %	

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan and Police & Fire Plan.
- Benefit increases after retirement are assumed to be 1.25% for the General Employee Plan and 1% for the Police & Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of PUB-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Police and Fire Fund

Changes in Plan Provisions:

- State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees, Police and Fire, and Correctional Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

	1% Decrease (6.0%)	Discount Rate (7%)	1% Increase (8.0%)
City Proportionate Share of the General Employees Fund Net Pension Liability:	\$ 887,825	\$ 406,483	\$ 10,536
	1% Decrease (6.0%)	Discount Rate (7%)	1% Increase (8.0%)
City Proportionate Share of the Police and Fire Fund Net Pension Liability:	\$ 1,018,574	\$ 431,015	\$ (51,493)

I. Pension Plan Fiduciary Net Position

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

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 5 DEFINED CONTRIBUTION PLAN

Crosslake Firemen's Relief Association

Plan Description

All members of the Crosslake Fire Department are covered by a defined contribution plan administered by the Crosslake Firemen's Relief Association (Relief Association). The plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statutes Chapter 69.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee 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 2% of employer contributions and twenty-five hundredths of 1% (0.25%) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2024 were:

State Aid Flowed Through City of Relief Association	\$ 63,489
Voluntary (Nonrequired) Contribution from City	26,441
Total Contribution	<u><u>\$ 89,930</u></u>

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The City operates a single-employer retiree benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouse through the City's health insurance plan. There are 19 active participants, 3 retired participants, 1 spouse participant, and zero inactive employees entitled to but not yet receiving benefits. Benefit and eligibility provisions are established through negotiations between the City and various unions representing City employees and are renegotiated each three-year bargaining period. The Plan does not issue a publicly available financial report.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

B. Funding Policy

The City does not have assets designated to pay for OPEB related costs. Contribution requirements are negotiated between the City and union representatives. The eligibility for, amount of, duration of, and City's contribution to the cost of the benefits provided varies by contract and date of retirement. The City is funding this liability on a pay-as-you-go basis. For fiscal year 2024, the City contributed \$48,755 to the Plan.

C. Actuarial Methods and Assumptions

The City's OPEB liability was measured as of January 1, 2024 and the total OPEB liability was determined by an actuarial valuation as of January 1, 2024.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Salary Increases:	Services Graded Table
Health Care Trend Rates:	6.50% Decreasing to 5.00% then 4.00%

Mortality Rates were based on the Pub-2010 Public Retirement Plans General Headcount Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with other economic assumptions.

The discount rate used to measure the total OPEB liability was 3.70%. The discount rate is based on the estimated yield of 20-year AA-rated municipal bonds.

Since the most recent GASB 75 valuation, the following changes have been made:

Benefit Changes:

- One retiree had a special termination agreement and received 100% of the same single medical and dental premiums as active employees (currently 80%), payable for 9 months. This change increased the liability \$28,606.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

Assumption Changes:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The discount rate was changed from 4.00% to 3.70%.
- Assumption for employees eligible for a post-employment subsidy that also receive the implicit benefit increased from 75% to 100%.

D. Changes in the OPEB Liability

	Total OPEB Liability
Balances - December 31, 2023	\$ 395,644
Changes for the Year:	
Service Cost	23,454
Interest	16,532
Assumption Changes	61,996
Plan Changes	28,606
Difference between Expected and Actual Experience	(109,185)
Benefit Payments	(11,715)
Net Change in Total OPEB Liability	9,688
Balances - December 31, 2024	\$ 405,332

The following presents the OPEB liability of the City, as well as what the City's OPEB 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:

	1% Decrease (2.70%)	Discount Rate (3.70%)	1% Increase (4.70%)
Total OPEB Liability	\$ 433,710	\$ 405,332	\$ 378,817

The following presents the OPEB liability of the City as well as what the City's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.50% decreasing to 4.0% then 3.0%) or 1% higher (7.50% decreasing to 6.0% then 5.0%) than the current healthcare cost trend rates:

	1% Decrease (5.50% Decreasing to 4.0%)	Current Trend Rates (6.50% Decreasing to 5.0%)	1% Increase (7.50% Decreasing to 6.0%)
<u>Medical Trend Rate</u>			
Total OPEB Liability	\$ 367,418	\$ 405,332	\$ 450,056

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 6 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the OPEB Liability (Continued)

For the year ended December 31, 2024, the City recognized OPEB expense of \$47,122. At December 31, 2024, the City reported deferred inflows of resources, and deferred outflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 66,871	\$ 33,818
Differences Between Expected and Actual Experience	1,159	218,082
City Contributions Made Subsequent to the Measurement Date	48,755	-
Total	<u>\$ 116,785</u>	<u>\$ 251,900</u>

The \$48,755 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2025.

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

<u>Year Ending December 31,</u>	<u>Future Recognition</u>
2025	\$ (19,732)
2026	(22,831)
2027	(26,369)
2028	(26,369)
2029	(26,369)
Thereafter	(62,200)

NOTE 7 TAX ABATEMENT DISCLOSURES

The City has one pay-as-you-go tax increment financing district with a local business for purposes of renewal and renovation within the City as authorized under Minnesota Statutes §469.174. The city is currently collecting tax increments that are paid through the property tax collection process. The district stops collection in 2024. The requirement for the business to receive the excess tax increments from the City is to perform improvements on the owned property. The increment taxes are based on the increase of the property value after the improvements are made. The agreements call for 90% of the property tax increments collected to be returned to the developers. For the year ended December 31, 2024, the City paid excess tax increment in the amount of \$13,221. No other commitments were made by the City as part of these agreements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CROSSLAKE, MINNESOTA
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS
LAST TEN MEASUREMENT PERIODS

	Measurement Date January 1, 2024	Measurement Date January 1, 2023	Measurement Date January 1, 2022	Measurement Date January 1, 2021	Measurement Date January 1, 2020	Measurement Date January 1, 2019	Measurement Date January 1, 2018
Total OPEB Liability							
Service Cost	\$ 23,454	\$ 25,837	\$ 34,933	\$ 39,566	\$ 33,436	\$ 20,973	\$ 22,123
Interest	16,532	8,620	10,505	13,333	14,500	11,618	11,086
Assumption Changes	61,996	(42,274)	3,927	21,233	11,649	(10,464)	-
Plan Changes	28,606	-	43,059	-	7,672	-	-
Difference between Expected and Actual Experience	(109,185)	-	(172,902)	-	6,969	-	-
Benefit Payments	(11,715)	(3,416)	(5,912)	(2,078)	(2,275)	(7,831)	(23,936)
Net Change in Total OPEB Liability	<u>9,688</u>	<u>(11,233)</u>	<u>(86,390)</u>	<u>72,054</u>	<u>71,951</u>	<u>14,296</u>	<u>9,273</u>
Total OPEB Liability - Beginning	395,644	406,877	493,267	421,213	349,262	334,966	325,693
Total OPEB Liability - Ending	<u><u>\$ 405,332</u></u>	<u><u>\$ 395,644</u></u>	<u><u>\$ 406,877</u></u>	<u><u>\$ 493,267</u></u>	<u><u>\$ 421,213</u></u>	<u><u>\$ 349,262</u></u>	<u><u>\$ 334,966</u></u>
Covered-Employee Payroll	\$ 1,331,763	\$ 1,196,475	\$ 1,161,626	\$ 1,054,406	\$ 1,021,216	\$ 875,605	\$ 850,102
City's Total OPEB Liability as a Percentage of Covered-Employee Payroll	30%	33%	35%	47%	40%	40%	39%

NOTE 1: The City implemented GASB Statement No. 75 in 2018, and the above table will be expanded to 10 years of information as the information becomes available.

NOTE 2: No assets are accumulated in a trust.

CITY OF CROSSLAKE, MINNESOTA
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT PERIODS

	Measurement Date June 30, 2024	Measurement Date June 30, 2023	Measurement Date June 30, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
PERA - General Employees Fund										
City's Proportion of the Net Pension Liability	0.0110%	0.0112%	0.0100%	0.0103%	0.0096%	0.0080%	0.0083%	0.0087%	0.0087%	0.0088%
City's Proportionate Share of the Net Pension Liability	\$ 406,483	\$ 626,291	\$ 792,004	\$ 439,857	\$ 575,564	\$ 442,302	\$ 460,450	\$ 555,402	\$ 706,397	\$ 456,062
State's Proportionate Share of the Net Pension Liability Associated with the City	10,511	17,252	23,009	13,414	17,755	13,833	15,152	6,796	9,212	-
Total City's Proportionate Share of the Net Pension Liability	<u>\$ 416,994</u>	<u>\$ 643,543</u>	<u>\$ 815,013</u>	<u>\$ 453,271</u>	<u>\$ 593,319</u>	<u>\$ 456,135</u>	<u>\$ 475,602</u>	<u>\$ 562,198</u>	<u>\$ 715,609</u>	<u>\$ 456,062</u>
City's Covered Payroll	\$ 1,018,952	\$ 910,628	\$ 745,462	\$ 743,334	\$ 656,063	\$ 561,811	\$ 555,286	\$ 561,436	\$ 538,587	\$ 519,617
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	39.89%	68.78%	106.24%	59.17%	87.73%	78.73%	82.92%	98.93%	131.16%	87.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.08%	83.10%	76.70%	87.00%	79.10%	80.23%	79.53%	75.90%	68.91%	78.20%
PERA - Police and Fire Fund										
City's Proportion of the Net Pension Liability	0.0328%	0.0324%	0.0326%	0.0342%	0.0319%	0.0312%	0.0298%	0.0340%	0.0350%	0.0340%
City's Proportionate Share of the Net Pension Liability	\$ 431,015	\$ 559,506	\$ 1,418,623	\$ 263,988	\$ 420,476	\$ 332,156	\$ 317,637	\$ 459,040	\$ 1,404,611	\$ 386,320
State's Proportionate Share of the Net Pension Liability Associated with the City	16,430	22,534	61,929	11,856	9,920	-	-	-	-	-
Total City's Proportionate Share of the Net Pension Liability	<u>\$ 447,445</u>	<u>\$ 582,040</u>	<u>\$ 1,480,552</u>	<u>\$ 275,844</u>	<u>\$ 430,396</u>	<u>\$ 332,156</u>	<u>\$ 317,637</u>	<u>\$ 459,040</u>	<u>\$ 1,404,611</u>	<u>\$ 386,320</u>
City's Covered Payroll	\$ 545,999	\$ 418,409	\$ 395,620	\$ 403,730	\$ 344,370	\$ 328,481	\$ 314,163	\$ 346,788	\$ 335,000	\$ 316,479
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	78.94%	133.72%	358.58%	65.39%	122.10%	101.12%	101.11%	132.37%	419.29%	122.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.17%	86.50%	70.50%	93.70%	87.20%	89.26%	88.84%	85.40%	63.88%	86.61%

See accompanying Notes to Required Supplementary Information.

**CITY OF CROSSLAKE, MINNESOTA
SCHEDULE OF CITY CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
PERA - General Employees Fund										
Contractually Required Contribution	\$ 69,793	\$ 66,555	\$ 60,610	\$ 56,210	\$ 54,947	\$ 45,681	\$ 40,833	\$ 42,198	\$ 40,199	\$ 39,992
Contributions in Relation to the Contractually Required Contribution	(69,793)	(66,555)	(60,610)	(56,210)	(54,947)	(45,681)	(40,833)	(42,198)	(40,199)	(39,992)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 930,573	\$ 887,400	\$ 808,133	\$ 749,467	\$ 732,627	\$ 609,080	\$ 544,440	\$ 562,634	\$ 535,987	\$ 533,227
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
PERA - Police and Fire Fund										
Contractually Required Contribution	\$ 80,299	\$ 75,238	\$ 71,527	\$ 70,533	\$ 66,314	\$ 59,857	\$ 52,169	\$ 53,144	\$ 53,492	\$ 52,917
Contributions in Relation to the Contractually Required Contribution	(80,299)	(75,238)	(71,527)	(70,533)	(66,314)	(59,857)	(52,169)	(53,144)	(53,492)	(52,917)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 453,667	\$ 425,073	\$ 404,107	\$ 398,492	\$ 374,655	\$ 353,139	\$ 322,028	\$ 328,049	\$ 330,198	\$ 326,649
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	17.70%	17.70%	16.95%	16.20%	16.20%	16.20%	16.20%

See accompanying Notes to Required Supplementary Information.

CITY OF CROSSLAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2024

	Original Budget	Final Budget	Actual	Variance With Budget Over (Under)
REVENUES				
Taxes	\$ 3,921,888	\$ 3,921,888	\$ 3,925,749	\$ 3,861
Licenses and Permits	95,400	95,400	132,330	36,930
Intergovernmental	103,400	103,400	334,541	231,141
Charges for Services	284,520	284,520	479,247	194,727
Fines and Forfeits	17,600	17,600	28,013	10,413
Special Assessments	5,437	5,437	87,455	82,018
Interest	225,000	225,000	482,481	257,481
Contributions and Donations	14,250	14,250	112,578	98,328
Miscellaneous	24,250	24,250	86,532	62,282
Total Revenues	4,691,745	4,691,745	5,668,926	977,181
EXPENDITURES				
Current:				
General Government:				
Mayor and Council	39,218	39,218	38,651	(567)
Administration	301,623	301,623	478,708	177,085
Elections	17,648	17,648	4,351	(13,297)
Audit and Legal	74,000	74,000	147,198	73,198
Planning and Zoning	253,745	253,745	315,186	61,441
Other General Government	297,789	297,789	379,790	82,001
Total General Government	984,023	984,023	1,363,884	379,861
Public Safety:				
Police	1,005,225	1,005,225	984,751	(20,474)
Ambulance	1,800	1,800	676	(1,124)
Fire Protection	429,528	429,528	482,212	52,684
Total Public Safety	1,436,553	1,436,553	1,467,639	31,086
Public Works:				
Engineering	5,000	5,000	4,048	(952)
Public Works Maintenance	556,509	556,509	550,609	(5,900)
Street Lighting	-	-	70	70
Total Public Works	561,509	561,509	554,727	(6,782)
Culture and Recreation:				
Library	46,483	46,483	56,742	10,259
Recreation	612,716	612,716	689,388	76,672
Total Culture and Recreation	659,199	659,199	746,130	86,931
Miscellaneous:				
Recycling	500	500	186	(314)
Firemen's Relief Association	78,000	78,000	99,944	21,944
Cemetery	8,030	8,030	9,324	1,294
Total Miscellaneous	86,530	86,530	109,454	22,924
Capital Outlay:				
Capital Improvements and Equipment	2,925,403	2,925,403	2,835,564	(89,839)
Total Expenditures	6,653,217	6,653,217	7,077,398	424,181

See accompanying Notes to Required Supplementary Information.

**CITY OF CROSSLAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES (CONTINUED)
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2024**

	Original Budget	Final Budget	Actual	Variance With Budget Over (Under)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,961,472)</u>	<u>\$ (1,961,472)</u>	<u>\$ (1,408,472)</u>	<u>\$ 553,000</u>
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	-	618,567	618,567
Issuance of GO Bonds	900,000	900,000	-	(900,000)
Proceeds from Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>138,000</u>	<u>138,000</u>
Total Other Financing Sources (Uses)	<u>900,000</u>	<u>900,000</u>	<u>756,567</u>	<u>(143,433)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (1,061,472)</u></u>	<u><u>\$ (1,061,472)</u></u>	<u>(651,905)</u>	<u><u>\$ 409,567</u></u>
Fund Balance - Beginning of Year			<u>9,415,658</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 8,763,753</u></u>	

CITY OF CROSSLAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
TAX INCREMENT FINANCING FUND
YEAR ENDED DECEMBER 31, 2024

	Budget Original and Final	Actual	Variance With Budget Over (Under)
REVENUES			
Tax Increments	\$ 12,300	\$ 14,579	\$ 2,279
EXPENDITURES			
Economic Development:			
Current	11,622	13,221	1,599
NET CHANGE IN FUND BALANCE	<u>\$ 678</u>	1,358	<u>\$ 680</u>
Fund Balance - Beginning of Year		13,108	
FUND BALANCE - END OF YEAR		<u>\$ 14,466</u>	

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

NOTE 1 LEGAL COMPLIANCE – BUDGETS

A. Budgetary Information

Each fall, the City Council adopts an annual budget for the General and TIF Fund. Legal budgetary control is at the fund level.

The budget for the General and TIF Fund are adopted on a basis consistent with U.S. generally accepted accounting principles. Budgeted amounts are as originally adopted. All annual appropriations lapse at fiscal year-end.

B. Excess of Expenditures Over Appropriations

Expenditures exceeded budgeted amounts in the following funds at December 31, 2024:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 7,077,398	\$ 6,653,217	\$ 424,181
Tax Increment Financing Fund	13,221	11,622	1,599

All expenditures in excess of budget were considered to be crucial to operations and were approved by the City Council.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS

General Employees Fund

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the measurement period ended June 30:

2024

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

General Employees Fund (Continued)

2023

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5% to 7.00%.

Changes in Plan Provisions:

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

2022

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2021

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

General Employees Fund (Continued)

2020

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

General Employees Fund (Continued)

2019

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

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

2018

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

General Employees Fund (Continued)

2017

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions:

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

2016

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions:

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

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

Police and Fire Fund

2024

Changes in Actuarial Assumptions:

- There were no changes in Actuarial Assumptions since the previous valuation.

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

2023

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5 percent to 7.0 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-202 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

Police and Fire Fund (Continued)

2021

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

Police and Fire Fund (Continued)

2018

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.

Changes in Plan Provisions:

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

2017

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00% for vested and nonvested, deferred members. The CSA has been changed to 33.00% for vested members and 2.00% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00% to 60.00%

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

Police and Fire Fund (Continued)

2017 (Continued)

Changes in Actuarial Assumptions (Continued):

- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.60% per annum to 7.50% per annum.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2037 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2037 and 2.50% per year thereafter.

Changes in Plan Provisions:

- The postretirement benefit increase to be paid after the attainment of the 90.00% funding threshold was changed from inflation up to 2.50%, to a fixed rate of 2.50%.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

NOTE 3 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

2024

Benefit Changes:

- One retiree had a special termination agreement and received 100% of the same single medical and dental premiums as active employees (currently 80%), payable for 9 months.

Assumption Changes:

- The health care trend rates were updated.
- Assumption for employees eligible for a post-employment subsidy that also received implicit benefit increased from 75% to 100%.
- The discount rate was changed from 4.00% to 3.70%.

2023

Benefit Changes:

- Non-union employees are now covered under the Minnesota Public Employees Association Confidential and Supervisory Unit contract. These employees must be hired prior to January 1, 2023 in order to be eligible for GASB 75 subsidies, and their subsidies changed to be the same as employees covered by the Teamsters General Local No. 346 contract.

Assumption Changes:

- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.
- The inflation rate was changed from 2.00% to 2.50%.

2022

Benefit Changes:

- Non-union employees are now covered under the Minnesota Public Employees Association Confidential and Supervisory Unit contract. These employees must be hired prior to January 1, 2023 in order to be eligible for GASB 75 subsidies, and their subsidies changed to be the same as employees covered by the Teamsters General Local No. 346 contract.

Assumption Changes:

- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.
- The inflation rate was changed from 2.50% to 2.00%.

**CITY OF CROSSLAKE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024**

NOTE 3 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2021

Assumption Changes:

- The discount rate was changed from 2.90% to 2.00%.

2020

Assumption Changes:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.0% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.8% to 2.9%.

2019

The following assumption changes have been made:

- The discount rate was changed from 3.30% to 3.80%.

2018

The following assumption changes have been made:

- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The retirement and withdrawal tables for all employees were updated.
- The discount rate was changed from 4.00% to 3.30%.

SUPPLEMENTARY INFORMATION

CITY OF CROSSLAKE, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
DECEMBER 31, 2024

	Fund Level Total	Adjustments	Statement of Net Position
ASSETS			
Cash and Cash Equivalents	\$ 25,345	\$ -	\$ 25,345
Taxes Receivable	366	-	366
	<u>25,711</u>	<u>-</u>	<u>25,711</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/ NET POSITION			
Liabilities:			
Accounts Payable	\$ -	-	-
Deferred Inflows of Resources:			
Unavailable Revenue on Property Taxes	30	(30)	-
Fund Balance/Net Position:			
Unassigned	25,681	(25,681)	
	<u>25,711</u>	<u>(25,711)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 25,711</u>	<u>(25,711)</u>	
Net Position:			
Unrestricted		25,711	25,711
		<u>25,711</u>	<u>25,711</u>
Total Net Position of Component Unit (Page 14)		<u>\$ 25,711</u>	<u>\$ 25,711</u>

Some of the revenues in the Statement of Activities do not require the use of current financial resources and, therefore, the property taxes will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as unavailable revenue in the governmental funds.

CITY OF CROSSLAKE, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
YEAR ENDED DECEMBER 31, 2024

	Fund Level Total	Adjustments	Statement of Activities
Expenditures/Expenses	\$ 12,686	\$ -	\$ 12,686
General Revenues:			
Taxes	<u>18,226</u>	<u>(165)</u>	<u>18,061</u>
Change in Net Position (Page 16)	5,540	(165)	5,375
Fund Balances/Net Position:			
Beginning of Year	<u>20,141</u>	<u>195</u>	<u>20,336</u>
End of Year	<u><u>\$ 25,681</u></u>	<u><u>\$ 30</u></u>	<u><u>\$ 25,711</u></u>

OTHER REPORT SECTION



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the City of Crosslake (City), Minnesota as of December 31, 2024 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated June 3, 2025.

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

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of *the Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
June 3, 2025

APPENDIX F: CONTINUING DISCLOSURE FILINGS

The following pages have been printed directly from the EMMA website information for the Continuing Disclosure filings in recent years.

[Home](#) > [Issuers By State](#) > [Minnesota](#) > [Issuer Homepage](#) > [Issue Details](#)

Issue Details



CITY OF CROSSLAKE, MINNESOTA GENERAL OBLIGATION EQUIPMENT CERTIFICATES, SERIES 2021A (MN)
CROSSLAKE MINN GO EQUIP CTF 2021 A (MN)*

Dated Date: 04/26/2021
Underwriting Spread Amount: Not Disclosed - Competitive Sale
Closing Date: 04/26/2021
Time of Formal Award: 04/13/2021 09:25 AM
Time of First Execution: 04/13/2021 01:00 PM

[Final Scale](#)[Official Statement](#)[Continuing Disclosure](#)[Trade Activity](#)

View continuing disclosure or advance refunding document, which provides important information about the security after initial issuance.

FINANCIAL INFORMATION & DOCUMENTS

[Collapse▲](#)

Most Recent [CD Report - Year end 2024 - Crosslake MN for the year ended 12/31/2024 posted 08/01/2025 \(437 KB\)](#) [details](#)
[2024 Audit - Crosslake MN for the year ended 12/31/2024 posted 08/01/2025 \(1.6 MB\)](#) [details](#)

Annual Financial Information and Operating Data

[CD Report - Year end 2024 - Crosslake MN for the year ended 12/31/2024 posted 08/01/2025 \(437 KB\)](#) [details](#)
[CD Report - Year end 2023 - Crosslake for the year ended 12/31/2023 posted 09/18/2024 \(444 KB\)](#) [details](#)
[CD Report - Year end 2022 - Crosslake MN for the year ended 12/31/2022 posted 11/07/2023 \(443 KB\)](#) [details](#)
[CD Report - Year end 2021 - Crosslake MN for the year ended 12/31/2021 posted 09/12/2022 \(431 KB\)](#) [details](#)
[CD Report - Year end 2020 - Crosslake MN for the year ended 12/31/2020 posted 08/05/2021 \(1.4 MB\)](#) [details](#)

Audited Financial Statements or ACFR

[2024 Audit - Crosslake MN for the year ended 12/31/2024 posted 08/01/2025 \(1.6 MB\)](#) [details](#)
[2023 Audit - Crosslake MN for the year ended 12/31/2023 posted 09/18/2024 \(767 KB\)](#) [details](#)
[2022 Audit - Crosslake MN for the year ended 12/31/2022 posted 11/07/2023 \(713 KB\)](#) [details](#)
[2021 Audit - Crosslake MN for the year ended 12/31/2021 posted 09/08/2022 \(546 KB\)](#) [details](#)
[2020 Audit - Crosslake MN for the year ended 12/31/2020 posted 08/05/2021 \(526 KB\)](#) [details](#)

EVENT NOTICES

[Collapse▲](#)

Most Recent [Notice of Bond Pay Agent/Registrar Acquisition dated 12/31/2024 posted 12/31/2024 \(80 KB\)](#) [details](#)

Financial Obligation - Incurrence or Agreement

[Notice of Issuance ~ GO Bonds, Series 2022A as of 11/07/2022 posted 11/07/2022 \(83 KB\)](#) [details](#)

Successor, Additional or Change in Trustee

[Notice of Bond Pay Agent/Registrar Acquisition dated 12/31/2024 posted 12/31/2024 \(80 KB\)](#) [details](#)
[Event Filing posted 12/26/2024 \(133 KB\)](#) [details](#)

Links to Former NRMSIRs

Until 2009, the organizations listed below served as Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and may have primary market and continuing disclosure documents produced before July 1, 2009, when the EMMA website became the official repository for municipal market disclosures.

[Bloomberg L.P.](#)
[DPC Data](#)
[ICF Data Services](#) (formerly Interactive Data Pricing and Reference Data)
[Standard & Poor's](#)

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