

PRELIMINARY OFFICIAL STATEMENT DATED MAY 28, 2026

NEW ISSUE
BANK QUALIFIED

BOOK ENTRY ONLY
S&P GLOBAL RATINGS' RATING "A+"

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "Tax Exemption" and "Other Federal and State Tax Considerations" herein for additional information.

CITY OF GAYLORD, MINNESOTA

\$1,410,000*

General Obligation Capital Improvement Plan Bonds, Series 2026A

Dated Date: Date of Delivery (Estimated to be June 30, 2026)

**Interest Due: Each February 1 and August 1
Commencing February 1, 2027**

<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
2/1/2028	\$75,000	____%	____%	____	2/1/2036	\$95,000	____%	____%	____
2/1/2029	75,000	____	____	____	2/1/2037	100,000	____	____	____
2/1/2030	80,000	____	____	____	2/1/2038	105,000	____	____	____
2/1/2031	80,000	____	____	____	2/1/2039	105,000	____	____	____
2/1/2032	85,000	____	____	____	2/1/2040	110,000	____	____	____
2/1/2033	85,000	____	____	____	2/1/2041	115,000	____	____	____
2/1/2034	90,000	____	____	____	2/1/2042	120,000	____	____	____
2/1/2035	90,000	____	____	____					

The General Obligation Capital Improvement Plan Bonds, Series 2026A (the "Bonds" or the "Issue") are being issued by the City of Gaylord, Minnesota (the "City" or the "Issuer") pursuant to Minnesota Statutes, Chapter 475 and Section 475.521, as amended. Proceeds of the Bonds will be used to finance a new public works building and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

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

The Bonds maturing on February 1, 2035 and thereafter are subject to redemption, in whole or in part, on February 1, 2034 and on any date thereafter at a price of par plus accrued interest.

Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2028. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing February 1, 2027. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, Minnesota.

Proposals: Wednesday, June 3, 2026 10:30 A.M., Central Time

Award: Wednesday, June 3, 2026 6:30 P.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than \$1,390,965 (98.65%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see "Establishment of Issue Price" in the Notice of Sale herein for additional details.** The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. A Good Faith Deposit (the "Deposit") in the amount of \$28,200, in the form of a federal wire transfer payable to the order of the City, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

* Preliminary, subject to change.



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The Bonds are offered, subject to prior sale when, as and if accepted by the underwriter(s) named on the front cover of this official statement and subject to an opinion as to validity of the Bonds by Bond Counsel. Subject to applicable securities laws and prevailing market conditions, the underwriter(s) intends, but is not obligated, to effect secondary market trading for the Bonds. Closing Date is estimated to be June 30, 2026.

No person has been authorized to give any information or to make any representations other than those contained in this official statement in connection with the offers made hereby, and if given or made, such information or representations must not be relied upon as having been authorized by the Issuer or the underwriter(s). This official statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person makes such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the underwriter(s). Neither the delivery of this official statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer since the date hereof.

Within the meaning of Securities and Exchanges Commission Rule 15c2-12, the information included in the preliminary official statement is deemed final by the Issuer as of its date and is accurate and complete in all material respects, except for the omission of the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s), other terms of the issue depending on such matters, and the identity of the underwriter(s).

References herein to laws, rules, regulations, resolutions, agreements, reports, and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for the purposes of, and as that term is defined in, Securities and Exchange Commission Rule 15c2-12.

The Bonds are considered securities and have not been approved or disapproved by the Securities and Exchange Commission or any state or federal regulatory authority nor has any state or federal regulatory authority confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary may be a criminal offense. Investors must rely on their own examination of this Official Statement, the security pledged to repay the Bonds, the Issuer and the merits and risks of the investment opportunity.

FORWARD-LOOKING STATEMENTS

This Official Statement, including its appendices, contains statements which should be considered "forward-looking statements," meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as "plan," "expect," "estimate," "budget," "may," or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause a deviation from the actual results, performance or achievements expressed or implied by such forward-looking statements. The Issuer does not expect or intend to update or revise any forward-looking statements contained herein if or when its expectations, or events, conditions, or circumstances on which such statements are based occur.

SUMMARY OF OFFERING

City of Gaylord, Minnesota \$1,410,000 * General Obligation Capital Improvement Plan Bonds, Series 2026A (Book-Entry Only)

AMOUNT -	\$1,410,000*																																							
ISSUER -	City of Gaylord, Minnesota (the “City” or the “Issuer”)																																							
AWARD DATE -	June 3, 2026																																							
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920																																							
TYPE OF ISSUE -	General Obligation Capital Improvement Plan Bonds, Series 2026A (the “Bonds” or the “Issue”)																																							
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Capital Improvement Plan Bonds, Series 2026A (the “Bonds”) are being issued by the City of Gaylord, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapter 475 and Section 475.521, as amended. Proceeds of the Bonds will be used to finance a new public works building and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See <i>Authority and Purpose</i> as well as <i>Security/Sources and Uses of Funds</i> herein for additional information.																																							
DATE OF ISSUE -	Date of Delivery (Estimated to be June 30, 2026)																																							
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing February 1, 2027, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).																																							
MATURITIES* -	<table><tr><td>2/1/2028</td><td>\$75,000</td><td>2/1/2032</td><td>\$85,000</td><td>2/1/2036</td><td>\$95,000</td><td>2/1/2040</td><td>\$110,000</td></tr><tr><td>2/1/2029</td><td>75,000</td><td>2/1/2033</td><td>85,000</td><td>2/1/2037</td><td>100,000</td><td>2/1/2041</td><td>115,000</td></tr><tr><td>2/1/2030</td><td>80,000</td><td>2/1/2034</td><td>90,000</td><td>2/1/2038</td><td>105,000</td><td>2/1/2042</td><td>120,000</td></tr><tr><td>2/1/2031</td><td>80,000</td><td>2/1/2035</td><td>90,000</td><td>2/1/2039</td><td>105,000</td><td></td><td></td></tr></table>								2/1/2028	\$75,000	2/1/2032	\$85,000	2/1/2036	\$95,000	2/1/2040	\$110,000	2/1/2029	75,000	2/1/2033	85,000	2/1/2037	100,000	2/1/2041	115,000	2/1/2030	80,000	2/1/2034	90,000	2/1/2038	105,000	2/1/2042	120,000	2/1/2031	80,000	2/1/2035	90,000	2/1/2039	105,000		
2/1/2028	\$75,000	2/1/2032	\$85,000	2/1/2036	\$95,000	2/1/2040	\$110,000																																	
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2/1/2031	80,000	2/1/2035	90,000	2/1/2039	105,000																																			
REDEMPTION -	The Bonds maturing on February 1, 2035 and thereafter are subject to redemption, in whole or in part, on February 1, 2034 and on any date thereafter at a price of par plus accrued interest. See <i>Description of the Bonds</i> herein for additional information.																																							
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.																																							
PAYING AGENT/REGISTRAR -	Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, Minnesota																																							
TAX DESIGNATIONS -	<u>NOT Private Activity Bonds</u> - The Bonds are not “private activity bonds” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”). <u>Bank Qualified Tax-Exempt Obligations</u> - The City will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.																																							
LEGAL OPINION -	Taft Stettinius & Hollister LLP, Minneapolis, Minnesota (“Bond Counsel”)																																							
BOND RATING -	The City received an underlying rating of “A+” from S&P Global Ratings (“S&P”). See <i>Bond Rating</i> herein for additional information.																																							
CLOSING -	Estimated to be June 30, 2026																																							
PRIMARY CONTACTS -	Steve Helget, City Administrator, City of Gaylord, Minnesota 507-237-2338 George Eilertson, Managing Director, Northland Securities, Inc., 612-851-5906																																							

* Preliminary, subject to change.

CITY OF GAYLORD, MINNESOTA

PRINCIPAL CITY OFFICIALS

Elected Officials

<u>City Council</u>		
<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Dawn Kratzke	Mayor	12/31/2028
Jessica Uecker	Council President	12/31/2026
Lynn Grochow	Council Member	12/31/2026
Tony Padilla	Council Member	12/31/2026
Scott Kuphal	Council Member	12/31/2028
Leighton Rose	Council Member	12/31/2028

Primary Contacts

Steve Helget	City Administrator
Lori Waltz	City Clerk/Finance Officer

BOND COUNSEL

Taft Stettinius & Hollister LLP
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

NOTICE OF SALE

\$1,410,000*

GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2026A

CITY OF GAYLORD, MINNESOTA
(Book-Entry Only)

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

TIME AND PLACE:

Proposals (also referred to herein as “bids”) will be opened by the City’s Administrator, or designee, on Wednesday, June 3, 2026, at 10:30 A.M., CT, at the offices of Northland Securities, Inc. (the City’s “Municipal Advisor”), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Wednesday, June 3, 2026 at 6:30 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) emailed to PublicSale@northlandsecurities.com
- c) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:30 A.M., CT, on Wednesday, June 3, 2026. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:30 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

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

BOOK-ENTRY SYSTEM

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

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

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

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be June 30, 2026)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 475.521 Proceeds will be used to finance a new public works building and to pay costs associated with the issuance of the Bonds. The Bonds are payable from ad valorem taxes on all taxable property within the City. The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing February 1, 2027, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date.

MATURITIES

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

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2028	\$75,000	2032	\$85,000	2036	\$95,000	2040	\$110,000
2029	75,000	2033	85,000	2037	100,000	2041	115,000
2030	80,000	2034	90,000	2038	105,000	2042	120,000
2031	80,000	2035	90,000	2039	110,000		

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

INTEREST RATES

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

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

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

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

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

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

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

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

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

The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement

to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

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

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

- (1) "public" means any person other than an underwriter or a related party,*
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public).*
- (3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation or another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership or another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and*
- (4) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.*

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

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

OPTIONAL REDEMPTION

Bonds maturing on February 1, 2035 through 2042 are subject to redemption and prepayment at the option of the City on February 1, 2034 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the City and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

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

DELIVERY

Delivery of the Bonds will be within thirty days after award, subject to an approving legal opinion by Taft Stettinius & Hollister LLP, Bond Counsel. The legal opinion will be paid by the City and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF PROPOSAL

Proposals of not less than \$1,390,965 (98.65%) and accrued interest on the principal sum of \$1,410,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Steve Helget, City Administrator
332 Main Ave.
PO Box 987
Gaylord, MN 55334

A good faith deposit (the "Deposit") in the amount of \$28,200 in the form of a federal wire transfer (payable to the order of the City) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the City may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

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

AWARD

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

INFORMATION FROM SUCCESSFUL BIDDER

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

OFFICIAL STATEMENT

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

FULL CONTINUING DISCLOSURE UNDERTAKING

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

BANK QUALIFICATION

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

BOND INSURANCE AT UNDERWRITER'S OPTION

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

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

Dated: May 6, 2026

BY ORDER OF THE GAYLORD CITY COUNCIL

/s/Steve Helget
City Administrator

Additional information may be obtained from:

Northland Securities, Inc.

150 South 5th Street, Suite 3300

Minneapolis, Minnesota 55402

Telephone No.: 612-851-5900

EXHIBIT A

[FORM OF ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED]

The undersigned, on behalf of _____ (the "Underwriter"), hereby certifies as set forth below with respect to the sale of the General Obligation Capital Improvement Plan Bonds, Series 2026A (the "Bonds") of the City of Gaylord, Minnesota (the "Issuer").

1. Reasonably Expected Initial Offering Price.

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

The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Defined Terms.

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

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

"Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____.

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

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

Dated: June 30, 2026

[FORM OF ISSUE PRICE CERTIFICATE – HOLD-THE-OFFERING-PRICE RULE APPLIES]

The undersigned, on behalf of _____ (the "Underwriter"), on behalf of itself, hereby certifies as set forth below with respect to the sale and issuance of General Obligation Capital Improvement Plan Bonds, Series 2026A (the "Bonds") of the City of Gaylord, Minnesota (the "Issuer").

1. Initial Offering Price of the Bonds.

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

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

2. Defined Terms.

(a) "Holding Period" means, for each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (_____), or (ii) the date on which the Underwriter has sold at least 10% of such Maturity of the Bonds to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

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

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

(d) "Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____.

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

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Nonarbitrage Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Taft Stettinius & Hollister LLP, Bond Counsel, in connection with rendering its opinion that the interest on

the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: June 30, 2026.

AUTHORITY AND PURPOSE

The General Obligation Capital Improvement Plan Bonds, Series 2026A (the “Bonds” or the “Issue”) are being issued by the City of Gaylord, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapters 475 and Section 475.521, as amended. Proceeds from issuance of the Bonds will be used to finance a new public works building and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

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

Sources and Uses of Funds

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

Sources of Funds

Par Amount of Bonds	\$ 1,410,000*
Issuer Equity Contribution	<u>28,922</u>
Total Sources of Funds:	<u>\$ 1,438,922</u>

Uses of Funds

Deposit to Project Fund	\$ 1,335,000
Deposit to Capitalized Interest Fund	28,922
Costs of Issuance/Underwriter’s Discount	74,685
Rounding Amount	<u>315</u>
Total Uses of Funds:	<u>\$ 1,438,922</u>

BONDHOLDERS’ RISKS

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

Secondary Market

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

* Preliminary, subject to change.

Ratings Loss

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

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

Forward-Looking Statements

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

Tax Exemption, Bank Qualification and Loss of Tax Exemption

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

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

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

Pending Federal and State Tax Legislation

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

which if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Tax Levy Procedures

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

Factors Beyond Issuer's Control

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

Cybersecurity

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

Suitability of Investment

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

Summary

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

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be June 30, 2026), and will be issued as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing February 1,

2028. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing February 1, 2027. The Bonds when issued, will be registered in the name of Cede & Co. (the “Registered Holder”), as nominee of The Depository Trust Company, New York, New York (“DTC”), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder of the Bonds. See “Book-Entry System” in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof (“Authorized Denominations”). Individual purchasers (“Beneficial Owners”) of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

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

Registration, Transfer and Exchange

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

Optional Redemption

The Bonds maturing on February 1, 2035 and thereafter are subject to redemption, in whole or in part, on February 1, 2034 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the City. Notice of redemption shall be given by written notice to the registered owner of the Bonds not less than 30 days prior to such redemption date.

Book-Entry System

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate

and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtcc.org.

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

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

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

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

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

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

City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to [Tender/Remarketing] Agent's DTC account.]

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

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

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

FULL CONTINUING DISCLOSURE

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

To the best of its knowledge, the City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events within the past five years. A failure by the City to comply with the Certificate will not constitute an event of default on the Bonds (although holders will have an enforceable right to specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Please see *Appendix B – Continuing Disclosure Undertaking* herein for additional information.

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

UNDERWRITER

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

MUNICIPAL ADVISOR

The City has retained Northland Securities, Inc. as municipal advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. Northland Securities, Inc. is registered as a municipal advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources that have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been

engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards.

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

FUTURE FINANCING

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

BOND RATING

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

LITIGATION

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

CERTIFICATION

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

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

LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota (“Bond Counsel”) as to validity and tax exemption. A copy of such opinion will be available at the time of the delivery of the Bonds. See *Appendix A – Form of Legal Opinion*.

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

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed

on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining “annual adjusted financial statement income” for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

OTHER FEDERAL AND STATE TAX CONSIDERATIONS

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisors.

Original Issue Discount

Some of the 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 were 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 holder’s tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder’s tax basis during the period such Bonds are held.

Original Issue Premium

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

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory

action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Qualified Tax-Exempt Obligations

The City will designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

CITY OF GAYLORD, MINNESOTA

GENERAL INFORMATION

Location/Access

Gaylord, the county seat of Sibley County, is located in the south central portion of Minnesota. The City lies approximately 37 miles north of Mankato and 60 miles southwest of the Twin Cities Metropolitan Area. Minnesota Railroad Co. provides rail service to the City.

Area

900 Acres
(1.406 Square Miles)

Population

2000 Census	2,279	2020 Census	2,273
2010 Census	2,305	2026 Estimate ¹	2,346

Labor Force Data²

Comparative average labor force and unemployment rate figures for year-end 2025 and year-end 2024 are listed below. Figures are not seasonally adjusted and numbers of people are estimated by place of residence.

	2025		2024	
	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>
Sibley County	8,000	4.4%	8,088	3.6%
Minnesota	3,159,240	3.8	3,129,802	3.0

Income Data³

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

	<u>City of Gaylord</u>	<u>State of Minnesota</u>	<u>United States</u>
Median Family Income	\$79,405	\$113,993	\$99,999
Per Capita Income	30,758	47,926	44,673

City Government

Gaylord, organized in 1883, is a “Home Rule” city. It has a mayor elected at large for a four-year term and five council members also elected at large for four-year terms. The professional staff is appointed and consists of an administrator, accountant/clerk, consulting attorney, and consulting engineer.

The City has the following municipal enterprise services: water utility, sewer utility, and storm water utility.

¹ Source: City of Gaylord.

² Source: Minnesota Department of Employment and Economic Development.

³ Source: 2020-2024 American Community Survey, U.S. Census Bureau.

Employee Pension Programs

The City employs 18 people, 12 full-time and 6 part-time. The pension plan currently covers all of the City’s full-time and qualifying part-time employees.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF (formerly “PERF”) and PEPFF. That report may be obtained at www.mnpera.org, or by writing to PERA at 60 Empire Drive, #200, St. Paul, MN 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.50% of their annual covered salary. PEPFF members were required to contribute 11.8% of their annual covered salary. State statute requires the City to contribute the following percentages of 7.5% for Coordinated Plan members, and 17.70% for PEPFF members.

Other Postemployment Benefits (OPEB)

The City has no plans that would result in an OPEB liability and, therefore, the City anticipates it will not incur any future explicit or implicit OPEB costs for its employees and, therefore, no liability will be recorded.

Estimated Cash/Investment Balances as of December 31, 2025 (unaudited)

<u>Fund Name</u>	
General Fund	\$ 1,463,594
Special Revenue Fund	1,718,065
Capital Projects Fund	958,438
Debt Service Fund	2,735,778
Enterprise Fund	<u>2,518,859</u>
Total Estimated Cash/Investment Balances	<u>\$ 9,394,734</u>

General Fund Budget Summary

	<u>2025 Budget</u>	<u>2025 Actual</u>	<u>2026 Budget</u>
Revenues:			
Property Taxes	\$1,067,650	\$1,074,757	\$1,162,930
Licenses and Permits	97,400	70,160	97,800
Intergovernmental Revenue	1,132,500	1,155,816	1,161,250
Charges for Services	165,800	173,404	160,100
Fines and Forfeits	20,000	29,869	20,100
Franchise Fees	19,000	16,222	17,000
Miscellaneous	85,100	270,572	111,200
Transfers In	<u>50,000</u>	<u>50,000</u>	<u>45,000</u>
Total Revenues	\$2,637,450	\$2,840,800	\$2,775,380
Expenditures:			
General Government	\$717,120	\$684,761	\$731,460
Community Development	40,600	32,200	47,300
Public Safety	864,900	889,115	947,000
Recreation	650,230	652,901	645,100
Public Works	344,600	380,608	376,600
Transfers Out	<u>24,300</u>	<u>23,950</u>	<u>27,920</u>
Total Expenditures	\$2,641,750	\$2,663,535	\$2,775,380

Residential Development

There are approximately 735 single-family homes and 307 multifamily units located within the City.

In April 2024, the City was awarded a Workforce Housing Development Program grant from Minnesota Housing in the amount of \$1 million. The City is working with a private developer who plans to build a 16-unit multi-family apartment building.

Industrial Park

The City has a 15-acre industrial park. Employers located within the park include Control Assembly, M.G. Waldbaum Co., dba Michael Foods Inc., Railway Equipment Co., MN Department of Transportation (MNDOT), Primo Truck Wash & Repair, Minnesota 19 Truck Wash & Repair, Latzke Trucking, S&B Transfer, JJ&P Holdings, LLC and Circle F Farms. Plans are currently underway for a second phase of the industrial park.

Commercial/Industrial Development

Building construction and commercial/industrial growth completed within the past three years have been as follows:

<u>Name</u>	<u>Product/Service</u>	<u>Description of Construction</u>
Michael Foods	Egg Products Manufacturer	Feed Mill
Dollar General	Discount Retailer	Small Box Store
Latzke Trucking	Truck Hauling	Post Frame Building
Swenson Storage	Cold Storage Rental	Cold Storage Building
Trevor Wittwer	Fitness/Golf Simulator	Building Renovation

Building Permits

Building permits issued for the past five years and a portion of the current year have been as follows:

<u>Year</u>	<u>Commercial/ Industrial Number of Permits</u>	<u>Residential Number of Permits</u>	<u>Total Number of Permits</u>	<u>Total Permit Valuation</u>
2026 (as of 4/7)	5	35	40	\$2,418,300
2025	26	189	215	4,300,639
2024	43	302	345	6,517,780
2023	28	98	126	11,963,382
2022	26	116	142	9,495,919
2021	24	98	122	5,072,685

Banking/Financial Institutions

Banking and financial services provided within the City of Gaylord include: First National Bank Minnesota and ProGrowth Bank.

Education

The City is served by Independent School District No. 2310, Sibley East.

Major/Leading Employers¹

The following are some of the major/leading employers within the City:

<u>Name</u>	<u>Product/Service</u>	<u>Number of Employees²</u>
M.G. Waldbaum Co./Michael Foods Inc.	Food Preparation/Egg Processing	600
Wakefield Pork	Pork Processing	275
ISD No. 2310, Sibley East (Gaylord)	Public Education	195
Sibley County	County Government	180
Oak Terrace Health Center	Skilled Nursing Care Facility	105
Unidoor Company	Millwork	45
Home Quality Foods	Grocery Store	25
EJ's	Restaurant	20
S&B Transfer	Food Processing	20

Largest Taxpayers³

Following are ten of the largest taxpayers within the City:

<u>Name</u>	<u>Classification</u>	<u>2025/2026 Tax Capacity</u>	<u>Percent of Total Tax Capacity (\$2,373,599)⁴</u>
MG Waldbaum Company	Industrial	\$ 270,951	11.42%
640 3 rd Street LLC	Multi-Unit Housing	80,579	3.39
Integrity Estates LLC	Multi-Unit Housing	45,711	1.93
Wakefield Pork Inc.	Commercial	27,922	1.18
Gaylord Multi-Family LLC	Multi-Unit Housing	27,788	1.17
Depot 1881 LLC	Multi-Unit Housing	26,682	1.12
Xcel Energy	Utility	25,878	1.09
Hahn Family Properties	Commercial	22,022	0.93
Centerpoint Energy	Utility	21,334	0.90
City of Arlington	Commercial	<u>19,787</u>	<u>0.83</u>
		<u>\$ 568,654</u>	<u>23.96%</u>

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¹ Source: The City and Data Axle Reference Solutions.

² Includes full-time, part-time and seasonal employees.

³ As reported by Sibley County.

⁴ Before tax increment adjustment.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

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

Taxable Market Value

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

Market Value Exclusion

In 2011, the State Legislature eliminated the Homestead Market Value Credit. The Credit was an amount paid by the State to local taxing jurisdictions to reduce taxes paid by homesteaded property. The Credit has been replaced by a Homestead Market Value Exclusion. The Exclusion reduces the taxable market value (beginning with taxes payable 2012) of a jurisdiction by excluding a portion of the value of homesteaded property from taxation. For a homestead valued at \$95,000 or less, the exclusion is 40 percent of market value, yielding a maximum exclusion of \$38,000 at \$95,000 of market value. For a homestead valued between \$95,000 and \$517,200, the exclusion is \$38,000 minus nine percent of the valuation over \$95,000. For a homestead valued at \$517,200 or more, there is no valuation exclusion.

Sales Ratio

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

Economic and Indicated Market Value

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

Net Tax Capacity

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

Tax Cycle

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

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

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

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

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

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

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

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

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

Levy Limits

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

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The following is a partial summary of these factors:

Property Tax Classifications

<u>Class</u>	<u>Type of Property</u>	<u>Class Rate Schedule</u>		
		<u>2023/ 2024</u>	<u>2024/ 2025</u>	<u>2025/ 2026</u>
1a	<u>Residential Homestead</u> : First \$500,000	1.00%	1.00%	1.00%
	Over \$500,000	1.25	1.25	1.25
1c	<u>Commercial seasonal-residential recreational-</u> under 250 days and includes homestead			
	First \$600,000	.50	.50	.50
	\$600,001-2,300,000	1.00	1.00	1.00
	Over \$2,300,000 [†]	1.25	1.25	1.25
2a	<u>Agricultural Homestead – House, Garage, One Acre:</u>			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
	Remainder of Farm* –			
	First \$2,150,000	0.50		
	Over \$2,150,000	1.00		
	First \$3,500,000		.50	
	Over \$3,500,000		1.00	
	First \$3,800,000			.50
	Over \$3,800,000			1.00
2b	<u>Non-Homestead Rural Vacant Land</u> ¹	1.00	1.00	1.00
3a	<u>Commercial/Industrial and Public Utility</u>			
	First \$150,000 [†]	1.50	1.50	1.50
	Over \$150,000 [†]	2.00	2.00	2.00
4a	<u>Apartment</u> (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
4bb(1)	<u>Residential Non-Homestead</u> (Single Unit)			
	First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(1)	<u>Seasonal Residential Recreational/Commercial</u> [†]			
	(Resort): First \$500,000	1.00	1.00	1.00
	Over \$500,000	1.25	1.25	1.25
4c(12)	<u>Seasonal Residential Recreational</u> [†]			
	Non-Commercial (Cabin): First \$500,000*	1.00	1.00	1.00
	Over \$500,000*	1.25	1.25	1.25
4d	<u>Qualifying Low-Income Rental Housing</u>			
	First \$100,000	.75	.25	.25
	Over \$100,000	.25	.25	.25

[†] Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

¹ Homestead remainder & non-homestead; includes minor ancillary structures.

CITY OF GAYLORD, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION¹

Valuations

	<i>Estimated Market Value 2025/2026</i>	<i>Net Tax Capacity 2025/2026</i>
Real Property	\$ 218,875,400	\$ 2,329,665
Personal Property	2,196,700	43,934
Less Tax Increment Deduction	<u>- - -</u>	<u>(81,886)</u>
Total Adjusted Valuation	<u>\$ 212,072,100</u>	<u>\$ 2,291,713</u>

Valuation Trends (Real and Personal Property)

<i>Levy Year/ Collection Year</i>	<i>Economic Market Value</i>	<i>Sales Ratio</i>	<i>Estimated Market Value</i>	<i>Taxable Market Value</i>	<i>Tax Capacity Before Tax Increments</i>	<i>Tax Capacity After Tax Increments</i>
2025/2026	\$228,796,259	96.61%	\$221,072,100	\$201,333,329	\$2,373,599	\$2,291,713
2024/2025	223,207,777	94.50	210,685,400	190,307,335	2,237,504	2,161,390
2023/2024	215,121,047	91.83	196,371,100	181,543,611	2,099,319	2,028,772
2022/2023	187,265,816	95.70	179,086,900	164,214,846	1,912,260	1,797,762
2021/2022	160,237,787	94.19	150,763,600	134,478,673	1,575,836	1,479,538

Breakdown of Valuations

2025/2026 Tax Capacity, Real and Personal Property (before tax increment adjustments):

Residential Homestead	\$ 1,200,365	50.57%
Agricultural	33,124	1.40
Commercial & Industrial	674,879	28.43
Public Utility	2,082	0.09
Residential Non-Homestead	419,215	17.66
Personal Property	<u>43,934</u>	<u>1.85</u>
Total	<u>\$ 2,373,599</u>	<u>100.00%</u>

¹ Property valuations, tax rates, and tax levies and collections are provided by Sibley County. Economic market value and sales ratio are provided by the Minnesota Department of Revenue.

Tax Capacity Rates

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

<i>Levy Year/ Collection Year</i>	<i>2021/22 Tax Capacity Rates</i>	<i>2022/23 Tax Capacity Rates</i>	<i>2023/24 Tax Capacity Rates</i>	<i>2024/25 Tax Capacity Rates</i>	<i>2025/26 Tax Capacity Rates</i>
Sibley County	55.397%	46.125%	38.406%	36.374%	38.346%
City of Gaylord	116.153	101.253	94.115	94.448	96.409
ISD No. 2310, Sibley East	24.391	20.181	16.906	15.500	16.016
Region 9	<u>0.178</u>	<u>0.151</u>	<u>0.131</u>	<u>0.125</u>	<u>0.139</u>
Totals:	<u>196.119%</u>	<u>167.710%</u>	<u>149.558%</u>	<u>146.447%</u>	<u>150.910%</u>
<i><u>Market Value Rates:</u></i>	<i><u>2021/2022</u></i>	<i><u>2022/2023</u></i>	<i><u>2023/2024</u></i>	<i><u>2024/2025</u></i>	<i><u>2025/2026</u></i>
ISD No. 2310 (Sibley East)	0.11547%	0.13081%	0.11670%	0.10894%	0.10530%

Tax Levies and Collections¹

<u>Levy/Collect</u>	<u>Net Levy</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 12/31/25</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2025/2026	\$2,204,272		In Process of Collection		
2024/2025	2,033,422	\$2,007,643	98.73%	\$2,007,643	98.73%
2023/2024	1,901,801	1,876,747	98.68	1,894,065	99.59
2022/2023	1,815,875	1,798,321	99.03	1,813,785	99.88
2021/2022	1,756,118	1,716,241	97.73	1,755,596	99.97

¹ 2025/2026 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Sibley County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit^{1 2}

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

Computation of Legal Debt Margin as of May 2, 2026:

2025/2026 Estimated Market Value	\$ 221,072,100
Multiplied by 3%	<u>x .03</u>
Statutory Debt Limit	<u>\$ 6,632,163</u>

Less outstanding debt applicable to debt limit:

\$7,840,000 General Obligation Bonds, Series 2015A	\$ 135,000
\$2,850,000 General Obligation Bonds, Series 2017A	250,000
\$2,055,000 General Obligation Bonds, Series 2024A	150,000
\$1,410,000 G.O. Capital Improvement Plan Bonds, Series 2026A (This Issue)	<u>1,410,000</u>

Total Debt applicable to debt limit:	\$ 1,945,000
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Legal debt margin	<u>\$ 4,687,163</u>
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¹ Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of \$1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than \$1,000,000 are not subject to the statutory debt limit.

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

CITY OF GAYLORD, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of May 2, 2026, Plus This Issue)

Purpose:	This Issue						
	G.O. Bonds, Series 2015A	G.O. Bonds, Series 2017A	G.O. Bonds, Series 2024A	G.O. Capital Improvement Plan Bonds, Series 2026A			
Dated:	3/1/2015	3/30/2017	7/25/2024	6/30/2026			
Original Amount:	\$495,000	\$450,000	\$160,000	\$1,410,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	TOTAL	TOTAL	
Interest Rates:	2.00-3.25%	3.00-3.10%	4.00-5.00%		PRINCIPAL:	PRIN & INT:	
2026	\$0	\$0	\$0	\$0	\$0	\$9,189	2026
2027	45,000	40,000	15,000	0	100,000	168,213	2027
2028	45,000	40,000	15,000	75,000	175,000	235,013	2028
2029	45,000	40,000	15,000	75,000	175,000	229,716	2029
2030	0	40,000	15,000	80,000	135,000	184,928	2030
2031	0	45,000	15,000	80,000	140,000	185,643	2031
2032	0	45,000	15,000	85,000	145,000	186,126	2032
2033	0	0	20,000	85,000	105,000	142,004	2033
2034	0	0	20,000	90,000	110,000	143,290	2034
2035	0	0	20,000	90,000	110,000	139,429	2035
2036	0	0	0	95,000	95,000	120,894	2036
2037	0	0	0	100,000	100,000	120,714	2037
2038	0	0	0	105,000	105,000	123,989	2038
2039	0	0	0	105,000	105,000	120,209	2039
2040	0	0	0	110,000	110,000	121,230	2040
2041	0	0	0	115,000	115,000	121,954	2041
2042	0	0	0	120,000	120,000	122,370	2042
	\$135,000	\$250,000	\$150,000	\$1,410,000	\$1,945,000	\$1,198,827	
	(1) (2)	(3)	(4)				

NOTE: 61% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

- (1) These bonds are payable solely from ad valorem taxes on all taxable property within the City and without limitation of amount. In addition, the bonds are not subject to the statutory debt limit since the City's population is below the 2,500 limit established by Section 475.521. The current city estimate is 2,305.
- (2) This schedule represents a portion of the \$7,840,000 General Obligation Bonds, Series 2015A, dated March 1, 2015, consisting of \$5,600,000 backed by special assessments, \$1,745,000 backed by net revenues of the municipal sewer and water utility systems, and \$495,000 backed by ad valorem taxes. This \$495,000 portion crossover refunded the 2018 through 2029 maturities of the G.O. Capital Improvement Plan Bonds, Series 2008D on February 1, 2017.
- (3) This schedule represents a portion of the \$2,850,000 General Obligation Bonds, Series 2017A, consisting of \$2,025,000 backed by special assessments, \$375,000 backed by sewer revenues, and \$450,000 backed by ad valorem taxes. This \$450,000 portion crossover refunded, on February 1, 2020, the 2021 through 2032 maturities of the City's General Obligation Swimming Pool Bonds, Series 2011A.
- (4) This schedule represents a portion of the \$2,055,000 General Obligation Bonds, Series 2024A, consisting of \$1,895,000 backed by special assessments and \$160,000 backed by ad valorem taxes.

CITY OF GAYLORD, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS
(As of May 2, 2026)

Purpose:	G.O. Bonds, Series 2015A	G.O. Bonds, Series 2017A	G.O. Improvement Bonds, Series 2018B	G.O. Bonds, Series 2019A	
Dated:	03/01/15	03/30/17	06/05/18	12/11/19	
Original Amount:	\$5,600,000	\$2,025,000	\$1,245,000	\$1,435,000	
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	
Interest Rates:	2.00-3.25%	3.00-3.10%	2.35-4.00%	2.00-3.00%	
2026	\$0	\$0	\$0	\$0	2026
2027	450,000	160,000	55,000	80,000	2027
2028	460,000	165,000	60,000	80,000	2028
2029	230,000	170,000	60,000	80,000	2029
2030	105,000	175,000	60,000	80,000	2030
2031	110,000	180,000	65,000	90,000	2031
2032	110,000	40,000	65,000	90,000	2032
2033	115,000	0	65,000	95,000	2033
2034	120,000	0	70,000	50,000	2034
2035	120,000	0	75,000	55,000	2035
2036	125,000	0	75,000	55,000	2036
2037	0	0	80,000	55,000	2037
2038	0	0	80,000	60,000	2038
2039	0	0	85,000	60,000	2039
2040	0	0	0	60,000	2040
	\$1,945,000	\$890,000	\$895,000	\$990,000	
	(1)	(2)		(3) (4)	

CONTINUED

Purpose:	G.O. Improvement Refunding Bonds, Series 2021A	G.O. Bonds, Series 2021B	G.O. Bonds, Series 2024A			
Dated:	01/20/21	08/18/21	07/25/24			
Original Amount:	\$2,170,000	\$2,140,000	\$1,895,000			
Maturity:	1-Feb	1-Feb	1-Feb	TOTAL	TOTAL	
Interest Rates:	1.00-2.00%	0.35-2.00%	4.00-5.00%	PRINCIPAL:	PRIN & INT:	
2026	\$0	\$0	\$0	\$0	\$137,026	2026
2027	145,000	95,000	65,000	1,050,000	1,310,376	2027
2028	145,000	95,000	65,000	1,070,000	1,302,290	2028
2029	150,000	100,000	70,000	860,000	1,066,853	2029
2030	155,000	100,000	70,000	745,000	931,125	2030
2031	150,000	105,000	75,000	775,000	941,106	2031
2032	150,000	105,000	80,000	640,000	787,424	2032
2033	150,000	110,000	85,000	620,000	750,619	2033
2034	155,000	110,000	90,000	595,000	708,780	2034
2035	165,000	110,000	90,000	615,000	712,053	2035
2036	140,000	115,000	95,000	605,000	685,524	2036
2037	0	115,000	100,000	350,000	416,950	2037
2038	0	120,000	105,000	365,000	420,975	2038
2039	0	120,000	110,000	375,000	419,588	2039
2040	0	125,000	110,000	295,000	329,450	2040
2041	0	125,000	115,000	240,000	266,550	2041
2042	0	130,000	120,000	250,000	269,300	2042
2043	0	0	125,000	125,000	138,100	2043
2044	0	0	130,000	130,000	138,000	2044
2045	0	0	135,000	135,000	137,700	2045
	\$1,505,000	\$1,780,000	\$1,835,000	\$9,840,000	\$11,869,788	
	(5)	(6)	(7)			

NOTE: 71% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$7,840,000 General Obligation Bonds, Series 2015A, dated March 1, 2015, consisting of \$5,600,000 backed by special assessments, \$1,745,000 backed by net revenues of the municipal sewer and water utility systems, and \$495,000 backed by ad valorem taxes. This \$5,600,000 portion crossover refunded the 2019 through 2028 maturities of the G.O. Improvement Bonds, Series 2007A on February 1, 2017 and the 2019 through 2029 maturities of the G.O. Improvement Bonds, Series 2008C on February 1, 2018.
- (2) This schedule represents a portion of the \$2,850,000 General Obligation Bonds, Series 2017A, consisting of \$2,025,000 backed by special assessments, \$375,000 backed by sewer revenues, and \$450,000 backed by ad valorem taxes. A portion of this \$2,025,000 portion crossover refunded, on February 1, 2018, the 2019 through 2031 maturities of the G.O. Taxable Improvement Bonds (BABS), Series 2010A.
- (3) This schedule represents a portion of the \$1,560,000 General Obligation Bonds, Series 2019A, consisting of \$1,435,000 backed by special assessments and \$125,000 backed by net revenues of the municipal sewer, and water utility systems.
- (4) These bonds current refunded the General Obligation Improvement Bonds, Series 2012A. Maturities 2020 through 2033, inclusive, were called for redemption on December 30, 2019, at a price of par plus accrued interest.
- (5) These bonds current refunded the General Obligation Improvement Bonds, Series 2014A. Maturities 2022 through 2036, inclusive, were called for redemption on February 1, 2021, at a price of par plus accrued interest.
- (6) This schedule represents a portion of the \$3,465,000 General Obligation Bonds, Series 2021B, consisting of \$2,140,000 backed by special assessments and \$1,325,000 backed by net revenues of the municipal sewer, and water utility systems.
- (7) This schedule represents a portion of the \$2,055,000 General Obligation Bonds, Series 2024A, consisting of \$1,895,000 backed by special assessments and \$160,000 backed by ad valorem taxes.

CITY OF GAYLORD, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of May 2, 2026)

Purpose:

	G.O. Bonds, Series 2015A	G.O. Bonds, Series 2017A	G.O. Utility Revenue Bonds, Series 2018A	G.O. Bonds, Series 2019A	G.O. Bonds, Series 2021B			
Dated:	03/01/15	03/30/17	06/05/18	12/11/19	08/18/21			
Original Amount:	\$1,745,000	\$375,000	\$2,005,000	\$125,000	\$1,325,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb	1-Feb	TOTAL	TOTAL	
Interest Rates:	2.00-3.25%	3.00-3.10%	2.30-4.00%	2.00-2.50%	0.35-2.00%	PRINCIPAL:	PRIN & INT:	
2026	\$0	\$0	\$0	\$0	\$0	\$0	\$54,389	2026
2027	85,000	30,000	90,000	10,000	60,000	275,000	380,224	2027
2028	90,000	30,000	95,000	10,000	60,000	285,000	382,890	2028
2029	90,000	30,000	95,000	10,000	60,000	285,000	375,285	2029
2030	95,000	30,000	100,000	10,000	65,000	300,000	382,160	2030
2031	95,000	30,000	100,000	10,000	65,000	300,000	373,560	2031
2032	100,000	30,000	105,000	10,000	65,000	310,000	374,788	2032
2033	100,000	0	110,000	10,000	65,000	285,000	341,118	2033
2034	105,000	0	110,000	0	70,000	285,000	332,669	2034
2035	110,000	0	115,000	0	70,000	295,000	333,946	2035
2036	110,000	0	120,000	0	70,000	300,000	329,588	2036
2037	0	0	125,000	0	70,000	195,000	216,500	2037
2038	0	0	130,000	0	75,000	205,000	219,950	2038
2039	0	0	135,000	0	75,000	210,000	218,150	2039
2040	0	0	0	0	75,000	75,000	78,950	2040
2041	0	0	0	0	80,000	80,000	82,400	2041
2042	0	0	0	0	80,000	80,000	80,800	2042
	\$980,000	\$180,000	\$1,430,000	\$70,000	\$1,105,000	\$3,765,000	\$4,557,365	
	(1) (2)	(1) (3)	(1) (4)	(1) (4) (5) (6)	(1) (7)			

NOTE: 62% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

- (1) These bonds are payable primarily from net revenues of the municipal water utility and municipal sewer utility systems and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (2) This schedule represents a portion of the \$7,840,000 General Obligation Bonds, Series 2015A, dated March 1, 2015, consisting of \$5,600,000 backed by special assessments, \$1,745,000 backed by net revenues of the municipal sewer and water utility systems, and \$495,000 backed by ad valorem taxes.
- (3) This schedule represents a portion of the \$2,850,000 General Obligation Bonds, Series 2017A, consisting of \$2,025,000 backed by special assessments, \$375,000 backed by sewer revenues, and \$450,000 backed by ad valorem taxes.
- (4) Payments reflect mandatory sinking fund payments.
- (5) This schedule represents a portion of the \$1,560,000 General Obligation Bonds, Series 2019A, consisting of \$1,435,000 backed by special assessments and \$125,000 backed by net revenues of the municipal sewer, and water utility systems.
- (6) These bonds current refunded the General Obligation Improvement Bonds, Series 2012A. Maturities 2020 through 2033, inclusive, were called for redemption on December 30, 2019, at a price of par plus accrued interest.
- (7) This schedule represents a portion of the \$3,465,000 General Obligation Bonds, Series 2021B, consisting of \$2,140,000 backed by special assessments and \$1,325,000 backed by net revenues of the municipal sewer, and water utility systems.

CITY OF GAYLORD, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAX ABATEMENTS
(As of May 2, 2026)

Purpose:	Taxable G.O. Tax Abatement Refunding Bonds, Series 2020B (RS Fiber Project)			
Dated:	12/15/2020			
Original Amount:	\$1,909,201			
Maturity:	1-Feb	TOTAL	TOTAL	
Interest Rates:	2.00-2.81%	PRINCIPAL:	PRIN & INT:	
2026	\$0	\$0	\$16,455	2026
2027	112,156	112,156	143,943	2027
2028	114,705	114,705	144,224	2028
2029	117,254	117,254	144,453	2029
2030	119,803	119,803	144,620	2030
2031	122,352	122,352	144,570	2031
2032	124,901	124,901	144,313	2032
2033	127,450	127,450	143,870	2033
2034	131,273	131,273	144,498	2034
2035	133,823	133,823	143,546	2035
2036	137,646	137,646	143,555	2036
2037	141,470	141,470	143,457	2037
	\$1,382,832	\$1,382,832	\$1,601,503	
	(1)			

NOTE: 80% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAX ABATEMENTS WILL BE RETIRED WITHIN TEN YEARS.

- (1) The schedule above, payable to the City of Winthrop, Minnesota, represent the City of Gaylord's maximum portion (16.38%) of the shortfall obligation of the City pursuant to a Shortfall Agreement with the City of Winthrop related to their issuance of \$7,490,000 Taxable General Obligation Tax Abatement Bonds, Series 2020B (RS Fiber Project) (the "Series 2020B Bonds"). The Series 2020B Bonds refunded the City of Winthrop's Taxable General Obligation Abatement Bonds, Series 2015 (RS Fiber Project) (the "Series 2015 Bonds"), on February 1, 2021. The City of Gaylord, along with eight other cities including Winthrop, are members of the Renville-Sibley County Fiber Joint Powers Agency, which had loaned proceeds of the Series 2015 Bonds to the RS Fiber Cooperative to finance the construction of a broadband telecommunications system in the Agency's service area. For payments on the Series 2020B Bonds, each City Member will levy an abatement levy in an amount sufficient to pay the principal of its Member Share of the Shortfall Payments. The remaining portion of its Member Share will be paid from taxes. The City of Gaylord's portion is capped at \$141,470.50 annually or a total of \$1,909,201. For more information regarding the Joint Powers Agreement and the Shortfall Agreement, see the Official Statement for the Series 2020B Bonds at: <https://emma.msrb.org/P21415392-P21099830-P21509095.pdf>.

Indirect Debt*

<u>Issuer</u>	<u>2025/2026 Tax Capacity Value⁽¹⁾</u>	<u>2025/2026 Tax Capacity Value in City⁽¹⁾</u>	<u>Percentage Applicable in City</u>	<u>Outstanding General Obligation Debt</u>	<u>Taxpayers' Share of Debt</u>
Sibley County	\$ 46,516,293	\$ 2,291,713	4.93%	\$ 4,775,000	\$ 235,408
ISD No. 2310, Sibley East	19,177,576	2,291,713	11.95	28,180,000	<u>3,367,510</u>
				<i>Total Indirect Debt:</i>	<u><u>\$ 3,602,918</u></u>

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* Only those taxing jurisdictions with general obligation debt outstanding that is not payable from revenues are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, general obligation debt payable from revenues, or general obligation tax/aid anticipation certificates of indebtedness. Debt listed is as of May 2, 2026, unless otherwise noted.

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

General Obligation Debt

Bonds secured by taxes (includes this Issue)	\$ 1,945,000
Bonds secured by special assessments	9,840,000
Bonds secured by revenues	3,765,000
Bonds secured by tax abatement	<u>1,382,832</u>
Subtotal	\$ 16,932,832
Less bonds secured by water/sewer revenues	(<u>3,765,000</u>)
<i>Direct General Obligation Debt</i>	13,167,832
Add taxpayers' share of indirect debt	<u>3,602,918</u>
<i>Direct and Indirect Debt</i>	<u>\$ 16,769,750</u>

Facts for Ratio Computations

2025/2026 Economic Market Value (real and personal property)	\$228,796,259
Population (2026 Estimate, Per City)	2,346

Debt Ratios Excluding Revenue-Supported Debt

	<i>Direct Debt</i>	<i>Indirect Debt</i>	<i>Direct and Indirect Debt</i>
To Economic Market Value	5.76%	1.57%	7.33%
Per Capita	\$5,613	\$1,536	\$7,149

APPENDIX A

Form of Legal Opinion

PROPOSED FORM OF LEGAL OPINION

\$1,410,000
GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2026A
CITY OF GAYLORD
SIBLEY COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Gaylord Sibley County, Minnesota (the "Issuer"), of its \$1,410,000 General Obligation Capital Improvement Plan Bonds, Series 2026A, bearing a date of original issue of June 30, 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, Charter of the Issuer and laws of the State of Minnesota now in force.

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

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. 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 B

Continuing Disclosure Certificate

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Gaylord, Minnesota (the "Issuer"), in connection with the issuance of its \$1,410,000 General Obligation Capital Improvement Plan Bonds, Series 2026A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on June 3, 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: Economic and Financial Information – "Valuations," "Tax Capacity Rates" and "Tax Levies and Collections;" and Summary of Debt and Debt Statistics.

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: June 30, 2026

CITY OF GAYLORD, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

APPENDIX C

City's Financial Report

The following financial statements are excerpts from the annual financial report for the year ended December 31, 2024. The complete financial report for the year 2024 and the prior two years are available for inspection at the Gaylord City Hall and the office of Northland Securities, Inc. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Gaylord, Minnesota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Gaylord, Minnesota (the City) 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, and each major governmental fund and the aggregate remaining fund information of the City as of December 31, 2024, and the respective changes in financial position and, where applicable cashflows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Change in Accounting Principle

As described in Note 7 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 100, Accounting Changes and Error Corrections, for the year ended December 31, 2024. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

As described in Note 8 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 101, Compensated Absences, for the year ended December 31, 2024. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the schedule of Employer's Share of the Net Pension Liability, the schedule of Employer's Contributions, the related note disclosures, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, starting on page 80 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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



Abdo
Mankato, Minnesota
April 25, 2025



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Management's Discussion and Analysis

As Management of the City of Gaylord, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2024.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net assets table on the following pages. The main reason for this increase was due to increased capital grants and contributions as well as property tax collections.
- For the current fiscal year, the City's governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance increased in comparison with the prior year. This increase is mainly attributed to bond proceeds in excess of capital projects.
- The unassigned fund balance for the General fund as shown in the financial analysis of the city's funds section increased from the prior year.
- The City's total debt increased during the fiscal year. The increase was a result of bonds issued in 2024.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements. Internal service funds statements are also included, reflecting balances prior to their elimination from the government-wide financial statements, to avoid "doubling-up" effect within the governmental and business-type activities columns of said statements.

Figure 1
Required Components of the
City's Annual Financial Report

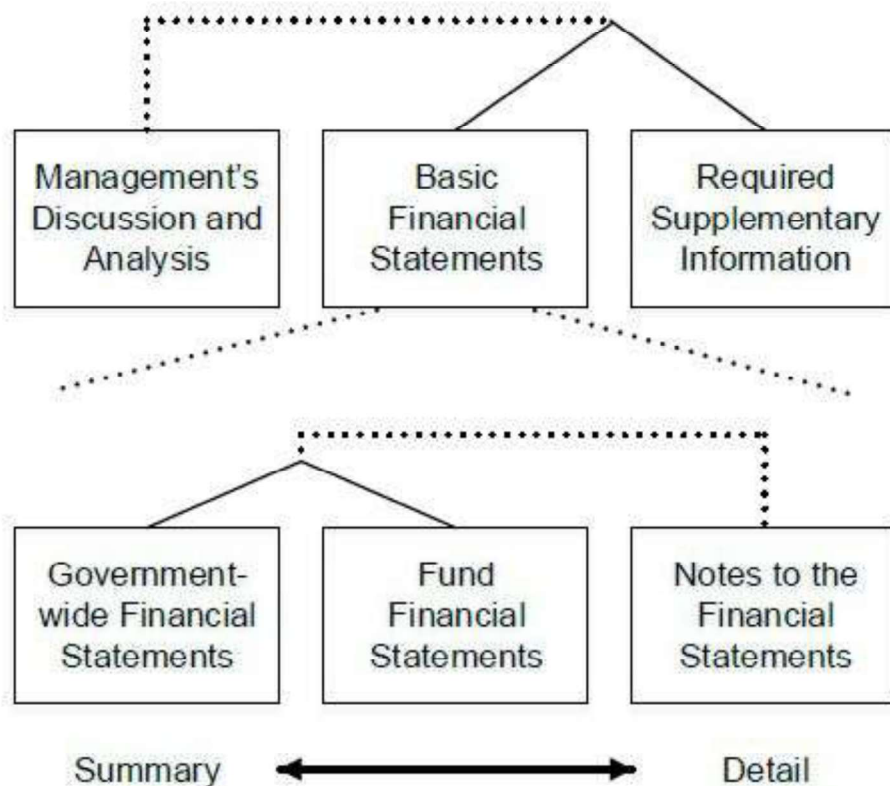


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

The *statement of net position* presents information on all of the City's assets and liabilities with the difference 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 revenue (*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, streets and highway, culture and recreation, economic development and miscellaneous. The business-type activities of the City include water utility, sewer utility, refuse, and storm water.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority (the EDA) for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found starting on page 33 of this report.

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

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

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

The City maintains 24 individual governmental funds, 8 of which are Debt Service funds, which are reported as one fund for financial reporting purposes. 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, the Debt Service funds, 2024 Street Improvement fund, and the Capital Improvements fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

The basic governmental fund financial statements can be found starting on page 38 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water utility, sewer utility, refuse and storm water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 43 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 47 of this report.

Supplementary Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to financial statements. Combining and individual fund statements and schedules can be found starting on page 90 of this report.

Government-wide Financial Analysis

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

The largest portion of the City's net position 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.

City of Gaylord's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Assets						
Current and other assets	\$ 9,962,296	\$ 8,591,129	\$ 1,371,167	\$ 2,551,611	\$ 2,367,524	\$ 184,087
Capital assets	14,665,308	13,601,483	1,063,825	14,850,878	15,321,230	(470,352)
Total Assets	<u>24,627,604</u>	<u>22,192,612</u>	<u>2,434,992</u>	<u>17,402,489</u>	<u>17,688,754</u>	<u>(286,265)</u>
Deferred Outflows of Resources	<u>692,124</u>	<u>891,402</u>	<u>(199,278)</u>	<u>13,586</u>	<u>27,801</u>	<u>(14,215)</u>
Liabilities						
Long-term liabilities outstanding	14,355,612	13,503,050	852,562	5,019,289	5,365,775	(346,486)
Other liabilities	272,265	249,383	22,882	97,330	82,646	14,684
Total Liabilities	<u>14,627,877</u>	<u>13,752,433</u>	<u>875,444</u>	<u>5,116,619</u>	<u>5,448,421</u>	<u>(331,802)</u>
Deferred Inflows of Resources	<u>782,143</u>	<u>658,586</u>	<u>123,557</u>	<u>42,368</u>	<u>30,022</u>	<u>12,346</u>
Net Position						
Net investment in capital assets	2,603,679	2,592,050	11,629	9,919,375	10,072,796	(153,421)
Restricted	4,785,035	4,161,155	623,880	-	-	-
Unrestricted	<u>2,520,994</u>	<u>1,919,790</u>	<u>601,204</u>	<u>2,337,713</u>	<u>2,165,316</u>	<u>172,397</u>
Total Net Position	<u>\$ 9,909,708</u>	<u>\$ 8,672,995</u>	<u>\$ 1,236,713</u>	<u>\$ 12,257,088</u>	<u>\$ 12,238,112</u>	<u>\$ 18,976</u>
Net Position as a Percent of Total						
Net investment in capital assets	26.3 %	29.9 %		80.9 %	82.3 %	
Restricted	48.3	48.0		-	-	
Unrestricted	25.4	22.1		19.1	17.7	
	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>	

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the City's ongoing obligations to citizens and creditors.

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

Governmental Activities. Governmental net position increased as shown below. The key elements of this net increase is as follows:

City of Gaylord's Changes in Net Position

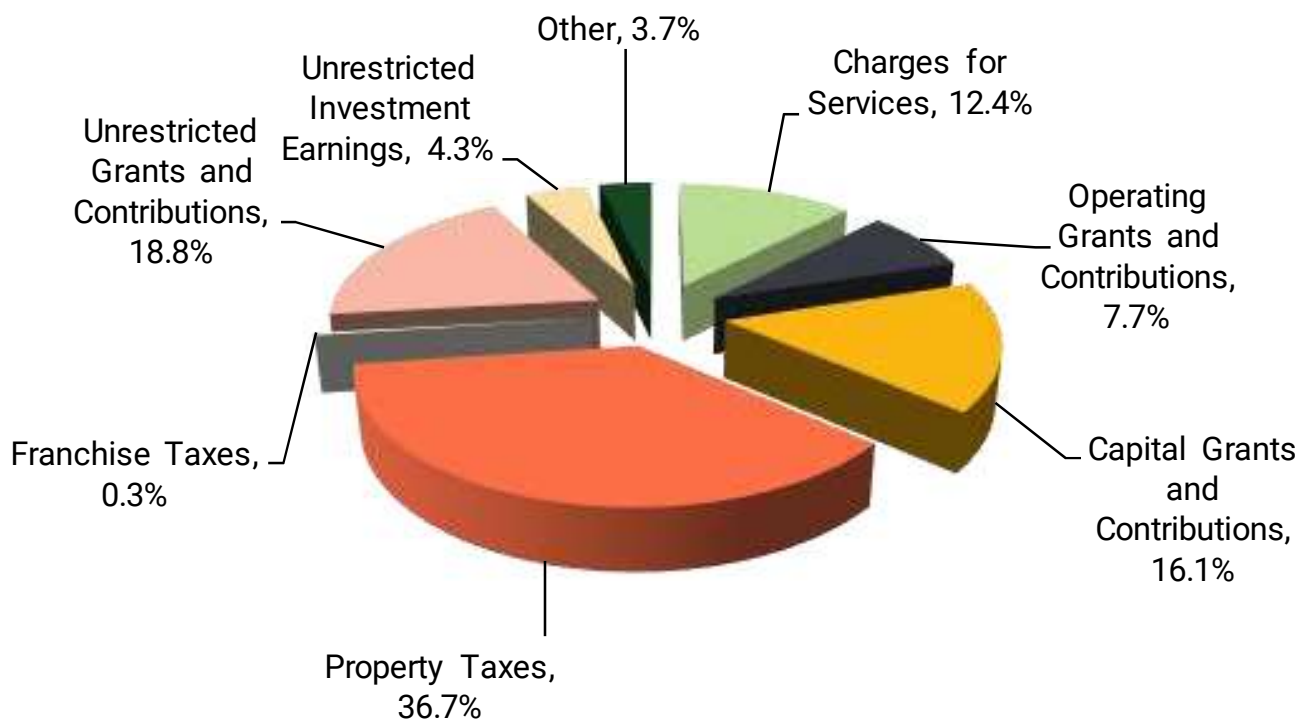
	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 638,079	\$ 495,122	\$ 142,957	\$ 1,607,273	\$ 1,549,533	\$ 57,740
Operating grants and contributions	399,493	698,111	(298,618)	-	8,547	(8,547)
Capital grants and contributions	835,314	285,611	549,703	23,000	-	23,000
General Revenues						
Property taxes	1,902,206	1,738,195	164,011	-	-	-
Franchise taxes	17,657	18,618	(961)	-	-	-
Grants and contributions not restricted to specific program	974,962	897,806	77,156	-	-	-
Unrestricted investment earnings	223,522	147,333	76,189	69,735	81,790	(12,055)
Other	13,199	1,247	11,952	2,883	13	2,870
Gain on sale of capital assets	180,277	13,160	167,117	-	-	-
Total Revenues	<u>5,184,709</u>	<u>4,295,203</u>	<u>889,506</u>	<u>1,702,891</u>	<u>1,639,883</u>	<u>63,008</u>
Expenses						
General government	621,000	646,084	(25,084)	-	-	-
Public safety	1,053,301	1,138,900	(85,599)	-	-	-
Streets and highways	1,017,152	1,001,116	16,036	-	-	-
Culture and recreation	755,465	740,748	14,717	-	-	-
Economic development	105,139	41,730	63,409	-	-	-
Miscellaneous	11,460	11,557	(97)	-	-	-
Interest and other costs	377,415	319,769	57,646	-	-	-
Water utility	-	-	-	575,116	546,380	28,736
Sewer utility	-	-	-	502,872	507,788	(4,916)
Refuse	-	-	-	180,851	191,672	(10,821)
Storm water	-	-	-	407,140	375,771	31,369
Total Expenses	<u>3,940,932</u>	<u>3,899,904</u>	<u>41,028</u>	<u>1,665,979</u>	<u>1,621,611</u>	<u>44,368</u>
Increase (Decrease) in Net Assets Before Transfers	1,243,777	395,299	848,478	36,912	18,272	18,640
Transfers	<u>17,936</u>	<u>75,000</u>	<u>(57,064)</u>	<u>(17,936)</u>	<u>(75,000)</u>	<u>57,064</u>
Change in Net Position	1,261,713	470,299	791,414	18,976	(56,728)	75,704
Net Position - January 1	8,672,995	8,202,696	470,299	12,238,112	12,294,840	(56,728)
Prior Period Adjustment (Note 7)	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - December 31	<u>\$ 9,909,708</u>	<u>\$ 8,672,995</u>	<u>\$ 1,236,713</u>	<u>\$ 12,257,088</u>	<u>\$ 12,238,112</u>	<u>\$ 18,976</u>

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities

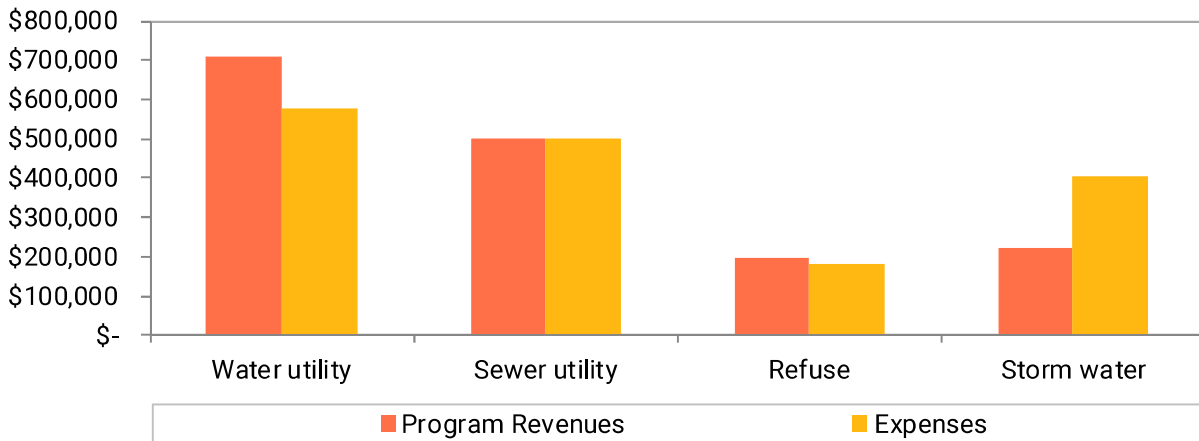


Revenues by Source - Governmental Activities

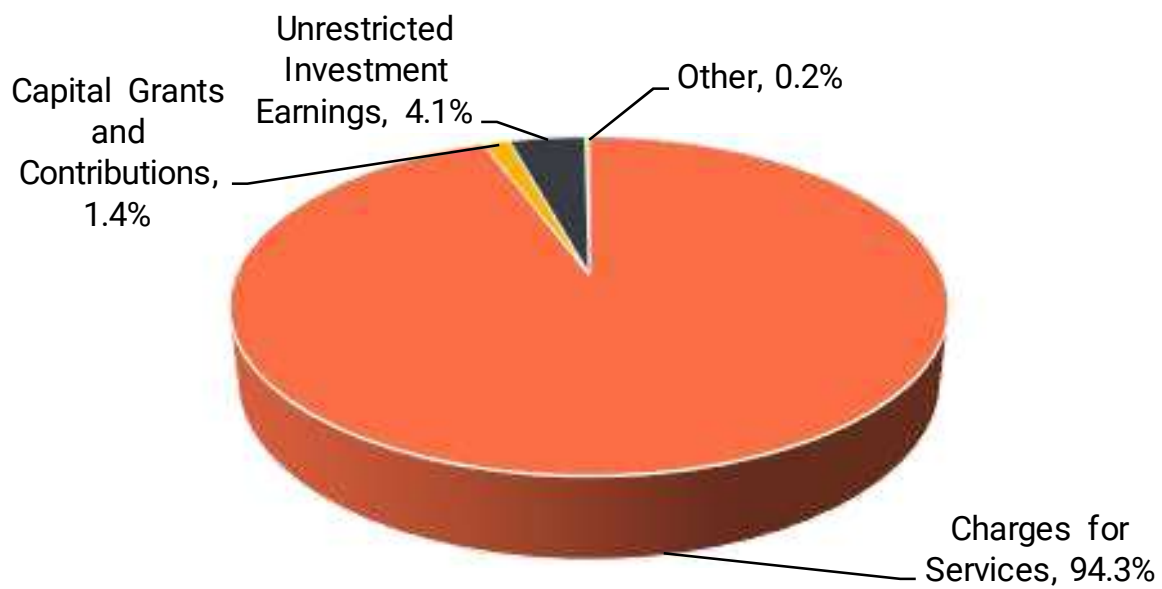


Business-type Activities. Business-type net position decreased as shown in the changes of net position table.

Expenses and Program Revenues - Business-type Activities



Revenue by Source - Business-type Activities



Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending December 31, 2024:

	General Fund	Debt Service Fund	2024 Street Improvement	Capital Improvements	Other Governmental Funds	Total	Adjusted Prior Year Total	Increase/ (Decrease)
Fund Balances								
Nonspendable	\$ 99,799	\$ -	\$ -	\$ -	\$ 5,593	\$ 105,392	\$ 96,380	\$ 9,012
Restricted	122,404	3,466,099	130,222	-	960,172	4,678,897	4,403,940	274,957
Committed	-	-	-	1,199,728	465,587	1,665,315	1,361,937	303,378
Assigned	-	-	-	-	184,202	184,202	175,466	8,736
Unassigned	1,082,430	-	-	-	(56,777)	1,025,653	613,536	412,117
	<u>\$ 1,304,633</u>	<u>\$ 3,466,099</u>	<u>\$ 130,222</u>	<u>\$ 1,199,728</u>	<u>\$ 1,558,777</u>	<u>\$ 7,659,459</u>	<u>\$ 6,651,259</u>	<u>\$ 1,008,200</u>

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balance can be found in Note 1.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 99,799	\$ 89,748	\$ 10,051
Restricted	122,404	101,218	21,186
Unassigned	<u>1,082,430</u>	<u>937,692</u>	<u>144,738</u>
	<u>\$ 1,304,633</u>	<u>\$ 1,128,658</u>	<u>\$ 175,975</u>
General Fund expenditures	\$ 2,585,002	\$ 2,302,256	
Unassigned as a percent of expenditures	41.9%	40.7%	
Total Fund Balance as a percent of expenditures	50.5%	49.0%	

Other major governmental fund analysis is shown below:

	December 31, 2024	December 31, 2023	Increase (Decrease)
Debt Service fund	\$ 3,466,099	\$ 3,323,815	142,284
<i>The Debt Service fund increase in fund balance during the year was due to taxes and special assessments collections in excess of scheduled debt obligations.</i>			
Capital Improvements fund	\$ 1,199,728	\$ 919,231	\$ 280,497
<i>The Capital Improvement fund increase in fund balance is mainly attributed to a low volume of capital purchases in 2024.</i>			
2024 Street Improvement fund	\$ 130,222	\$ (101,795)	\$ 232,017
<i>The 2024 Street Improvement fund increase in fund balance is mainly attributed to bond proceeds in excess of project costs.</i>			

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the City's proprietary funds increased or (decreased) as follows:

	Ending Net Position 2024	Ending Net Position 2023	Increase/ (Decrease)
Water Utility	\$ 3,841,593	\$ 3,747,376	\$ 94,217
<i>The increase primarily is attributed to increase in water revenue.</i>			
Sewer Utility	\$ 4,495,635	\$ 4,480,986	\$ 14,649
<i>The increase primarily is attributed to an decrease in repair and maintenance expenses.</i>			
Storm Water Utility	\$ 3,821,263	\$ 3,926,560	\$ (105,297)
<i>The decrease primarily is attributed to increased repair and maintenance expenses.</i>			

General Fund Budgetary Highlights

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 2,458,220	\$ 2,458,220	\$ 2,755,977	\$ 297,757
Expenditures	<u>2,463,220</u>	<u>2,463,220</u>	<u>2,585,002</u>	<u>(121,782)</u>
Excess of Revenues Over Expenditures	<u>(5,000)</u>	<u>(5,000)</u>	<u>170,975</u>	<u>175,975</u>
Other Financing Sources (Uses)				
Transfers in	65,000	65,000	65,000	-
Transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net Change in Fund Balances	-	-	175,975	175,975
Fund Balances, January 1	<u>1,128,658</u>	<u>1,128,658</u>	<u>1,128,658</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,128,658</u>	<u>\$ 1,128,658</u>	<u>\$ 1,304,633</u>	<u>\$ 175,975</u>

As indicated above, there were no budget amendments during the year. Actual revenues were over the final budget due to ambulance state aid, small cities assistance state aid, and insurance proceeds from hail damage. Expenditures were over the final budget amounts as shown above due to repair costs from hail damage.

Capital Asset 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 \$29,516,186 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The City's total change in investment in capital assets is shown below.

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

- 2024 Street Improvement Project was completed for \$1,670,265
- Oaks Pavillion Rehabilitation Project was completed for \$529,102
- Lincoln Ave Trail Project was completed for \$116,946
- 2024 Gaylord Stormwater Pond Riprap Project was completed for \$151,957
- New roofs were purchased for the Pool, Pool Shelter, Green Park Shelter, Picnic Shelter, and Oaks Pavillion totaling \$121,348
- New Softball Park Lights were purchased for \$59,390
- New Baseball Park Lights were purchased for \$204,380
- New Baseball Dugouts were built for \$27,575
- Fireman's Shelter Concrete floor and coating was completed for \$24,911
- Veterans Park bathroom new roof was completed for \$10,336
- Cordless Cutter and Spreader was purchased for \$31,380.

Additional information on the City's capital assets can be found in Note 3C starting on page 60 of this report.

City of Gaylord's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities			Total		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Land	\$ 938,199	\$ 938,199	\$ -	\$ 415,563	\$ 415,563	\$ -	\$ 1,353,762	\$ 1,353,762	\$ -
Construction in Progress	-	704,835	(704,835)	-	-	-	-	704,835	(704,835)
Buildings and Building Improvements	1,630,290	1,053,984	576,306	2,697,642	2,917,162	(219,520)	4,327,932	3,971,146	356,786
Machinery and Equipment	1,095,989	956,295	139,694	185,217	213,674	(28,457)	1,281,206	1,169,969	111,237
Infrastructure and Other Improvements	11,000,830	9,948,170	1,052,660	11,552,456	11,774,831	(222,375)	22,553,286	21,723,001	830,285
Total	\$ 14,665,308	\$ 13,601,483	\$ 1,063,825	\$ 14,850,878	\$ 15,321,230	\$ (470,352)	\$ 29,516,186	\$ 28,922,713	\$ 593,473
Percentage change			7.8%			-3.1%			2.1%

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding as shown below. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Gaylord's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
General Obligation Bonds	\$ 6,499,845	\$ 5,447,830	\$ 1,052,015	\$ -	\$ -	\$ -
G.O. Improvement Bonds	7,071,301	7,109,365	(38,064)	-	-	-
General Obligation Revenue Bonds	-	-	-	4,845,900	5,155,635	(309,735)
Total	\$ 13,571,146	\$ 12,557,195	\$ 1,013,951	\$ 4,845,900	\$ 5,155,635	\$ (309,735)
Percentage change			8.1%			-6.0%

The City's total debt decreased during the current fiscal year due to the retirement of debt.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is shown below.

Taxable Market Value	3 percent	Net Debt Applicable to Limit	Over/ (Under) Limit
\$ 179,086,900	\$ 5,372,607	\$ 4,845,900	\$ 526,707

Additional information on the City's long-term debt can be found in Note 3E starting on page 61 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Sibley County is currently 4.3 percent, which is higher than a year ago of 3.4 percent. The State's average unemployment rate for the same period was 3.0 percent and the national average rate was 4.1 percent.
- Property valuations within the City remain strong and growing.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget and tax levy for the 2025 fiscal year.

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 Deputy Clerk, City of Gaylord, 332 Main Avenue, Gaylord, Minnesota 55334.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF GAYLORD
GAYLORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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City of Gaylord, Minnesota

Statement of Net Position

December 31, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and cash equivalents	\$ 6,425,403	\$ 2,282,955	\$ 8,708,358	\$ 291,250
Receivables				
Delinquent taxes	33,606	-	33,606	-
Accounts	-	209,323	209,323	-
Notes, net of allowance	10,482	-	10,482	49,898
Special assessments	2,067,167	-	2,067,167	-
Intergovernmental	111,931	3,060	114,991	-
Due from component unit	183,893	-	183,893	-
Land held for resale	939,430	-	939,430	-
Prepaid items	105,392	56,273	161,665	-
Pension asset	84,992	-	84,992	-
Capital assets				
Nondepreciable assets	938,199	415,563	1,353,762	15,000
Depreciable, net of accumulated depreciation	13,727,109	14,435,315	28,162,424	-
Total Assets	<u>24,627,604</u>	<u>17,402,489</u>	<u>42,030,093</u>	<u>356,148</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>692,124</u>	<u>13,586</u>	<u>705,710</u>	<u>-</u>
Liabilities				
Accounts payable	89,088	32,692	121,780	72,167
Due to primary government	-	-	-	183,893
Due to other governments	2,488	377	2,865	60,780
Accrued interest payable	155,193	54,503	209,696	-
Accrued wages payable	25,496	9,758	35,254	-
Noncurrent liabilities				
Due within one year				
Long-term liability	1,069,626	387,624	1,457,250	-
Noncurrent liabilities				
Due in more than one year				
Long-term liability	12,797,215	4,565,279	17,362,494	-
Net pension liability	488,771	66,386	555,157	-
Total Liabilities	<u>14,627,877</u>	<u>5,116,619</u>	<u>19,744,496</u>	<u>316,840</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>782,143</u>	<u>42,368</u>	<u>824,511</u>	<u>-</u>
Net Position				
Net investment in capital assets	2,603,679	9,919,375	12,523,054	15,000
Restricted				
Debt service	4,046,778	-	4,046,778	-
Pension asset	84,992	-	84,992	-
Multicultural center	20,491	-	20,491	-
Small cities assistance	36,563	-	36,563	-
Fire operations and capital improvements	462,740	-	462,740	-
Ambulance	85,841	-	85,841	-
Economic development	47,630	-	47,630	-
Unrestricted	<u>2,520,994</u>	<u>2,337,713</u>	<u>4,858,707</u>	<u>24,308</u>
Total Net Position	<u>\$ 9,909,708</u>	<u>\$ 12,257,088</u>	<u>\$ 22,166,796</u>	<u>\$ 39,308</u>

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

City of Gaylord, Minnesota
Statement of Activities
For the 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	\$ 621,000	\$ 236,480	\$ 26,607	\$ 5,000
Public safety	1,053,301	176,506	147,300	124,505
Streets and highways	1,017,152	54,113	127,064	699,184
Culture and recreation	755,465	137,605	98,522	6,625
Economic development	105,139	33,285	-	-
Miscellaneous	11,460	90	-	-
Interest and other costs	377,415	-	-	-
Total Governmental Activities	<u>3,940,932</u>	<u>638,079</u>	<u>399,493</u>	<u>835,314</u>
Business-type Activities				
Water utility	575,116	710,276	-	-
Sewer utility	502,872	480,574	-	23,000
Refuse	180,851	195,199	-	-
Storm water	407,140	221,224	-	-
Total Business-type Activities	<u>1,665,979</u>	<u>1,607,273</u>	<u>-</u>	<u>23,000</u>
Total Primary Government	<u>\$ 5,606,911</u>	<u>\$ 2,245,352</u>	<u>\$ 399,493</u>	<u>\$ 858,314</u>
Component Unit				
Economic development	<u>\$ 369,577</u>	<u>\$ 17,874</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Tax increments				
Franchise taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Other revenues				
Gain on sale of capital assets				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position, January 1, as Previously Presented				
Error Correction				
Fund Balances/Net Position, January 1, as Adjusted				
Net Position, December 31				

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (352,913)	\$ -	\$ (352,913)	\$ -
(604,990)	-	(604,990)	-
(136,791)	-	(136,791)	-
(512,713)	-	(512,713)	-
(71,854)	-	(71,854)	-
(11,370)	-	(11,370)	-
(377,415)	-	(377,415)	-
<u>(2,068,046)</u>	<u>-</u>	<u>(2,068,046)</u>	<u>-</u>
-	135,160	135,160	-
-	702	702	-
-	14,348	14,348	-
-	(185,916)	(185,916)	-
<u>-</u>	<u>(35,706)</u>	<u>(35,706)</u>	<u>-</u>
<u>(2,068,046)</u>	<u>(35,706)</u>	<u>(2,103,752)</u>	<u>-</u>
-	-	-	(351,703)
1,027,406	-	1,027,406	-
874,800	-	874,800	-
-	-	-	104,421
17,657	-	17,657	-
974,962	-	974,962	-
223,522	69,735	293,257	10,833
13,199	2,883	16,082	-
180,277	-	180,277	-
17,936	(17,936)	-	-
<u>3,329,759</u>	<u>54,682</u>	<u>3,384,441</u>	<u>115,254</u>
<u>1,261,713</u>	<u>18,976</u>	<u>1,280,689</u>	<u>(236,449)</u>
8,672,995	12,238,112	20,911,107	175,757
<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>	<u>100,000</u>
<u>8,647,995</u>	<u>12,238,112</u>	<u>20,886,107</u>	<u>275,757</u>
<u>\$ 9,909,708</u>	<u>\$ 12,257,088</u>	<u>\$ 22,166,796</u>	<u>\$ 39,308</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF GAYLORD
GAYLORD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Gaylord, Minnesota

Balance Sheet
Governmental Funds
December 31, 2024

			451 <i>Formerly Nonmajor</i>	801		
			2024			
	General	Debt Service	Street Improvement	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,279,869	\$ 2,932,125	\$ 130,876	\$ 611,415	\$ 1,471,118	\$ 6,425,403
Receivables						
Delinquent taxes	33,606	-	-	-	-	33,606
Notes, net of allowance	-	-	-	-	10,482	10,482
Special assessments	18,487	1,908,606	-	140,074	-	2,067,167
Intergovernmental	28,855	2,694	-	-	80,382	111,931
Due from component unit	211	-	-	183,682	-	183,893
Land held for resale	-	531,280	-	408,150	-	939,430
Prepaid items	99,799	-	-	-	5,593	105,392
Total Assets	<u><u>\$ 1,460,827</u></u>	<u><u>\$ 5,374,705</u></u>	<u><u>\$ 130,876</u></u>	<u><u>\$ 1,343,321</u></u>	<u><u>\$ 1,567,575</u></u>	<u><u>\$ 9,877,304</u></u>
Liabilities						
Accounts payable	\$ 76,117	\$ -	\$ 654	\$ 3,519	\$ 8,798	\$ 89,088
Due to other governments	2,488	-	-	-	-	2,488
Accrued wages payable	25,496	-	-	-	-	25,496
Total Liabilities	<u>104,101</u>	<u>-</u>	<u>654</u>	<u>3,519</u>	<u>8,798</u>	<u>117,072</u>
Deferred Inflows of Resources						
Unavailable revenue						
Taxes	33,606	-	-	-	-	33,606
Special assessments	18,487	1,908,606	-	140,074	-	2,067,167
Total Deferred Inflows of Resources	<u>52,093</u>	<u>1,908,606</u>	<u>-</u>	<u>140,074</u>	<u>-</u>	<u>2,100,773</u>
Fund Balances						
Nonspendable						
Prepaid items	99,799	-	-	-	5,593	105,392
Restricted						
Debt service	-	3,466,099	-	-	429,311	3,895,410
Multicultural center	-	-	-	-	20,491	20,491
Small cities assistance	36,563	-	-	-	-	36,563
Capital improvements	-	-	130,222	-	-	130,222
Fire operations and capital improvements	-	-	-	-	462,740	462,740
Ambulance	85,841	-	-	-	-	85,841
Economic development	-	-	-	-	47,630	47,630
Committed						
Capital improvements	-	-	-	1,199,728	-	1,199,728
Cemetery operations	-	-	-	-	4,307	4,307
Ambulance operations	-	-	-	-	357,788	357,788
Fire operations	-	-	-	-	76,409	76,409
Economic development	-	-	-	-	27,083	27,083
Assigned						
Public safety equipment	-	-	-	-	184,202	184,202
Unassigned	1,082,430	-	-	-	(56,777)	1,025,653
Total Fund Balances	<u>1,304,633</u>	<u>3,466,099</u>	<u>130,222</u>	<u>1,199,728</u>	<u>1,558,777</u>	<u>7,659,459</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 1,460,827</u></u>	<u><u>\$ 5,374,705</u></u>	<u><u>\$ 130,876</u></u>	<u><u>\$ 1,343,321</u></u>	<u><u>\$ 1,567,575</u></u>	<u><u>\$ 9,877,304</u></u>

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

City of Gaylord, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2024

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	\$ 7,659,459
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	14,665,308
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Compensated absences payable	(72,945)
Bonds payable	(13,571,146)
Unamortized premium on bonds	(222,750)
Net pension liability	(403,779)
Long-term assets are not available to pay current-period expenditures and therefore are unavailable in the funds.	
Delinquent property taxes receivable	33,606
Special assessments receivable	2,067,167
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of resources	692,124
Deferred inflows of resources	(782,143)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(155,193)</u>
Total Net Position - Governmental Activities	<u><u>\$ 9,909,708</u></u>

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

City of Gaylord, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2024

			451 <i>Formerly Nonmajor</i>	450 <i>Formerly Major</i>	801		
	General	Debt Service	2024 Street Improvement	Oaks Lakeside Pavillion	Capital Improvements	Other Governmental Funds	Totals
Revenues							
Taxes	\$ 860,499	\$ 874,800	\$ -	\$ -	\$ 175,000	\$ -	\$ 1,910,299
Special assessments	28,304	354,382	-	-	20,407	1,366	404,459
Licenses and permits	89,780	-	-	-	-	-	89,780
Intergovernmental	1,267,347	-	-	-	-	38,810	1,306,157
Charges for services	155,313	-	-	-	-	53,795	209,108
Fines and forfeits	19,869	-	-	-	-	-	19,869
Investment earnings	98,007	50,160	2,734	-	21,176	51,445	223,522
Miscellaneous	236,858	44,744	-	-	32,682	205,322	519,606
Total Revenues	<u>2,755,977</u>	<u>1,324,086</u>	<u>2,734</u>	<u>-</u>	<u>249,265</u>	<u>350,738</u>	<u>4,682,800</u>
Expenditures							
Current							
General government	587,571	-	-	-	-	-	587,571
Public safety	795,737	-	-	-	-	104,899	900,636
Streets and highways	335,231	-	-	-	-	-	335,231
Culture and recreation	599,840	-	-	-	-	10,737	610,577
Economic development	47,489	-	-	-	-	48,989	96,478
Miscellaneous	11,000	-	-	-	-	460	11,460
Capital outlay							
General government	1,191	-	-	-	-	-	1,191
Public safety	-	-	-	-	-	85,858	85,858
Streets and highways	2,499	-	1,479,550	-	-	12,081	1,494,130
Culture and recreation	204,444	-	204,380	-	31,095	31,237	471,156
Economic development	-	-	-	-	-	7,000	7,000
Debt service							
Principal	-	983,749	-	-	-	-	983,749
Interest and other costs	-	294,656	-	-	-	-	294,656
Bond issuance costs	-	-	74,064	-	-	-	74,064
Total Expenditures	<u>2,585,002</u>	<u>1,278,405</u>	<u>1,757,994</u>	<u>-</u>	<u>31,095</u>	<u>301,261</u>	<u>5,953,757</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>170,975</u>	<u>45,681</u>	<u>(1,755,260)</u>	<u>-</u>	<u>218,170</u>	<u>49,477</u>	<u>(1,270,957)</u>
Other Financing Sources (Uses)							
Transfers in	65,000	50,000	-	-	-	177,950	292,950
Sale of capital assets	-	-	-	-	180,277	-	180,277
Bonds issued	-	46,603	1,951,097	-	-	-	1,997,700
Premium on bonds issued	-	-	83,244	-	-	-	83,244
Transfers out	(60,000)	-	(47,064)	-	(117,950)	(50,000)	(275,014)
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>96,603</u>	<u>1,987,277</u>	<u>-</u>	<u>62,327</u>	<u>127,950</u>	<u>2,279,157</u>
Net Change in Fund Balances	<u>175,975</u>	<u>142,284</u>	<u>232,017</u>	<u>-</u>	<u>280,497</u>	<u>177,427</u>	<u>1,008,200</u>
Fund Balances, January 1, as previously reported	1,128,658	3,323,815	-	(179,883)	944,231	1,459,438	6,676,259
Change to the financial reporting entity (Note 7)							
Change from nonmajor to major fund	-	-	(101,795)	-	-	101,795	-
Change from major to nonmajor fund	-	-	-	179,883	-	(179,883)	-
Error correction	-	-	-	-	(25,000)	-	(25,000)
Fund Balances, January 1, as adjusted	<u>1,128,658</u>	<u>3,323,815</u>	<u>(101,795)</u>	<u>-</u>	<u>919,231</u>	<u>1,381,350</u>	<u>6,651,259</u>
Fund Balances, December 31	<u>\$ 1,304,633</u>	<u>\$ 3,466,099</u>	<u>\$ 130,222</u>	<u>\$ -</u>	<u>\$ 1,199,728</u>	<u>\$ 1,558,777</u>	<u>\$ 7,659,459</u>

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

City of Gaylord, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended December 31, 2024

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of activities are different because	
Net change in fund balances - governmental funds	\$ 1,008,200
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Capital outlay	1,984,034
Depreciation expense	(919,563)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	(646)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are delayed and amortized in the statement of activities.	
Principal repayments	983,749
Debt issued or incurred	(1,997,700)
Bond premiums net of amortization	(62,682)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(29,257)
Long-term pension activity is not reported in governmental funds.	
Pension expense	5,870
Direct aid contributions	12,282
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	9,564
Special assessments	299,786
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.	
Compensated absences	<u>(31,924)</u>
Change in Net Position - Governmental Activities	<u>\$ 1,261,713</u>

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

City of Gaylord, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
For the Year Ended December 31, 2024

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 887,480	\$ 887,480	\$ 860,499	\$ (26,981)
Licenses and permits	84,200	84,200	89,780	5,580
Intergovernmental	1,125,100	1,125,100	1,267,347	142,247
Charges for services	181,140	181,140	155,313	(25,827)
Fines and forfeits	19,800	19,800	19,869	69
Special assessments	-	-	28,304	28,304
Investment earnings	40,000	40,000	98,007	58,007
Miscellaneous	120,500	120,500	236,858	116,358
Total Revenues	<u>2,458,220</u>	<u>2,458,220</u>	<u>2,755,977</u>	<u>297,757</u>
Expenditures				
Current				
General government	637,260	637,260	587,571	49,689
Public safety	841,900	841,900	795,737	46,163
Streets and highways	328,100	328,100	335,231	(7,131)
Culture and recreation	581,900	581,900	599,840	(17,940)
Economic development	40,460	40,460	47,489	(7,029)
Miscellaneous	11,100	11,100	11,000	100
Capital outlay				
General government	2,500	2,500	1,191	1,309
Streets and highways	-	-	2,499	(2,499)
Culture and recreation	20,000	20,000	204,444	(184,444)
Total Expenditures	<u>2,463,220</u>	<u>2,463,220</u>	<u>2,585,002</u>	<u>(121,782)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,000)</u>	<u>(5,000)</u>	<u>170,975</u>	<u>175,975</u>
Other Financing Sources (Uses)				
Transfers in	65,000	65,000	65,000	-
Transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net Change in Fund Balances	-	-	175,975	175,975
Fund Balances, January 1	<u>1,128,658</u>	<u>1,128,658</u>	<u>1,128,658</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,128,658</u>	<u>\$ 1,128,658</u>	<u>\$ 1,304,633</u>	<u>\$ 175,975</u>

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

City of Gaylord, Minnesota
Statement of Net Position
Proprietary Funds
For the Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds				
	601	602	604	Nonmajor 603	Totals
	Water Utility	Sewer Utility	Storm Water	Refuse	
Assets					
Current Assets					
Cash and cash equivalents	\$ 1,103,327	\$ 731,305	\$ 376,798	\$ 71,525	\$ 2,282,955
Receivables					
Accounts	92,222	63,447	26,215	27,439	209,323
Intergovernmental	3,060	-	-	-	3,060
Prepaid items	38,305	17,968	-	-	56,273
Total Current Assets	<u>1,236,914</u>	<u>812,720</u>	<u>403,013</u>	<u>98,964</u>	<u>2,551,611</u>
Capital assets					
Land	120,500	154,580	140,483	-	415,563
Buildings and building improvements	1,732,550	8,122,171	-	-	9,854,721
Infrastructure and other improvements	6,027,429	3,762,034	8,252,552	-	18,042,015
Machinery and equipment	201,944	411,007	8,466	-	621,417
Less accumulated depreciation	(3,287,943)	(7,789,530)	(3,005,365)	-	(14,082,838)
Total Capital Assets (net of accumulated depreciation)	<u>4,794,480</u>	<u>4,660,262</u>	<u>5,396,136</u>	<u>-</u>	<u>14,850,878</u>
Total Assets	<u>6,031,394</u>	<u>5,472,982</u>	<u>5,799,149</u>	<u>98,964</u>	<u>17,402,489</u>
Deferred Outflows of Resources					
Deferred pension resources	5,346	4,808	3,432	-	13,586
Liabilities					
Current Liabilities					
Accounts payable	30,743	1,947	2	-	32,692
Due to other governments	10	-	-	367	377
Accrued interest payable	22,299	10,829	21,375	-	54,503
Accrued wages payable	4,107	3,478	2,173	-	9,758
Compensated absences payable - current	3,503	3,503	2,327	-	9,333
Bonds payable - current	204,478	68,264	105,549	-	378,291
Total Current Liabilities	<u>265,140</u>	<u>88,021</u>	<u>131,426</u>	<u>367</u>	<u>484,954</u>
Noncurrent Liabilities					
Compensated absences payable	4,807	4,807	2,453	-	12,067
Bonds payable	1,883,403	850,923	1,818,886	-	4,553,212
Net pension liability	25,733	23,462	17,191	-	66,386
Total Noncurrent Liabilities	<u>1,913,943</u>	<u>879,192</u>	<u>1,838,530</u>	<u>-</u>	<u>4,631,665</u>
Total Liabilities	<u>2,179,083</u>	<u>967,213</u>	<u>1,969,956</u>	<u>367</u>	<u>5,116,619</u>
Deferred Inflows of Resources					
Deferred pension resources	16,064	14,942	11,362	-	42,368
Net Position					
Net investment in capital assets	2,706,599	3,741,075	3,471,701	-	9,919,375
Unrestricted	1,134,994	754,560	349,562	98,597	2,337,713
Total Net Position	<u>\$ 3,841,593</u>	<u>\$ 4,495,635</u>	<u>\$ 3,821,263</u>	<u>\$ 98,597</u>	<u>\$ 12,257,088</u>

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

City of Gaylord, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds				
	601	602	604	Nonmajor 603	
	Water Utility	Sewer Utility	Storm Water	Refuse	Totals
Operating Revenues					
Charges for services	\$ 699,903	\$ 464,451	\$ 221,224	\$ 195,199	\$ 1,580,777
Operating Expenses					
Salaries and benefits	78,484	70,800	57,147	-	206,431
Supplies	123,519	11,474	382	354	135,729
Other services and charges	89,345	76,086	70,040	180,497	415,968
Insurance	10,448	13,380	-	-	23,828
Utilities	25,900	7,689	-	-	33,589
Depreciation	196,023	298,170	232,480	-	726,673
Total Operating Expenses	523,719	477,599	360,049	180,851	1,542,218
Operating Income (Loss)	176,184	(13,148)	(138,825)	14,348	38,559
Nonoperating Revenues (Expenses)					
Miscellaneous income	10,373	7,396	-	-	17,769
Pension revenue	1,092	1,017	774	-	2,883
Investment earnings	22,965	12,930	32,781	1,059	69,735
Rents	-	8,727	-	-	8,727
Interest and other costs	(54,231)	(26,368)	(50,358)	-	(130,957)
Amortization of bond premiums	2,834	1,095	3,267	-	7,196
Total Nonoperating Revenues (Expenses)	(16,967)	4,797	(13,536)	1,059	(24,647)
Income (Loss) Before Transfers	159,217	(8,351)	(152,361)	15,407	13,912
Capital contributions	-	23,000	-	-	23,000
Transfers In	-	-	47,064	-	47,064
Transfers Out	(65,000)	-	-	-	(65,000)
Change in Net Position	94,217	14,649	(105,297)	15,407	18,976
Net Position, January 1	3,747,376	4,480,986	3,926,560	83,190	12,238,112
Net Position, December 31	\$ 3,841,593	\$ 4,495,635	\$ 3,821,263	\$ 98,597	\$ 12,257,088

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

City of Gaylord, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds				
	601	602	604	Nonmajor 603	Totals
	Water Utility	Sewer Utility	Storm Water	Refuse	
Cash Flows from Operating Activities					
Receipts from customers	\$ 698,330	\$ 458,988	\$ 220,888	\$ 193,832	\$ 1,572,038
Payments to suppliers and vendors	(228,075)	(111,977)	(71,929)	(183,946)	(595,927)
Payments to and on behalf of employees	(77,581)	(73,143)	(56,467)	-	(207,191)
Other receipts	11,465	17,140	774	-	29,379
Net Cash Provided (Used) by Operating Activities	404,139	291,008	93,266	9,886	798,299
Cash Flows from Noncapital Financing Activities					
Transfers to other funds	(65,000)	-	-	-	(65,000)
Cash Flows from Capital And Related Financing Activities					
Transfers from other funds	-	-	47,064	-	47,064
Acquisition of capital assets	-	-	(256,321)	-	(256,321)
Principal paid on long-term debt	(198,367)	(67,036)	(101,632)	-	(367,035)
Interest paid on long-term debt	(55,895)	(27,071)	(50,004)	-	(132,970)
Proceeds from the issuance of debt, net of premiums/discounts	-	-	57,300	-	57,300
Intergovernmental revenue	-	23,000	-	-	23,000
Net Cash Provided (Used) by Capital and Related Financing Activities	(254,262)	(71,107)	(303,593)	-	(628,962)
Cash Flows from Investing Activities					
Interest received on investments	22,965	12,930	32,781	1,059	69,735
Net Increase in Cash and Cash Equivalents	107,842	232,831	(177,546)	10,945	174,072
Cash and Cash Equivalents, January 1	995,485	498,474	554,344	60,580	2,108,883
Cash and Cash Equivalents, December 31	<u>\$ 1,103,327</u>	<u>\$ 731,305</u>	<u>\$ 376,798</u>	<u>\$ 71,525</u>	<u>\$ 2,282,955</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 176,184	\$ (13,148)	\$ (138,825)	\$ 14,348	\$ 38,559
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	11,465	17,140	774	-	29,379
Depreciation	196,023	298,170	232,480	-	726,673
(Increase) decrease in assets					
Accounts receivable	(2,961)	(5,463)	(336)	(1,367)	(10,127)
Due from other governments	1,388	-	-	-	1,388
Prepaid items	3,280	(4,556)	-	-	(1,276)
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	5,293	5,713	3,209	-	14,215
Increase (decrease) in liabilities					
Accounts payable	24,482	1,208	(1,507)	(2,950)	21,233
Due to other governments	(270)	-	-	(145)	(415)
Accrued wages payable	1,234	786	214	-	2,234
Compensated absences payable	3,734	3,734	1,220	-	8,688
Net pension liability	(14,139)	(16,145)	(7,959)	-	(38,243)
Deposits payable	(6,355)	-	-	-	(6,355)
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	4,781	3,569	3,996	-	12,346
Net Cash Provided (Used) by Operating Activities	<u>\$ 404,139</u>	<u>\$ 291,008</u>	<u>\$ 93,266</u>	<u>\$ 9,886</u>	<u>\$ 798,299</u>
Noncash Investing, Capital and Financing Activities					
Amortization of bond (premium) discount	<u>\$ (2,834)</u>	<u>\$ (1,095)</u>	<u>\$ (3,267)</u>	<u>\$ -</u>	<u>\$ (7,196)</u>

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

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City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Gaylord (the City) operates under the "Optional Plan A" as defined in the Minnesota statutes. The City is governed by an elected Mayor and a five-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. Also the City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City. The discretely presented component unit has a December 31 year end.

Discretely Presented Component Unit. The Gaylord Economic Development Authority (the EDA) was created pursuant to Minnesota statutes, 469.090 through 469.108, to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the Council. The five-member Board consists of two Council members and three other Council approved members. The EDA may not exercise any of the powers enumerated by Minnesota statutes without prior approval of the Council. The EDA is presented as a discretely presented component unit as the Board makeup of the entity is not substantially the same as the City Council.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of 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 City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

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

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

2024 *Street Improvement fund* accounts for the costs associated with the 2024 Street Improvement projects.

The *Capital Improvements fund* accounts for expenditures related to various capital purchases.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

The *Water Utility enterprise fund* accounts for costs associated with the City's water system and insures that user charges are sufficient to pay for those costs.

The *Sewer Utility enterprise fund* accounts for the costs associated with the City's sewer system and insures that user charges are sufficient to pay for those costs.

The *Storm Water enterprise fund* accounts for the costs associated with the City's storm water system and insures that user charges are sufficient to pay for those costs.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources and Net Position or Equity

Deposits and Investments

The City's cash and temporary investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statements of Cash Flows.

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

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with 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.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of December 31, 2024:

- Negotiable certificates of deposits of \$2,113,308 are valued using a matrix pricing model (Level 2 inputs)
- US Treasury securities of \$927,000 are valued using quoted market prices (Level 1 inputs)

Broker money market accounts operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

Investment Policy

All city investments and deposits shall be those allowable by Minnesota statutes, chapter 118A and amendments thereto. In accordance with Minnesota statutes 118A, collateralization will be required on all demand deposit accounts, including checking, savings, and money market accounts, and non-negotiable certificates of deposits in excess of federal deposit insurance. The investment portfolio shall remain sufficiently liquid to meet projected disbursement requirements. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.

Property Taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2024. The City annually certifies delinquent utility accounts to the County for collection. As a result, there is no allowance for uncollectible accounts.

Note 1: Summary of Significant Accounting Policies (Continued)

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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 City as assets with an initial, individual cost of more than \$5,000 except for infrastructure which ranges from \$25,000 to \$100,000 and an estimated useful life in excess of one year. Such purchased assets are recorded at historical cost or estimated historical cost if historical cost is not available. Assets acquired prior to 1986 are recorded at estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

The cost 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 improvement are capitalized as projects are constructed.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land and Land Improvements	15 - 20
Other Improvements	7 - 20
Buildings and Building Improvements	7 - 40
Machinery and Equipment	5 - 15
Vehicles	5 - 15
Infrastructure	15 - 50

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Sick pay benefits will get paid out on a vested basis, starting after 10 years of service with the City. All sick leave benefits will be accrued once employees hit the 10 year threshold. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences liability at year end is shown in the chart below for governmental and business-type activities. The General fund is typically used to liquidate governmental compensated absences.

	Governmental Activities	Business-type Activities	Total
Compensated absences	\$ 72,945	\$ 21,400	\$ 94,345

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 delayed and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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 except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERP, PEPFP and Gaylord Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total All Plans
	GERP	PEPFP		
City's proportionate share	\$ 28,151	\$ 45,720	\$ 49,194	\$ 123,065
Proportionate share of State's contribution	(132)	1,071	-	939
Total pension expense	<u>\$ 28,019</u>	<u>\$ 46,791</u>	<u>\$ 49,194</u>	<u>\$ 124,004</u>

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, one of which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 40 percent of budgeted operating expenditures for cash-flow timing needs.

Net Position

Net position represents the difference between assets, liabilities and deferred inflow of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General, Cemetery, Ambulance and Fire Department Operations fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the Administrator/Clerk so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Administrator/Clerk. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. There were no budget amendments during the year.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2024 expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 2,463,220	\$ 2,585,002	\$ 121,782

These excess expenditures were funded by an excess of revenues over budget.

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2024:

Fund	Amount
Nonmajor Capital Projects	
CSAH 21 Reroute Project	\$ 49,777
Duval Housing Project	7,000

The above deficits will be eliminated through transfers from other funds, contributions and future bond issuances.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, which the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits, the bank balance, bank balance, FDIC coverage and pledged collateral are shown in the chart below.

Carrying amount of deposits	<u>\$ 5,877,248</u>
Bank balance	\$ 5,910,443
Covered by FDIC	<u>(500,000)</u>
Collateralized with securities pledged in City's name	<u>\$ 5,410,443</u>

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

Investments

As of December 31, 2024 the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

Types of Investments	Credit Quality Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled Investments at Amortized Costs					
Broker Money Market Funds	N/A	less than 1 year	\$ 15,265		
Money Market Mutual Funds	N/A	less than 1 year	66,787		
Non-pooled Investments at Fair Value					
U.S. Treasury Bonds	N/A	Less than 1 year	927,000	\$ 927,000	\$ -
Negotiable certificates of deposit	N/A	Less than 1 year	243,986	-	243,986
Negotiable certificates of deposit	N/A	1 to 5 years	1,869,322	-	1,869,322
Total Investments			\$ 3,122,360	\$ 927,000	\$ 2,113,308

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

The investments of the City are subject to the following risks:

- *Credit Risk.* Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* Is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer.
- *Interest Rate Risk.* Is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to less than five years.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

Cash and Investments Summary

A reconciliation of cash and investments as shown on the Statement of Net position for the City, including the component unit, follows:

	Primary Government	Component Unit - EDA	Total Reporting Entity
Deposits	\$ 5,585,998	\$ 291,250	\$ 5,877,248
Investments	3,122,360	-	3,122,360
Total Cash and Cash Equivalents	<u>\$ 8,708,358</u>	<u>\$ 291,250</u>	<u>\$ 8,999,608</u>

B. Receivables

Small Cities Development Program Loans

The City has a Small Cities Development Program Grant through the Minnesota Department of Trade and Economic Development. Loans are made to eligible homeowners to assist with home purchases and improvements. The City will collect these loans if there is an ownership change of the improved property. If the homeowners do not sell their property over a ten year period the loans are forgiven. There is an allowance for the full amount of the loans of \$416,350.

The City also has Small Cities Development Program Grant loans to various local businesses totaling \$79,605. The City will collect these loans over a 10 year period with annual interest at 3 percent. There is an allowance for these loans in the amount of \$79,605.

Commercial Loans

The EDA currently has loans to various local businesses totaling \$35,160 at December 31, 2024. Monthly payments on the notes total approximately \$1,240 including interest at 4 percent to 5 percent with payback period of 10 years. The loans are secured by real estate.

The City currently has a loan program for commercial building renovation. Tier 2 of these loans totals \$10,482 at December 31, 2024. These loans are 2.75 percent interest loans with a payback period of 16 years.

Housing Development Loans

The EDA currently has loans to various local homeowners totaling \$64,858, with an allowance for bad loans for the same amount at December 31, 2024. The loans are secured by real estate, and are interest free if homeowners live in the house for at least 10 years. The loans are secured by real estate.

The EDA also has a loan program for down payment assistance. These loans totaled \$14,738 at December 31, 2024. Monthly payments on the notes total approximately \$75 including interest at 4 percent with payback period of 15 years.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2024 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 938,199	\$ -	\$ -	\$ 938,199
Construction in progress	704,835	1,497,368	(2,202,203)	-
Total capital assets not being depreciated	<u>1,643,034</u>	<u>1,497,368</u>	<u>(2,202,203)</u>	<u>938,199</u>
Capital assets being depreciated				
Buildings and building improvements	2,262,041	648,497	-	2,910,538
Infrastructure and other improvements	19,781,205	1,717,155	-	21,498,360
Machinery and equipment	3,801,492	323,217	(156,784)	3,967,925
Total capital assets being depreciated	<u>25,844,738</u>	<u>2,688,869</u>	<u>(156,784)</u>	<u>28,376,823</u>
Less accumulated depreciation for				
Buildings and building improvements	(1,208,057)	(72,191)	-	(1,280,248)
Infrastructure and other improvements	(9,833,035)	(664,495)	-	(10,497,530)
Machinery and equipment	(2,845,197)	(182,877)	156,138	(2,871,936)
Total accumulated depreciation	<u>(13,886,289)</u>	<u>(919,563)</u>	<u>156,138</u>	<u>(14,649,714)</u>
Total capital assets being depreciated, net	<u>11,958,449</u>	<u>1,769,306</u>	<u>(646)</u>	<u>13,727,109</u>
Governmental activities capital assets, net	<u>\$ 13,601,483</u>	<u>\$ 3,266,674</u>	<u>\$ (2,202,849)</u>	<u>\$ 14,665,308</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 415,563	\$ -	\$ -	\$ 415,563
Capital assets being depreciated				
Buildings and building improvements	9,854,721	-	-	9,854,721
Infrastructure and other improvements	17,785,694	256,321	-	18,042,015
Machinery and equipment	623,517	-	(2,100)	621,417
Total capital assets being depreciated	<u>28,263,932</u>	<u>256,321</u>	<u>(2,100)</u>	<u>28,518,153</u>
Less accumulated depreciation for				
Buildings and building improvements	(6,937,559)	(219,520)	-	(7,157,079)
Infrastructure and other improvements	(6,010,863)	(478,696)	-	(6,489,559)
Machinery and equipment	(409,843)	(28,457)	2,100	(436,200)
Total accumulated depreciation	<u>(13,358,265)</u>	<u>(726,673)</u>	<u>2,100</u>	<u>(14,082,838)</u>
Total capital assets being depreciated, net	<u>14,905,667</u>	<u>(470,352)</u>	<u>-</u>	<u>14,435,315</u>
Business-type activities capital assets, net	<u>\$ 15,321,230</u>	<u>\$ (470,352)</u>	<u>\$ -</u>	<u>\$ 14,850,878</u>

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

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

Governmental activities

General government	\$ 27,331
Public safety	130,103
Streets and highways	643,761
Culture and recreation	116,753
Economic development	<u>1,615</u>

Total depreciation expense - governmental activities	<u><u>\$ 919,563</u></u>
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Business-type activities

Water utility	\$ 196,023
Sewer utility	298,170
Storm water	<u>232,480</u>

Total depreciation expense - business-type activities	<u><u>\$ 726,673</u></u>
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Discretely Presented Component Unit

Capital assets activity for the Economic Development Authority for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Land	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,000</u>

D. Interfund Receivables, Payables and Transfers

Due to/from Component Unit

The City has authorized interfund loans between TIF 6-1 and the Capital Improvement fund costs for the district. The loan bears an interest rate of 4.00% and is reduced with annual payments of \$25,000 (including interest), until the balance is fulfilled. The balance of this interfund loan is \$14,554.

The City has authorized interfund loans between TIF 6-2 and the Capital Improvement fund costs for the district. The loan bears an interest rate of 4.00% and is reduced with annual payments of \$12,000 (including interest), until the balance is fulfilled. The balance of this interfund loan is \$169,128.

The City has interfund due to/from other funds between one TIF fund of the EDA and the General fund to eliminate a cash deficit in this fund totaling \$211.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

Interfund Transfers

	Transfers in				Total
	General Fund	Debt Service	Other Governmental Funds	Storm Water	
Transfers Out					
General	\$ -	\$ -	\$ 60,000	\$ -	\$ 60,000
2024 Street Improvement	-	-	-	47,064	47,064
Capital Improvements	-	-	117,950	-	117,950
Other Governmental Funds	-	50,000	-	-	50,000
Water Utility	65,000	-	-	-	65,000
Total	<u>\$ 65,000</u>	<u>\$ 50,000</u>	<u>\$ 177,950</u>	<u>\$ 47,064</u>	<u>\$ 340,014</u>

For the year ended December 31, 2024, the primary government made the following one-time transfers:

- From the Capital Improvement fund to the Oaks Lakeside Pavillion fund to close the fund.
- From the 2024 Street Improvement fund to the Storm Water fund to cover costs in excess of allocated bond proceeds.

The remaining transfers were budgeted.

E. Long-term Debt

Primary Government Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Crossover Refunding					
Bonds of 2017A	\$ 450,000	3.0 - 3.1 %	03/30/17	02/01/32	\$ 320,000
G.O. Bonds of 2019A	1,560,000	2.0 - 3.0	12/11/19	02/01/40	1,235,000
G.O. Bonds of 2020B					
RS Fiber Project	1,909,201	2.0 - 2.81	12/15/20	02/01/37	1,602,045
G.O. Improvement					
Bonds of 2021B	2,140,000	2.00	02/01/21	02/01/42	1,970,000
G.O. Improvement					
Bonds of 2024B - Equipment	160,000	4.00 - 5.00	07/25/24	02/01/35	160,000
G.O. Improvement					
Bonds of 2024B - Streets	1,212,800	4.00 - 5.00	07/25/24	02/01/45	1,212,800
Total G.O. Bonds					<u>\$ 6,499,845</u>

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2025	\$ 328,331	\$ 174,974	\$ 503,305
2026	374,282	166,638	540,920
2027	393,756	156,895	550,651
2028	396,305	146,651	542,956
2029	407,054	136,207	543,261
2030 - 2034	2,071,778	510,991	2,582,769
2035 - 2039	1,617,939	243,745	1,861,684
2040 - 2044	824,000	69,300	893,300
2045	86,400	1,700	88,100
Total	<u>\$ 6,499,845</u>	<u>\$ 1,607,101</u>	<u>\$ 8,106,946</u>

G.O. Special Assessment (Improvement) Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2015A	\$ 5,627,000	2.00 - 3.25 %	03/02/15	02/01/36	\$ 3,003,696
G.O. Improvement Bonds of 2017A	1,717,120	3.00 - 3.10	03/30/17	02/01/32	1,020,236
G.O. Improvement Bonds of 2018B	1,245,000	2.35 - 4.00	06/05/18	02/01/39	1,005,000
G.O. Improvement Bonds of 2021A	1,723,197	2.00	01/20/21	02/01/36	1,417,469
G.O. Improvement Bonds of 2024A	1,723,197	4.00 - 5.00	07/25/24	02/01/45	624,900
Total G.O. Special Assessment Bonds					<u>\$ 7,071,301</u>

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for general obligation assessment bonds are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities		
	Principal	Interest	Total
2025	\$ 691,708	\$ 185,762	\$ 877,470
2026	730,214	168,161	898,375
2027	743,000	149,356	892,356
2028	762,771	129,377	892,148
2029	607,371	111,228	718,599
2030 - 2034	2,157,995	362,642	2,520,637
2035 - 2039	1,135,842	115,484	1,251,326
2040 - 2044	197,900	29,400	227,300
2045	44,500	900	45,400
Total	<u>\$ 7,071,301</u>	<u>\$ 1,252,310</u>	<u>\$ 8,323,611</u>

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2015A	\$ 2,213,000	2.00 - 3.25 %	03/02/15	02/01/36	\$ 1,181,302
G.O. Crossover Refunding Bonds of 2017A	682,880	3.00 - 3.10	03/30/17	02/01/32	409,766
G.O. Improvement Bonds of 2018A	2,005,000	2.30 - 4.00	06/05/18	02/01/39	1,605,000
G.O. Improvement Bonds of 2021A	446,803	2.00	01/20/21	02/01/42	367,532
G.O. Improvement Bonds of 2021B	1,325,000	2.00	06/21/21	02/01/42	1,225,000
G.O. Improvement Bonds of 2024B	57,300	4.00 - 5.00	07/25/24	02/01/45	57,300
Total G.O. Revenue Bonds					<u>\$ 4,845,900</u>

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2025	\$ 378,291	\$ 126,821	\$ 505,112
2026	391,387	117,994	509,381
2027	400,401	107,987	508,388
2028	410,630	97,424	508,054
2029	347,829	87,490	435,319
2030 - 2034	1,466,004	312,295	1,778,299
2035 - 2039	1,194,158	117,013	1,311,171
2040 - 2044	253,100	9,850	262,950
2045	4,100	100	4,200
Total	<u>\$ 4,845,900</u>	<u>\$ 976,974</u>	<u>\$ 5,822,874</u>

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2024 was as follows:

	Beginning Balance As Restated	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 5,447,830	\$ 1,372,800	\$ (320,785)	\$ 6,499,845	\$ 328,331
General obligation special assessment bonds	7,109,365	624,900	(662,964)	7,071,301	691,708
Unamortized bond premiums	160,068	83,244	(20,562)	222,750	-
Total Bonds Payable	12,717,263	2,080,944	(1,004,311)	13,793,896	1,020,039
Compensated absences payable*	41,021	31,924	-	72,945	49,587
 Governmental Activities Long-term Liabilities	<u>\$ 12,758,284</u>	<u>\$ 2,112,868</u>	<u>\$ (1,004,311)</u>	<u>\$ 13,866,841</u>	<u>\$ 1,069,626</u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 5,155,635	\$ 57,300	\$ (367,035)	\$ 4,845,900	\$ 378,291
Unamortized bond premium	92,799	-	(7,196)	85,603	-
Total Bonds Payable	5,248,434	57,300	(374,231)	4,931,503	378,291
Compensated absences payable*	12,712	8,688	-	21,400	9,333
 Business-type Activities Long-term Liabilities	<u>\$ 5,261,146</u>	<u>\$ 65,988</u>	<u>\$ (374,231)</u>	<u>\$ 4,952,903</u>	<u>\$ 387,624</u>

Note 4: Defined Benefit Pension Plans - Statewide

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.

General Employees Retirement Plan (General 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.

Public Employees Police and Fire Plan (Police and Fire Plan)

Membership in the Police and 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 and 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.

General Employee 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 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent 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 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent 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.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

Police and Fire Plan 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 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increase by 10 percent each full year of service until members are 100 percent 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 percent each month members are younger than age 55.

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

C. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2024, 2023 and 2022, were \$46,097, \$44,221 and \$41,454, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2024, 2023 and, 2022 were \$55,662, \$53,584 and \$48,137, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$265,835 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$6,874.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

City's Proportionate Share of the Net Pension Liability	\$ 265,835
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>6,874</u>
Total	<u><u>\$ 272,709</u></u>

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 proportion 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 0.0072 percent at the end of the measurement period and 0.0073 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$28,151 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional negative \$132 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 \$12,247 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.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 25,077	\$ -
Changes in Actuarial Assumptions	1,282	101,730
Net Difference Between Projected and Actual Investment Earnings	-	72,935
Changes in Proportion	3,960	3,056
Contributions Paid to PERA Subsequent to the Measurement Date	<u>22,270</u>	<u>-</u>
Total	<u><u>\$ 52,589</u></u>	<u><u>\$ 177,721</u></u>

The \$22,270 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ (77,047)
2026	(17,278)
2027	(32,703)
2028	(20,374)

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$289,322 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 0.022 percent at the end of the measurement period and 0.0218 percent for the beginning of the period.

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 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$11,029.

City's Proportionate Share of the Net Pension Liability	\$ 289,322
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>11,029</u>
Total	<u><u>\$ 300,351</u></u>

For the year ended December 31, 2024, the City recognized pension expense of \$45,720 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$1,071 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$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 \$1,979 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.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 112,626	\$ -
Changes in Actuarial Assumptions	321,679	422,292
Net Difference Between Projected and Actual Investment Earnings	-	91,083
Changes in Proportion	5,468	14,185
Contributions Paid to PERA Subsequent to the Measurement Date	<u>25,061</u>	<u>-</u>
Total	<u><u>\$ 464,834</u></u>	<u><u>\$ 527,560</u></u>

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The \$25,061 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ (12,705)
2026	74,253
2027	(44,965)
2028	(111,037)
2029	6,667

E. Long-term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Return on Investment
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	<u>100.0 %</u>	

F. Actuarial 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 7.0%. The 7.0% 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 7.0% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan and Police and Fire Plan.

Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1.0% for the Police and 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 in annual increments from 11.75% after one year of service to 3.0% after 24 years of service.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The 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 and Fire 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 Actuarial Assumptions

- There were no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- The State contribution of \$9 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.0 percent 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 90.0 percent funded status for one year.
- The additional \$9 million contribution will continue until the Police and 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).

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees and Police and Fire 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 Percent Decrease (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund	\$ 580,627	\$ 265,835	\$ 6,890
Police and Fire Fund	683,724	289,322	(34,565)

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 Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 5: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

The Gaylord Fire Department (the Department) participates in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2024, the plan covered 25 active firefighters and 1 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota statutes, chapter 353g. The Department switched to this plan in 2022.

B. Benefits Provided

A firefighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$32,961 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2024, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2024 were \$36,912. The City's contributions were equal to the required contributions as set by state statute. The City made voluntary contributions to the plan of \$5,200. The firefighter has no obligation to contribute to the plan.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

D. Pension Costs

At December 31, 2024, the City reported a net pension asset of \$84,992 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2024. The total pension asset used to calculate the net pension liability in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the Department. The following table presents the changes in net pension liability during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2024	\$ 539,547	\$ 474,818	\$ 64,729
Changes for the Year			
Service cost	20,060	-	20,060
Interest	33,433	-	33,433
Differences between expected and actual experience	(92,400)	-	(92,400)
Projected investment earnings	-	29,490	(29,490)
Contributions (Employer)	-	5,200	(5,200)
Contributions (State)	-	32,961	(32,961)
Other additions	-	43,163	(43,163)
Benefit payouts	(4,800)	(4,800)	-
Total Net Changes	(43,707)	106,014	(149,721)
Ending Balance December 31, 2024	\$ 495,840	\$ 580,832	\$ (84,992)

For the year ended December 31, 2024, the City recognized pension expense of \$49,194.

At December 31, 2024, the City reported its deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 82,703	\$ 84,700
Net Difference Between Projected and Actual Earnings on Plan Investments	63,472	34,530
Contributions to Plan Subsequent to the Measurement Date	42,112	-
Total	\$ 188,287	\$ 119,230

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

Deferred outflows of resources totaling \$42,112 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2025	\$ 32,392
2026	32,392
2027	32,392
2028	(16,331)
Thereafter	(53,900)

E. Actuarial Assumptions

The total pension liability at December 31, 2024 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at the Later of Age 50 or 20 Years of Service	
Inflation	3.0% per year
Investment Rate of Return	6.00%

There was the following changes in actuarial assumptions in 2024:

- Inflation rate was changed from 2.5% per year to 3.0%

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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.

G. Pension Liability Sensitivity

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate one percent lower or one percent higher than the current discount rate:

	Sensitivity of the NPL		
	1 Percent Decrease (5.00%)	Current (6.00%)	1 Percent Increase (7.00%)
Single Employer Pension Plan	\$ (76,990)	\$ (84,992)	\$ (92,668)

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

H. Asset Allocation

The long-term expected rate of return on pension plan investments was set based on the plan's target investment allocation along with long-term return expectations by asset class. All economic assumptions were based on input from various published sources and projected future financial data available.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Allocation at Measurement Date	Long-term Expected Real Rate of Return	Long-term Expected Nominal Rate of Return
Domestic Equity	36.00 %	4.76 %	7.26 %
International Equity	4.00	5.41	7.91
Fixed Income	17.00	2.01	4.51
Real Estate and Alternatives	1.00	4.53	7.03
Cash and Equivalents	42.00	0.74	3.24
Total	<u>100.00 %</u>		5.48
Reduced for assumed investment expense			(0.50)
Net assumed investment return (weighted average, rounded to 1/4%)			<u>5.00</u>

I. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Gaylord Fire Relief Association, 200 East Highway 5, Gaylord, MN 55334.

Note 6: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 6: Other Information (Continued)

B. Contingent Liabilities

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

C. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2024, the City is under the legal debt margin.

D. Tax Increment District

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

E. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota via the Local Government Aid (LGA) program. The amount received in 2024 was \$974,962 which accounted for 35 percent of General fund revenues.

F. Joint Powers Agreements

In October of 1984, the Cities of Gaylord, Arlington, Gibbon and Winthrop entered into a joint powers agreement for monitoring and operating the activities of cable communications within the four Cities. The public agency created under the joint powers agreement to manage this activity is known as the Gaylord/Arlington/Gibbon/Winthrop Cable Communications Commission (the Commission). The Commission consists of eight directors, of which each member Council is responsible for appointing two directors to the Commission.

Property ownership is only determinable in the event of the Commission's dissolution. In the event of dissolution, after payment of obligations, remaining assets would be distributed among the existing members in proportion to the most recent member by member breakdown of the franchise fees as reported by the Grantee. As of December 31, 2015, the City's only equity interest in the Commission is the residual interest upon such dissolution and thus the City reports no equity interest in the Commission.

During 2014, the City of Gaylord entered into a joint powers agreement with several surrounding cities and townships for a high-speed fiber-optic connection project known as the RS Fiber Cooperative (the Cooperative). The Cooperative will be funded by various sources including the issuance of a Tax Abatement Bond by the City of Winthrop, the Cooperative's fiscal agent. Consequently, the Cooperative's members will be responsible for any shortfall of revenues based on the members' appropriate percentage share. This Bond was refunded with the 2020B funds on December 15, 2020. The bond payments for 2024 were principal of \$105,784 and interest \$38,351 that was paid directly to the bond agent.

City of Gaylord, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 7: Adjustments to and Restatements of Beginning Balances

During fiscal year 2024, changes to or within the financial reporting entity and an error correction resulted in adjustments to and restatements of beginning net position and fund net position, as follows:

	Funds					Government-Wide	
	2024 Street Improvement	Oaks Lakeside Pavillion	Nonmajor Governmental	Tax Increment District 6-1	Tax Increment District Cattail Estates	Governmental Activities	Component Unit Economic Development Authority
January 1, 2024, as previously reported	\$ -	\$ (179,883)	\$ 1,459,438	\$ (63,462)	\$ (80,182)	\$ 8,672,995	\$ 175,757
Change from major to nonmajor fund	-	179,883	(179,883)	-	-	-	-
Change from nonmajor to major fund	(101,795)	-	101,795	-	-	-	-
Error Correction	-	-	-	25,000	75,000	(25,000)	100,000
January 1, 2024, as restated	<u>\$ (101,795)</u>	<u>\$ -</u>	<u>\$ 1,381,350</u>	<u>\$ (38,462)</u>	<u>\$ (5,182)</u>	<u>\$ 8,647,995</u>	<u>\$ 275,757</u>

Change within Major and Nonmajor Fund Reporting

During fiscal year 2024, the Oaks Lakeside Pavillion fund was determined to be nonmajor. The 2024 Street Improvement fund was determined to be major. The effects of the changes within the financial reporting entity are shown in the table above.

Correction of an Error in Previously Issued Financial Statements

During fiscal year 2024, the City determined that there were balances sitting in a fund that was set up for the purpose of a new tax increment financing (TIF) district. This TIF district never came to fruition, and thus the balances should have been moved to the appropriate funds in a previous fiscal year. The City also made an error correction relating to a TIF interfund loan, which was reduced via transfer in fiscal year 2023 rather than a reduction of the interfund loan.

Note 8: Change in Accounting Principle

During fiscal year 2024, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 100, Accounting Changes and Error Corrections, and Statements No. 101, Compensated Absences, for the year ended December 31, 2024. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. There were no adjustments or restatements of beginning balances needed for the adoption of these statements.

PROPOSAL FORM

TO: City of Gaylord, Minnesota
C/O Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Email: PublicSale@northlandsecurities.com

Sale Date: June 3, 2026

For all or none of the \$1,410,000* General Obligation Capital Improvement Plan Bonds, Series 2026A, in accordance with the Notice of Sale, we will pay you \$_____, (not less than \$1,390,965) plus accrued interest, if any, to date of delivery (estimated to be June 30, 2026) for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

<u>Interest</u>			<u>Interest</u>			<u>Interest</u>		
<u>Year</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Rate</u>	<u>Yield</u>
2028	_____%	_____%	2033	_____%	_____%	2038	_____%	_____%
2029	_____%	_____%	2034	_____%	_____%	2039	_____%	_____%
2030	_____%	_____%	2035	_____%	_____%	2040	_____%	_____%
2031	_____%	_____%	2036	_____%	_____%	2041	_____%	_____%
2032	_____%	_____%	2037	_____%	_____%	2042	_____%	_____%

True interest percentage: _____%

Net interest cost: \$_____

Term Bond Option: Bonds maturing in the years:

_____ through _____
_____ through _____
_____ through _____
_____ through _____
_____ through _____

To be accumulated into a Term Bond maturing in year:

_____.
_____.
_____.
_____.
_____.

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

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

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

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

Account Members:

Account Manager: _____ By: _____

The foregoing proposal is hereby duly accepted by and on behalf of the City of Gaylord, Minnesota at 6:30 PM on June 3, 2026.

Administrator

Mayor

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