PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 4, 2026

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" herein.

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, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue **Rating Application Made: S&P Global Ratings**

CITY OF OTTERTAIL, MINNESOTA
(Otter Tail County)

$2,400,000* GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2026A

PROPOSAL OPENING: September 17, 2026, 10:00 A.M., C.T.
CONSIDERATION: September 17, 2026, 5:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $2,400,000* General Obligation Capital Improvement Plan Bonds, Series 2026A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including Section 475.521, by the City of Ottertail, Minnesota (the "City"), for the purpose of financing the expansion and renovation to the existing Fire Station in the City. The Bonds are general obligations of the City, for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota.

DATE OF BONDS: October 8, 2026

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2028	$95,000	2033	$145,000	2038	$180,000
2029	130,000	2034	155,000	2039	185,000
2030	135,000	2035	160,000	2040	195,000
2031	135,000	2036	165,000	2041	200,000
2032	140,000	2037	170,000	2042	210,000

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2027 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2037 and thereafter are subject to call for prior optional redemption on February 1, 2036 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL: $2,371,200.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $48,000 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Taft Stettinius & Hollister LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Underwriter (Syndicate Manager). Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the delivery of the Bonds.

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

Certain municipal obligations (issued in an aggregate amount over $1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the Underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over $1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the Underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY OF OTTERTAIL
CITY COUNCIL

		Term Expires
Ronald Grobeck	Mayor	January 2027
Elizabeth Augustus	Council Member	January 2027
Jill Carlson	Council Member	January 2027
Jerry Martin	Council Member	January 2027
Michael Windey	Council Member	January 2029

ADMINISTRATION

Amanda Thorson, Clerk-Treasurer

Patty Hensel, Deputy Clerk

PROFESSIONAL SERVICES

Karkela, Hunt, & Cheshire, PLLP, City Attorney, Perham, Minnesota

Taft Stettinius & Hollister LLP, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Minneapolis, Minnesota
(*Other office located in Waukesha, Wisconsin*)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Ottertail, Minnesota (the "City") and the issuance of its $2,400,000* General Obligation Capital Improvement Plan Bonds, Series 2026A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on September 17, 2026.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Minneapolis, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of October 8, 2026. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Minneapolis, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2037 shall be subject to optional redemption prior to maturity on February 1, 2036 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including Section 475.521, by the City, for the purpose of financing the expansion and renovation to the existing Fire Station in the City.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$2,400,000	
Total Sources		**$2,400,000**
Uses		
Total Underwriter's Discount (1.200%)	$28,800	
Costs of Issuance	67,000	
Deposit to Construction Fund	2,300,000	
Rounding Amount	4,200	
Total Uses		**$2,400,000**

*Preliminary, subject to change.

SECURITY

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

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA"/Stable outlook by S&P Global Ratings ("S&P").

The City has requested a rating on the Bonds from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from S&P.

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

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Prior continuing disclosure undertakings entered into by the City included language stating that the annual report including audited financial statements would be filed "as soon as available." Although the City did not always comply with this requirement, the audited financial statements were timely filed within the required 365 days after the end of the fiscal year timeframe as provided for in each undertaking. Except to the extent that the preceding is deemed to be material, the City believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

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

STATEMENT REGARDING BOND COUNSEL PARTICIPATION

Bond Counsel has neither been engaged nor undertaken to prepare or independently verify the accuracy of any portion of the Official Statement, including the financial or operational information of the Issuer and risks associated with the purchase of the Bonds, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "APPENDIX B – FORM OF LEGAL OPINION."

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 City 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 advisers.

Original Issue Discount

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

Original Issue Premium

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.

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.

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.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

BTSC and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2025 have been audited by Brian D. Koehn, CPA, PLLC, Parkers Prairie, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the State of Minnesota (the "State") may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

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

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

Levy Limits: The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers.

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

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

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

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

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2023/24	2024/25	2025/26
Residential homestead[1]	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%
Agricultural homestead[1]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $2,150,000 - 0.50% [2] Over $2,150,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $3,500,000 - 0.50% [2] Over $3,500,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $3,500,000 - 0.50% [2] Over $3,500,000 - 1.00% [2]
Agricultural non-homestead	Land - 1.00% [2]	Land - 1.00% [2]	Land - 1.00% [2]
Seasonal recreational residential	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]
Residential non-homestead:	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City[4] - 1.25% Affordable Rental: First $174,000 - 0.75% Over $174,000 - 0.25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: – 0.25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental – 0.25%
Industrial/Commercial/Utility[5]	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%

1 A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

2 Applies to land and buildings. Exempt from referendum market value tax.

3 Exempt from referendum market value tax.

4 Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

5 The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2025/26 Economic Market Value	$280,878,136[1]
2025/26 Assessor's Estimated Market Value	
Real Estate	$250,270,400
Personal Property	109,700
Total Valuation	$250,380,100
2025/26 Net Tax Capacity	
Real Estate	$2,733,861
Personal Property	1,401
Net Tax Capacity	$2,735,262
Less: Captured Tax Increment Tax Capacity[2]	(157,565)
Taxable Net Tax Capacity	$2,577,697

2025/26 NET TAX CAPACITY BY CLASSIFICATION

	2025/26 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$1,003,602	36.69%
Agricultural	59,558	2.18%
Commercial/industrial	466,834	17.07%
Public utility	22,628	0.83%
Railroad operating property	16,324	0.60%
Non-homestead residential	275,100	10.06%
Commercial & residential seasonal/rec.	889,815	32.53%
Personal property	1,401	0.05%
Total	$2,735,262	100.00%

1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City was about 88.86% of the actual selling prices of property sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of $280,878,136.

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

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent Increase/Decrease in Estimated Market Value
2021/22	$153,414,800	$146,800,400	$1,628,623	$1,588,761	6.00%
2022/23	194,287,300	187,750,000	2,071,841	1,989,459	26.64%
2023/24	220,293,600	212,686,900	2,354,710	2,258,434	13.39%
2024/25	228,327,700	218,632,337	2,455,753	2,322,340	3.65%
2025/26	250,380,100	240,657,616	2,735,262	2,577,697	9.66%

LARGEST TAXPAYERS

Taxpayer	Type of Property	2025/26 Net Tax Capacity	Percent of City's Total Net Tax Capacity
US Patel Assets LLC	Commercial	$95,809	3.50%
Blue Spruce Properties LLC	Apartments	54,281	1.98%
First National Bank of Henning	Commercial	30,550	1.12%
Individual	Residential	35,762	1.31%
KBJ Investment Partnership LLP	Commercial	23,890	0.87%
Lake Region Coop Elec. Assoc.	Utility	22,628	0.83%
Individual	Residential	20,415	0.75%
Individual	Residential	19,838	0.73%
Individual	Residential	19,398	0.71%
Otter Tail Restaurant Co. LLC	Commercial	19,320	0.71%
Total		$341,891	12.50%

City's Total 2025/26 Net Tax Capacity $2,735,262

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Otter Tail County.

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1 Net Tax Capacity includes tax increment values.

2 Taxable Net Tax Capacity does not include tax increment values.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes	$215,000
Total G.O. debt secured by taxes (includes the Bonds)*	2,580,000
Total G.O. debt secured by utility revenues	550,000
Total General Obligation Debt*	$3,345,000

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The City has no current plans for additional financing in the next 12 months.

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

DEBT LIMIT

The statutory limit on net debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" means the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of certain obligations enumerated under Minnesota Statutes, Section 475.51, subd. 4, including the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any revenue producing public convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay certain postemployment benefit liabilities; (9) obligations issued to pay certain judgments against the City; and (10) all other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance (includes the Bonds).

2025/26 Assessor's Estimated Market Value	$250,380,100
Multiply by 3%	0.03
Statutory Debt Limit	$7,511,403
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	(180,000)
Unused Debt Limit	$7,331,403

City of Ottertail, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 10/08/2026)

	Improvement Bonds 1) Series 2017A								
Dated	07/13/2017								
Amount	$425,000								
Maturity	02/01								
Calendar Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Calendar Year Ending**
2027	30,000	6,095	30,000	6,095	36,095	185,000	13.95%	**2027**
2028	30,000	5,195	30,000	5,195	35,195	155,000	27.91%	**2028**
2029	30,000	4,295	30,000	4,295	34,295	125,000	41.86%	**2029**
2030	30,000	3,395	30,000	3,395	33,395	95,000	55.81%	**2030**
2031	30,000	2,480	30,000	2,480	32,480	65,000	69.77%	**2031**
2032	30,000	1,550	30,000	1,550	31,550	35,000	83.72%	**2032**
2033	35,000	543	35,000	543	35,543	0	100.00%	**2033**
	215,000	23,553	215,000	23,553	238,553			

1) This represents the $425,000 Improvement portion of the $770,000 General Obligation Bonds, Series 2017A.

City of Ottertail, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 10/08/2026)

	Street Reconstruction Bonds 1) Series 2017A		Capital Improvement Plan Bonds 2) Series 2026A							
Dated	07/13/2017		10/08/2026							
Amount	$345,000		$2,400,000*							
Maturity	02/01		02/01							
Calendar Year Ending	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Calendar Year Ending**
2027	25,000	5,105	0	76,691	25,000	81,796	106,796	2,555,000	.97%	**2027**
2028	25,000	4,355	95,000	92,708	120,000	97,063	217,063	2,435,000	5.62%	**2028**
2029	25,000	3,605	130,000	89,043	155,000	92,648	247,648	2,280,000	11.63%	**2029**
2030	25,000	2,855	135,000	84,603	160,000	87,458	247,458	2,120,000	17.83%	**2030**
2031	25,000	2,093	135,000	79,979	160,000	82,071	242,071	1,960,000	24.03%	**2031**
2032	25,000	1,318	140,000	75,200	165,000	76,518	241,518	1,795,000	30.43%	**2032**
2033	30,000	465	145,000	70,104	175,000	70,569	245,569	1,620,000	37.21%	**2033**
2034			155,000	64,551	155,000	64,551	219,551	1,465,000	43.22%	**2034**
2035			160,000	58,565	160,000	58,565	218,565	1,305,000	49.42%	**2035**
2036			165,000	52,144	165,000	52,144	217,144	1,140,000	55.81%	**2036**
2037			170,000	45,275	170,000	45,275	215,275	970,000	62.40%	**2037**
2038			180,000	37,968	180,000	37,968	217,968	790,000	69.38%	**2038**
2039			185,000	30,256	185,000	30,256	215,256	605,000	76.55%	**2039**
2040			195,000	22,133	195,000	22,133	217,133	410,000	84.11%	**2040**
2041			200,000	13,590	200,000	13,590	213,590	210,000	91.86%	**2041**
2042			210,000	4,620	210,000	4,620	214,620	0	100.00%	**2042**
	180,000	19,795	2,400,000	897,427	2,580,000	917,222	3,497,222			

* Preliminary, subject to change.

1) This represents the $345,000 Street Reconstruction portion of the $770,000 General Obligation Bonds, Series 2017A.

2) This issue is not subject to the debt limit.

City of Ottertail, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 10/08/2026)

	Water Revenue Refunding Bonds Series 2020A							
Dated	12/10/2020							
Amount	$745,000							
Maturity	01/01							

Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2027	40,000	7,130	40,000	7,130	47,130	510,000	7.27%	**2027**
2028	40,000	6,790	40,000	6,790	46,790	470,000	14.55%	**2028**
2029	40,000	6,450	40,000	6,450	46,450	430,000	21.82%	**2029**
2030	40,000	6,060	40,000	6,060	46,060	390,000	29.09%	**2030**
2031	40,000	5,620	40,000	5,620	45,620	350,000	36.36%	**2031**
2032	40,000	5,180	40,000	5,180	45,180	310,000	43.64%	**2032**
2033	40,000	4,640	40,000	4,640	44,640	270,000	50.91%	**2033**
2034	45,000	3,960	45,000	3,960	48,960	225,000	59.09%	**2034**
2035	45,000	3,240	45,000	3,240	48,240	180,000	67.27%	**2035**
2036	45,000	2,520	45,000	2,520	47,520	135,000	75.45%	**2036**
2037	45,000	1,800	45,000	1,800	46,800	90,000	83.64%	**2037**
2038	45,000	1,080	45,000	1,080	46,080	45,000	91.82%	**2038**
2039	45,000	360	45,000	360	45,360	0	100.00%	**2039**
	550,000	54,830	550,000	54,830	604,830			

OVERLAPPING DEBT[1]

Taxing District	2025/26 Taxable Net Tax Capacity	% In City	Total G.O. Debt[2]	City's Proportionate Share
Otter Tail County	$181,377,092	1.4212%	$19,417,500	$275,962
I.S.D. No. 545 (Henning Public School)	9,689,129	2.4300%	5,220,000[3]	126,846
I.S.D. No. 549 (Perham-Dent Public Schools)	43,029,158	5.4434%	27,800,000[3]	1,513,265
City's Share of Total Overlapping Debt				$1,916,073

1 Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does ***not*** include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

2 Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

3 Minnesota School Districts may qualify for aid from the State of Minnesota through the Debt Service Equalization Formula, School Building Bond Agricultural Credit and Long Term Facilities Maintenance Revenue programs. While some of the districts listed may receive these aids, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by State aids for the purposes of the Bonds.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value $280,878,136	Debt/ Per Capita 716[1]
Direct G.O. Debt Secured By:			
Special Assessments & Taxes	$215,000		
Taxes*	2,580,000		
Utility Revenues	550,000		
Total General Obligation Debt*	$3,345,000		
Less: G.O. Debt Paid Entirely from Revenues[2]	(550,000)		
Tax Supported General Obligation Debt*	$2,795,000	1.00%	$3,903.63
City's Share of Total Overlapping Debt	$1,916,073	0.68%	$2,676.08
Total*	$4,711,073	1.68%	$6,579.71

*Preliminary, subject to change.

TAX LEVIES, COLLECTIONS AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[3]	Total Collected Following Year	Collected to Date	% Collected
2021/22	$512,384	$504,768	$512,252	99.97%
2022/23	589,230	581,613	589,104	99.98%
2023/24	707,208	702,426	706,557	99.91%
2024/25	778,022	746,327	774,386	99.53%
2025/26	821,874	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[4] Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

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1 Estimated 2025 population.

2 Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

3 This reflects the Final Levy Certification of the City after all adjustments have been made.

4 Second half tax payments on agricultural property are due on November 15 of each year.

TAX CAPACITY RATES[1]

	2021/22	2022/23	2023/24	2024/25	2025/26
Otter Tail County	40.409%	34.017%	32.201%	30.807%	30.562%
City of Ottertail	32.320%	29.638%	31.376%	33.564%	31.932%
I.S.D. No. 545 (Henning Public School)	9.480%	7.132%	23.538%	17.296%	16.368%
I.S.D. No.549 (Perham-Dent Public Schools)	17.122%	12.911%	11.569%	9.984%	10.223%
Otter Tail County HRA	1.931%	1.507%	1.491%	1.494%	1.398%
Regional Library	0.656%	0.524%	0.467%	0.427%	0.403%
Referendum Market Value Rates:					
I.S.D. No. 545 (Henning Public School)	0.19322%	0.14332%	0.14976%	0.14892%	0.14014%
I.S.D. No.549 (Perham-Dent Public Schools)	0.11149%	0.08924%	0.08270%	0.08010%	0.07286%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Otter Tail County.

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1904. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Clerk-Treasurer and Deputy Clerk are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has three (3) full-time employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Unit(s)

The City does not have any recognized and certified bargaining units.

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[1] After reduction for State aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

POST EMPLOYMENT BENEFITS

The City does not pay directly for retirees' post-employment benefits. The City has some obligations for post-employment benefits as mandated by State Statutes. Specifically, the City is required to allow retirees to be covered by the City's health care plan as long as the retiree pays his/her premiums. Retiree membership in a health care plan typically increases costs of the premiums. This increased cost is commonly known as implicit price subsidy.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, Section 471.831, as amended, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (as of August 25, 2026)

Fund	Total Cash and Investments
General	$2,791,370
Debt Service	41,355
TIF 1-3, 1-4, 1-5, 1-6, 1-7, 1-8	13,963
Enterprise Funds - Water	530,616
Fire Fund	56,089
Community Development	43,544
Total Funds on Hand	$3,476,937

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2023 Audited	2024 Audited	2025 Audited
Water			
Total Operating Revenues	$230,033	$224,541	$264,021
Less: Operating Expenses	(189,404)	(110,242)	(107,890)
Operating Income	$40,629	$114,299	$156,131
Plus: Depreciation	114,338	0	0
Revenues Available for Debt Service	$154,967	$114,299	$156,131

SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues, expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2025 audited financial statements.

	FISCAL YEAR ENDING DECEMBER 31				
COMBINED STATEMENT	**2021 Audited**	**2022 Audited**	**2023 Audited**	**2024 Audited**	**2025 Audited**
Revenues					
Property taxes	$419,029	$455,360	$532,505	$650,410	$689,020
Lodging taxes	33,333	41,207	42,806	41,322	32,058
Special assessments	0	0	2,028	15,762	28,596
Tax increments	0	0	53,746	0	0
Licenses and permits	22,602	23,335	23,720	22,340	21,802
Intergovernmental revenues	67,836	36,511	29,415	199,289	96,257
Charges for services	4,686	16,560	21,103	16,338	18,303
Other	103,913	77,965	229,418	187,620	358,887
Total Revenues	$651,399	$650,938	$934,741	$1,133,081	$1,244,923
Expenditures					
General government	$242,208	$239,134	$292,686	$290,162	$400,924
Public works	57,489	80,937	327,424	33,162	121,932
Sanitation	5,402	5,934	5,055	3,758	4,223
Culture and recreation	36,423	39,433	13,745	84,899	43,241
Capital outlay	3,670	169,551	0	492,355	0
Total Expenditures	$345,192	$534,989	$638,910	$904,336	$570,320
Excess of revenues over (under) expenditures	$306,207	$115,949	$295,831	$228,745	$674,603
Other Financing Sources (Uses)					
Transfers in	$0	$0	$0	$0	$100,000
Transfers (out)	(35,791)	(109,104)	(252,840)	(51,356)	(45,959)
Total Other Financing Sources (Uses)	($35,791)	($109,104)	($252,840)	($51,356)	$54,041
Net changes in Fund Balances	$270,416	$6,845	$42,991	$177,389	$728,644
General Fund Balance January 1	$1,491,532	$1,761,948	$1,768,793	$1,811,784	$1,997,068
Prior Period Adjustment	0	0	0	7,895	0
General Fund Balance December 31	$1,761,948	$1,768,793	$1,811,784	$1,997,068	$2,725,712
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	$5,081	$5,361	$6,974	$0	$0
Restricted	2,737	7,080	127,039	165,972	165,972
Unassigned	1,754,130	1,756,352	1,677,771	1,831,096	2,559,740
Total	$1,761,948	$1,768,793	$1,811,784	$1,997,068	$2,725,712

Note: The higher-than-normal intergovernmental revenue in Fiscal Year 2024 was due to the receipt of grants and donations for a walking trail and was offset by a corresponding capital outlay expenditure in the same year.

GENERAL FUND BUDGET SUMMARY

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31 2026 Adopted Budget[1]
Revenues	
Property taxes	$766,887
Lodging taxes	47,500
Special assessments	56,224
Licenses and permits	17,605
Intergovernmental revenues	26,500
Charges for services	14,050
Other	32,260
Total Revenues	$961,026
Expenditures	
General government	$371,700
Public works	50,600
Sanitation	264,429
Culture and recreation	33,165
Capital outlay	134,600
Debt service	64,020
Total Expenditures	$918,514
Excess of revenues over (under) expenditures	$42,512
Other Financing Sources (Uses)	
Transfers in (out)	($42,512)
Total Other Financing Sources (Uses)	($42,512)
Net changes in Fund Balances	$0

1 The 2026 budget was adopted on December 18, 2025.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 629 and a 2025 population estimate of 716, and comprising an area of 5.96 square miles, is located approximately 160 miles northwest of St. Paul, Minnesota and about 65 miles southeast of Fargo, North Dakota.

LARGER EMPLOYERS[1]

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Thumper Pond Resort and Restaurant	Resort/hotel/golf course	80-150
Hilltop Lumber	Lumber company	28
Ottertail Aggregate, Inc.	Excavating contractors	25
Carr's Lake Country Supermarket	Fuel and supermarket	25
Carr's Tree Service *(Corporate office only)*	Tree removal service	20
Otter Supper Club & Lounge	Restaurant/lounge/hotel	20
My Kind of Bank	Bank and financial services	12
Woodshed Bar & Grill[2]	Full service restaurant-liquor retail	12
Precision Landscape & Irrigation LLC	Landscaping company	10
Periwinkle	Clothing store	10

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

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

[2] Previously listed as Hoot-N-Holler.

BUILDING PERMITS (as of August 26, 2026)

	2022	2023	2024	2025	2026
New Single Family Homes					
No. of building permits	9	11	8	7	4
Valuation	$2,720,000	$3,586,000	$2,918,000	$2,759,000	$845,000
New Multiple Family Buildings					
No. of building permits	1	1	0	2	0
Valuation	$450,000	$500,000	$0	$1,200,000	$0
New Commercial/Industrial					
No. of building permits	3	0	1	2	0
Valuation	$830,000	$0	$400,000	$4,100,000	$0
All Building Permits *(including additions and remodelings)*					
No. of building permits	57	47	39	42	35
Valuation	$5,527,684	$4,851,000	$4,592,100	$6,725,400	$2,241,280

Source: The City.

U.S. CENSUS DATA

Population Trend: The City

2010 U.S. Census population	572
2020 U.S. Census population	629
Percent of Change 2010 - 2020	9.97%
2025 State Demographer Population Estimate	716

Income and Age Statistics

	The City	Otter Tail County	State of Minnesota	United States
2024 per capita income	$59,018	$39,580	$48,237	$44,673
2024 median household income	$80,500	$72,255	$89,062	$80,734
2024 median family income	$98,750	$94,539	$113,993	$99,999
2024 median gross rent	$1,150	$868	$1,280	$1,413
2024 median value owner occupied units	$332,900	$273,000	$329,300	$332,700
2024 median age	55.8 yrs.	46.2 yrs.	38.8 yrs.	38.9 yrs.

	State of Minnesota	United States
City % of 2024 per capita income	122.35%	132.11%
City % of 2024 median family income	86.63%	98.75%

Housing Statistics

	The City		
	2020	2025	Percent of Change
All Housing Units	279	318	13.98%

Source: 2010 and 2020 Census of Population and Housing, and 2024 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (https://data.census.gov), and Minnesota State Demographer (https://mn.gov/admin/demography/data-by-topic/population-data/our-estimates/).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	Otter Tail County	Otter Tail County	State of Minnesota
2022	29,289	2.9%	2.5%
2023	29,544	3.4%	2.8%
2024	29,909	3.6%	3.1%
2025	29,574	4.6%	3.9%
2026, July	29,780	4.6%	4.6%

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the City requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

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

CITY OF OTTERTAIL, MINNESOTA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

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INTRODUCTORY SECTION

CITY OF OTTERTAIL, MINNESOTA
PRINCIPAL CITY OFFICIALS
YEAR ENDED DECEMBER 31, 2025

Position	Name	Term Expires
Elected Officials		
Mayor	Ronald Grobeck	December 31, 2026
Councilperson	Mike Windey	December 31, 2028
Councilperson	Jill Carlson	December 31, 2026
Councilperson	Elizabeth Augustus	December 31, 2026
Councilperson	Jerrold Martin	December 31, 2026
Appointed		
Clerk/Treasurer	Amanda Thorson	Appointed
Deputy Clerk/Treasurer	Patty Hensel	Appointed

FINANCIAL SECTION

BRIAN D. KOEHN, CPA, PLLC

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WEBSITE: www.koehncpa.com

INDEPENDENT AUDITORS' REPORT

City Council
City of Ottertail, Minnesota

Opinions

I have audited the accompanying financial statements of the City of Ottertail, Minnesota, which comprise of the statement of balances arising from cash transactions of each fund as of December 31, 2025, and the related statement of receipts, disbursements, and changes in cash fund balances – governmental funds, statement of receipts, disbursements, and changes in cash fund balances – proprietary funds, and the statement of cash flows – proprietary funds for each fund, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In my opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the City of Ottertail, Minnesota, as of December 31, 2025, and their respective cash receipts and disbursements, in accordance with the financial reporting provisions of Minnesota Office of the State Auditor as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of my report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Ottertail, Minnesota, as of December 31, 2025, or changes in net position, or cash flows thereof for the year then ended.

Basis for Opinions

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the City of Ottertail, Minnesota, in accordance with the financial reporting provisions of the *Minnesota Office of the State Auditor*, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the *Minnesota Office of the State Auditor*. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Ottertail, Minnesota'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Ottertail, Minnesota's ability to continue as a going concern for a reasonable period of time.

I am 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements, which comprise of the statement of balances arising from cash transactions of each fund as of December 31, 2025, and the related statement of receipts, disbursements, and changes in cash fund balances – governmental funds, statement of receipts, disbursements, and changes in cash fund balances – proprietary funds, and the statement of cash flows – proprietary fund. The budgetary comparison information and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budgetary comparison information and the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the 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 and statistical sections but does not include the basic financial statements and our auditor's report thereon. My opinions on the financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon. In connection with my audit of the basic financial statements, my 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, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in our report.

Change in Accounting Principle

As Described in Note 13 to the financial statements, the City adopted the regulatory basis of accounting in accordance with the financial reporting provisions of the *Minnesota Office of the State Auditor,* for the year ended December 31, 2025, Adoption of the provisions of the regulatory basis results in significant change to the classification of the components of the financial statements. My opinion is not modified with respect to this matter.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, I have also issued my report dated August 27, 2026, on my consideration of the City of Ottertail, Minnesota's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for Cities,* promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the report is to determine if the City has complied with Minnesota Laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated August 27, 2026, on my consideration of the City of Ottertail, Minnesota's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Ottertail, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Ottertail, Minnesota's internal control over financial reporting and compliance.

Brian D. Koehn, CPA, PLLC

Brian D. Koehn, CPA, PLLC
Parkers Prairie, Minnesota
August 27, 2026

BASIC FINANCIAL STATEMENTS

CITY OF OTTERTAIL, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS – GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2025

ASSETS	General	Fire	Loan Pool	GO Bond	Capital Projects Fund	Total Governmental Funds
Cash	$ 2,101,007	$ 131,369	$ 33,543	$ 10,348	$ (16,921)	$ 2,259,346
Time Deposits	624,705	-	-	-	-	624,705
Due from Other Fund	-	-	-	-	-	-
Total Assets	2,725,712	131,369	33,543	10,348	(16,921)	2,884,051
CASH FUND BALANCES						
Restricted for Specific Purposes	165,972	72,595	-	10,348	-	248,915
Assigned for Specific Purposes	-	58,774	33,543	-	-	92,317
Unassigned	2,559,740	-	-	-	(16,921)	2,542,819
Total Cash Fund Balances	2,725,712	131,369	33,543	10,348	(16,921)	2,884,051
Total Liabilities and Cash Fund Balances	$ 2,725,712	$ 131,369	$ 33,543	$ 10,348	$ (16,921)	$ 2,884,051

See accompanying notes to financial statements

CITY OF OTTERTAIL, MINNESOTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General	Fire	Loan Pool	GO Bond	Capital Projects Fund	Total Governmental Funds
RECEIPTS						
Property Taxes	$ 689,020	$ -	$ -	$ 53,513	$ -	$ 742,533
Lodging Taxes	32,058	-	-	-	-	32,058
Special Assessments	28,596	-	-	9,691	-	38,287
Tax Increments	-	-	-	-	39,400	39,400
Licenses and Permits	21,802	-	-	-	7,610	29,412
Intergovernmental Receipts	96,257	35,135	-	-	-	131,392
Charges for Services	18,303	34,477	-	-	-	52,780
Other Receipts	358,887	136,500	156	2	52,326	547,871
Total Receipts	1,244,923	206,112	156	63,206	99,336	1,613,733
DISBURSEMENTS						
General Government						
Current	396,850	-	7,405	920	60,202	465,377
Capital Outlay	4,074	-	-	-	-	4,074
Public Safety						
Current	-	112,818	-	-	-	112,818
Capital Outlay		22,119				22,119
Public Works						
Current	35,413	-	-	-	-	35,413
Capital Outlay	86,519	-	-	-	-	86,519
Sanitation						
Current	4,223	-	-	-	-	4,223
Culture and Recreation						
Current	43,241	-	-	-	-	43,241
Debt Service						
Principal	-	41,239	-	50,000	-	91,239
Interest	-	7,121	-	12,600	-	19,721
Total Disbursements	$ 570,320	$ 183,297	$ 7,405	$ 63,520	$ 60,202	$ 884,744

CITY OF OTTERTAIL, MINNESOTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General	Fire	Loan Pool	GO Bond	Capital Projects Fund	Total Governmental Funds
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	$ 674,603	$ 22,815	$ (7,249)	$ (314)	$ 39,134	$ 728,989
OTHER FINANCING SOURCES (USES)						
Transfers from Government Fund	100,000	35,959	10,000	-	-	145,959
Transfers to Government Fund	(45,959)	-	(100,000)	-	-	(145,959)
Total Other Financing Sources (Uses)	54,041	35,959	(90,000)	-	-	-
NET CHANGE IN CASH FUND BALANCE	728,644	58,774	(97,249)	(314)	39,134	728,989
Cash Fund Balance - Beginning of Year	1,997,068	72,595	130,792	10,662	(56,055)	2,155,062
CASH FUND BALANCE - END OF YEAR	$ 2,725,712	$ 131,369	$ 33,543	$ 10,348	$ (16,921)	$ 2,884,051

See accompanying notes to financial statements

CITY OF OTTERTAIL, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
WATER ENTERPRISE FUND
AS OF DECEMBER 31, 2025

CURRENT ASSETS		
Cash and Cash Equivalents	$	428,668
Time Deposits		70,916
Total Current Assets		499,584
NET CASH POSITION		
Unrestricted		499,584
Total Net Cash Position	$	499,584

See accompanying notes to financial statements

CITY OF OTTERTAIL, MINNESOTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN NET CASH POSITION
WATER ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2025

OPERATING RECEPITS	
Charges for Services	$ 342,572
Less: Cost of Sales	(103,475)
Connection and Inspection Fees	24,924
Total Operating Receipts	264,021
OPERATING DISBURSEMENTS	
Personal Services	41,491
Supplies	13,300
Dues, Permits, and Fees	12,307
Maintenance and Repairs	10,254
Miscellaneous	30,538
Total Operating Disbursements	107,890
OPERATING CASH INCOME	156,131
NONOPERATING RECEIPTS (DISBURSEMENTS)	
Interest Receipts	3,105
Interest Disbursements	(8,215)
Principal Paid	(40,000)
Other Receipts	1,389
Total Nonoperating Receipts (Disbursements)	(43,721)
CHANGE IN NET CASH POSITION	112,410
Net Cash Position - Beginning	387,174
NET CASH POSITION - END OF YEAR	$ 499,584

See accompanying notes to financial statements

CITY OF OTTERTAIL, MINNESOTA
STATEMENT OF CASH FLOWS – CASH BASIS
WATER ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 367,496
Cash Paid to Suppliers	(169,874)
Cash Paid to Employees	(41,491)
Net Cash Provided by Operating Activities	156,131
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Other Nonoperating Revenue	1,389
Net Cash Provided by Noncapital Financing Activities	1,389
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond and Note Principal Payments	(40,000)
Bond and Note Interest Payments	(8,215)
Net Cash Used by Capital and Related Financing Activities	(48,215)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	3,105
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	112,410
Cash and Cash Equivalents - Beginning of Year	387,174
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 499,584

See accompanying notes to financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with the Reporting and Publishing Requirements for Audited Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting as prescribed by the *Minnesota Office of the State Auditor*. The more significant accounting policies used by the City is discussed below.

A. Financial Reporting Entity

The City of Ottertail, Minnesota (the City) was formed and operates pursuant to applicable Minnesota laws. The City provides various services for citizens, including general government, public safety, streets, and park facilities. It also operates water utilities. The governing body consists of a four-member council and a mayor elected by voters of the City.

Generally accepted accounting principles define the reporting entity as the City and its component units. Component units are legally separate organizations for which the primary government is considered to be financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The primary government is considered financially accountable for a component unit if it appoints a voting majority of an organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. The City has no component units.

B. Description of Funds

The accounts of the city are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts and disbursements and cash balances. The various funds are presented as follows:

The City reports the following governmental funds:

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

Fire Special Revenue Funds - The fire fund is used to account for the proceeds of certain specific receipt sources that are legally restricted to disbursements for specified purposes.

Loan Pool Fund - The Loan Pool Fund is a special revenue fund that is used to account for the activity related to the forgivable revolving loan program.

GO Bond Fund - The GO Bond Fund is used to account for the accumulation of resources and payment of the City's GO Bonds.

Capital Projects Fund - The Capital Projects Fund is used to account for the construction costs related to the City's improvement projects. The City uses various Capital Project funds for internal use, but the report combines them to report one major fund.

The City reports the following proprietary fund:

Water Fund – The water enterprise fund accounts for the activities of the City's water operations.

C. Significant Accounting Policies

Basis of Accounting – The accompanying financial statements have been prepared on the regulatory basis of accounting in accordance with Reporting and Publishing Requirements for Audited Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting as prescribed by the *Minnesota Office of the State Auditor*, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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.

The proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the City's enterprise fund is charges to customers for sales of goods and services. Operating disbursements for the enterprise fund include the cost of sales and services and administrative disbursements. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Assets, Liabilities, and Net Cash Position or Equity

1. Cash and Cash Equivalents

Cash balances are invested to the extent available in various certificates of deposit as authorized by Minnesota Statutes. Interest earnings are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

For the purposes of the statement of cash flows of the proprietary fund cash and cash equivalents consists of demand deposits.

Cash consists of checking and savings accounts and time deposits.

2. Special Assessments

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

3. Compensated Absences

   All full-time employees of the City are entitled to annual vacation and sick leave with pay. Employees are allowed vacations up to 10 days per year. Sick leave of one day per month may be accumulated up to a maximum of 20 days for City employees. Upon retirement the employee is paid for all accumulated vacation, sick leave is not paid out. Compensated absences are not recorded in the financial statements.

4. Fund Balance Classifications

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

   Non-spendable - consists of amounts that are not in spendable form, such as inventory and prepaid items.

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

   Committed - consists of internally imposed constraints. These constraints are established by a Resolution of the City Council.

   Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management. Pursuant to Council Resolution, the City's Clerk is authorized to establish assignments of fund balance.

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

E. Receipts and Disbursements

1. Receipts

   In the fund financial statements, property taxes are recognized when collected. Portions paid by the State in the form of market value credit aid, and other state tax credits are included in intergovernmental receipts.

   Licenses and permits, charges for services, fines, forfeits, and miscellaneous receipts are recorded as collected.

Property Tax Collection Calendar

The City levies its property taxes for the subsequent year during the month of December. In Minnesota, the lien date and assessment date is January 2. The property tax is recorded as a receipt when it is paid. Otter Tail County is the collecting agency for the levy and then remits the collections to the City. All taxes not collected by the county as of December 31 are shown as delinquent taxes receivable.

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

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

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

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

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

2. Disbursements

   Disbursements are recognized when paid.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget

The budget was prepared on the same basis and using the same accounting practices as are used to account and prepare financial reports for the fund. The budget presented in this report in the budget to actual is presented in accordance with Reporting and Publishing Requirements for Audited Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting as prescribed by the *Minnesota Office of the State Auditor*. Budgets are adopted only for the General Fund and Fire Fund.

Excess of Disbursements over Appropriations

The Fire Fund had disbursements exceeding budgeted amounts by $25,417. This was determined necessary by the City Council.

NOTE 3 DEPOSITS

The City only uses one financial institution which exposes them to custodial credit risk and concentration of credit risk. These risks are managed through the use of pledged collateral. It is the policy of the City to maintain collateral of at least 110% of the depository balance that is in excess of FDIC insurance.

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

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

Authorized collateral includes: a) United States government treasury bills, treasury notes, treasury bonds; b) issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity; c) general obligation securities of any state or local government with taxing powers rated “A” or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers rated “AA” or better by a national bond rating service; d) unrated general obligation securities of a local government with taxing powers pledged as collateral against funds deposited by that same local government entity; e) irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the Banks’ public debt is rated “AA” or better by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation; or f) time deposits fully insured by any federal agency.

Minnesota Statutes require that collateral be held 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 not owned or controlled by the depository. The selection shall be approved by the government entity.

Due to and from other fund represents deficit cash in the Capital Projects that was borrowed from the General Fund

A reconciliation of cash and time deposits as shown on the Statement of Net Cash Position for the City follows:

Carrying Amount of Deposits in Checking	$ 2,688,014
Time Deposits	695,621
Total	$ 3,383,635

NOTE 4 REVOLVING LOANS AND LEASES RECEIVABLE

The City has issued three forgivable revolving loans during 2022 totaling $25,000. These loans are not expected to be repaid as they are forgiven to the borrower over seven years unless the property is sold before that time. Therefore, no receivable is recorded. The amounts to be forgiven are $3,571 each year during the years ended December 31, 2025 thru 2029. Currently, there remains $14,287 in forgivable revolving loans.

The City leases space on its water tower for a business to install, maintain, operate, and remove radio equipment. This is a five-year lease that commenced during 2022 and matures in 2026.

The City also leases space for another business to install, maintain, and operate communications equipment. This is a five-year lease that originally commenced in 2017, but was renewed for another five years in 2022. There are three additional extensions allowed in the contract. This lease matures in 2042.

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
Radio on Water Tower Lease	11/10/2022	5.0%	$ 1,088	$ 1,143
Cellular Tower Lease	10/9/2022	2.5%	6,424	178,478
			$ 7,512	$ 179,621

The amortization of the of the inflows future inflows of resources is as follows:

Year	Principal	Interest	Remaining
2026	$ 7,951	$ 4,442	$ 179,620
2027	7,207	4,210	171,670
2028	7,620	4,025	164,463
2029	8,048	3,830	156,843
2030	8,492	3,624	148,795
2031-2035	49,696	14,615	101,570
2036-2040	63,419	7,584	41,088
2041-2042	27,189	660	-
Total	$ 179,621	$ 42,990	$ -

NOTE 5 OPERATING TRANSFERS

The following transfers were considered necessary for operations by the City Council:

Transfer Out	Transfer In	Amount	Purpose
General	Fire	$ 35,959	City Share of Expenditures
Loan Pool	General	100,000	Reallocation Per Donor Request
General	Loan Pool	10,000	Annual Allocation for Development Fund
Total		$ 145,959	

NOTE 6 LONG-TERM DEBT REQUIREMENTS

The following is a summary of the long-term debt transactions of the city for the year ended December 31, 2025.

	Outstanding December 31, 2024	Issued in 2025	Paid in 2025	Outstanding December 31, 2025	Interest Paid 2025	Principal Due in 2025
Capital Leases	$ 105,590	$ -	$ 41,239	$ 64,352	$ 7,121	$ 41,239
General Obligation Bonds	445,000	-	50,000	395,000	13,025	-
General Obligation Water Revenue Bonds	590,000	-	40,000	550,000	7,640	-
Total Indebtedness	$ 1,140,590	$ -	$ 131,239	$ 1,009,352	$ 27,786	$ 41,239

Long-term debt maturities are as follows:

	Governmental Capital Leases		Governmental Bonds		Business-Type		Total Government Wide		
Year Ended December 31,	Principal Maturities	Interest Maturities	Principal Maturities	Interest Maturities	Principal Maturities	Interest Maturities	Principal Maturities	Interest Maturities	Total
2026	$ 47,064	$ 2,319	$ -	$ 6,013	$ -	$ 3,650	$ 47,064	$ 11,982	$ 59,045
2027	5,515	765	55,000	11,200	40,000	7,130	100,515	19,095	119,610
2028	5,759	521	55,000	9,550	40,000	6,790	100,759	16,861	117,620
2029	6,014	266	55,000	7,900	40,000	6,450	101,014	14,616	115,630
2030	-	-	55,000	6,250	40,000	6,060	95,000	12,310	107,310
2031-2035	-	-	175,000	8,448	210,000	22,640	385,000	31,088	416,088
2036-2039	-	-	-	-	180,000	5,760	180,000	5,760	185,760
Total	$ 64,350	$ 3,872	$ 395,000	$ 49,360	$ 550,000	$ 58,480	$ 1,009,350	$ 111,712	$ 1,121,062

GO Water Revenue Bonds - These bonds are payable solely from revenues of the water enterprise fund.	
$745,000 of General Obligation Water Revenue Refunding Bonds of 2020, interest of .45% to 1.60%. These bonds mature on January 1, 2039.	$ 550,000
G.O Bonds - These Bonds are payable primarily from property taxes and special assessments	
$770,000 General Obligation Bonds Series 2017A, Interest of 1.4 to 3.1%. These bonds Mature Februiary 1, 2033.	395,000
Capital Lease - These leases are payable from property taxes and charges to the Townships	
$355,541 Capital Lease of 2016, interest of 3.2%. This Lease matures on July 1, 2026.	41,784
$37,104 Radio Capital Lease of 2022, interest of 5.72%. This Lease matures on March 1, 2029.	22,567
Total Long-Term Debt	$ 1,009,351

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description

All full-time and certain part-time employees of the City of Ottertail, Minnesota are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (accounted for in the General Employees Fund), the Public Employees Police and Fire Retirement Plan (accounted for in the Police and Fire Fund), and the Local Government Correctional Service Retirement Plan, called the Public Employees Correctional Plan (accounted for in the Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the Police and Fire Plan. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/ dispatcher, or as a supervisor of correctional guards, officers, or joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the Correctional Plan.

PERA provides retirement benefits as well as disability benefits to members and survivor benefits upon death of eligible members. Benefits are established by state statute. Benefits for members of the General Employees Plan vest after five years of credited service. Benefits for the Police and Fire Plan vest on a prorated basis from 50 percent after 10 years up to 100 percent after 20 years. In the Correctional Plan, benefits vest on a prorated basis from 50 percent after 5 years up to 100 percent after 10 years. The defined benefit retirement plan benefits are based on a member's highest average salary for any 5 years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

For all General Employee Plan members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about six percent per year) for members retiring prior to full retirement age.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service before retirement benefits begin.

The benefit provisions stated in the preceding paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees, Police and Fire, and Correctional plans. That report may be obtained on the PERA's website at www.mnpera.org/financial/.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state Legislature. In 2024, Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary, Police and Fire Plan members were required to contribute 11.8 percent of their annual covered salary, and Correctional Plan members were required to contribute 5.83 percent of their annual covered salary.

The City of Ottertail, Minnesota makes annual contributions to the pension plans equal to the amount required by state statutes. In 2024, the City was required to contribute 7.5 percent for Coordinated Plan members.

The City of Ottertail, Minnesota's contributions to the General Employees Fund for the years ending December 31, 2025, 2024, and 2023 were $11,801, $10,913, and $8,978 respectively.

NOTE 8 DEFINED BENEFIT PENSION PLAN - VOLUNTEER FIRE RELIEF ASSOCIATION

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability [or asset if applicable], deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year is June 30. For this purpose, plan contributions are recognized when due according to state statute and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

The Ottertail Fire Department participates in the Statewide Volunteer Firefighter Retirement 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, 2025, the plan covered 22 active firefighters and 3 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G.

Funding Policy

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed $30,856 in fire state aid to the fund for the year ended December 31, 2024. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2024, were $0. The City's contributions were equal to the required contributions as set by state statute, if applicable.

Below is a schedule of distributions for the current year and two preceding years:

	2025	2024	2023
State of Minnesota Fire Aid	$ 32,096	$ 30,856	$ 27,412
Voluntary City Contributions	-	-	-

Annual Pension Cost and Net Pension Obligation

The annual required contribution for the current year was determined by forms provided and required by the Minnesota Office of the State Auditor. The actuarial assumptions included a 5% investment rate of return.

NOTE 9 SPECIAL ASSESSMENTS

Special assessments for improvements were levied against the benefited properties for the assessable costs of the project in accordance with State Statutes. Assessments are collectible over a term of years at an interest rate established by the City Council upon adoption of each assessment roll. Annual installments are collected by the County and then remitted to the City. The City does not record special assessments receivable in the financial statements.

NOTE 10 FUND BALANCES

Certain portions of fund balances are restricted based on regulatory or donor requirements to track funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. Certain portions of fund balance are also committed or assigned based on policy and management decisions

At December 31, 2025 the City has recorded the following categories of cash fund balance for the following purposes:

Cash Fund Balances	General Fund	Fire Fund	Loan Pool	GO Bond	Capital Projects	Total
Restricted for						
Recreation	391	-	-	-	-	391
Tyler Wohlers Trail	109,686	-	-	-	-	109,686
Employee Recognition	286	-	-	-	-	286
Fire Gear	-	72,595	-	-	-	72,595
Bay View Park	200			-	-	200
ARPA Funds	1,123	-	-	-	-	1,123
Small Cities Assistance	31,323	-	-	-	-	31,323
Demo Derby Imp.	22,641	-	-	-	-	22,641
Warming House	322	-	-	-	-	322
Debt Service	-	-	-	10,348	-	10,348
Assigned for						
Loan Pool	-	-	33,543	-	-	33,543
Unassigned	2,559,740	-	-		(16,921)	2,542,819
Total	$ 2,725,712	$ 131,369	$ 33,543	$ 10,348	$ (16,921)	$ 2,884,051

NOTE 11 TAX ABATEMENTS

As of December 31, 2025, the City had four agreements that are listed below that abate City property taxes. Below is information specific to each agreement:

The City entered into a tax increment financing agreement (TIF #1-3) on November 1, 2016 with two developers on in which the developers incur costs for property improvements. In return, the City will obtain real property and construct certain infrastructure assets to be financed with bonds. The bonds will be repaid as the city collects future tax increments for the increased property value and tax capacity related to the housing development. The agreement has a maximum return to the city of $2,201,617 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #1-4) on June 7, 2018 with three developers in which the developers incur costs for property improvements. In return, the City will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developers of $669,428 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #1-5) on June 7, 2018 with a developer in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the City collects future tax increments for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of $121,383 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #1-6) on July 18, 2021, with a developer on in which the developer incurs the costs for property improvements. In return, the city will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of $170,753 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469-179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #1-7) on May 23, 2022, with a developer on in which the developer incurs the costs for property improvements. In return, the city will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of $97,188 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469-179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #1-8) on September 24, 2025, with a developer on in which the developer incurs the costs for property improvements. In return, the city will reimburse the developer for some costs as the city collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of $635,625 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469-179). The calculation of taxes abated during the fiscal year is noted in the chart below.

Tax Abatement Agreements	City Tax Rate (Year of Establishment)	Original District Tax Capacity	Current District Tax Capacity	Amount of Taxes Abated This Fiscal Year
TIF (Bonds)				
1-3	30.21%	7,999	68,957	48,504
TIF (PAYGO)				
1-4	34.50%	4,621	20,310	12,053
1-5	34.96%	971	8,768	5,990
1-6	48.00%	810	6,910	4,650
1-7	32.32%	771	4,960	2,737
1-8	31.14%	69	69	-
				$ 73,934

NOTE 12 RISK MANAGEMENT

The City is exposed to various risks of loss related to: torts, theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating as common risk management and insurance program for Minnesota cities. The City also carries commercial insurance for certain other risks of loss, including employee health insurance.

The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member assessments and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The pool can make additional assessments to make the pool self-sustaining. The City has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

NOTE 13 SUBSEQUENT EVENTS

The City has authorized $2,400,000 General Obligation Capital Improvement Plan Bonds, Series 2026A on August 20, 2026 for the construction of new fire department facilities. The closing is expected on October 8, 2026. The bonds will be repaid over 15 years with payments starting August 1, 2027 and ending on February 1, 2042.

SUPPLEMENTARY INFORMATION

CITY OF OTTERTAIL, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED DECEMBER 31, 2025

	Original and Final	Actual	Variance with Final Budget
RECEIPTS			
Taxes	$ 831,962	$ 749,674	$ (82,288)
Licenses and Permits	14,780	21,802	7,022
Intergovernmental Receipts	21,650	96,257	74,607
Charges for Services	12,050	18,303	6,253
Other Receipts	21,613	358,887	337,274
Total Receipts	902,055	1,244,923	342,868
DISBURSEMENTS			
Current:			
General Government	407,430	396,850	(10,580)
Public Safety	15,000	-	(15,000)
Public Works	90,600	35,413	(55,187)
Sanitation	9,400	4,223	(5,177)
Culture and Recreation	252,255	43,241	(209,014)
Debt Service	63,138	-	(63,138)
Capital Outlay			
General Government	74,000	4,074	(69,926)
Public Works	147,250	86,519	(60,731)
Total Disbursements	1,059,073	570,320	(488,753)
EXCESS OF RECEIPTS OVER DISBURSEMENTS	(157,018)	674,603	831,621
OTHER FINANCING USES			
Transfer to Other Funds	(56,512)	(45,959)	10,553
NET CHANGE IN CASH FUND BALANCE	(213,530)	728,644	942,174
Cash Fund Balance - Beginning of Year	1,997,068	1,997,068	-
CASH FUND BALANCE - END OF YEAR	$ 1,783,538	$ 2,725,712	$ 942,174

NOTE TO SCHEDULE

The budget and the actual are both prepared on the same basis as the financial statements.

CITY OF OTTERTAIL, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – FIRE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2025

FIRE FUND	Original and Final	Actual	Variance with Final Budget
RECEIPTS			
Intergovernmental Receipts	$ -	$ 35,135	$ 35,135
Charges for Services	60,000	34,477	(25,523)
Other Receipts	11,425	136,500	125,075
Total Receipts	71,425	206,112	134,687
DISBURSEMENTS			
Public Safety			
Current	103,000	112,818	9,818
Capital Outlay	-	22,119	22,119
Debt Service			
Principal	49,680	41,239	(8,441)
Interest	5,200	7,121	1,921
Total Disbursements	157,880	183,297	25,417
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(86,455)	22,815	109,270
OTHER FINANCING SOURCES			
Transfers from Other Funds	56,512	35,959	(20,553)
Total Other Financing Sources	56,512	35,959	(20,553)
NET CHANGE IN CASH FUND BALANCE	(29,943)	58,774	88,717
Cash Fund Balance - Beginning of Year	72,595	72,595	-
CASH FUND BALANCE - END OF YEAR	$ 42,652	$ 131,369	$ 88,717

NOTE TO SCHEDULE

The budget and the actual are both prepared on the same basis as the financial statements.

CITY OF OTTERTAIL, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General	Fire	Loan Pool	GO Bond	Capital Projects Fund	Total Governmental Funds
RECEIPTS						
Taxes						
Property Taxes	$ 689,020	$ -	$ -	$ 53,513	$ -	$ 742,533
Lodging Taxes	32,058	-	-	-	-	32,058
Special Assessments	28,596	-	-	9,691	-	38,287
Tax Increments	-	-	-	-	39,400	39,400
Total Taxes	749,674	-	-	63,204	39,400	852,278
Licenses and Permits						
Business	10,105	-	-	-	7,610	17,715
Nonbusiness	11,697	-	-	-	-	11,697
Total Licenses and Permits	21,802	-	-	-	7,610	29,412
Intergovernmental Receipts						
State						
Market Value Credits - Agricultural	1,444	-	-	-	-	1,444
State Fire Aid	-	32,096	-	-	-	32,096
Other	39,813	3,039	-	-	-	42,852
County	55,000	-	-	-	-	55,000
Total Intergovernmental Receipts	96,257	35,135	-	-	-	131,392
Charges for Services						
Township Fire Contracts	-	30,332	-	-	-	30,332
Fire Calls and Mutual Aid	-	4,145	-	-	-	4,145
Sanitation	3,296	-	-	-	-	3,296
Rents Collected	15,007	-	-	-	-	15,007
Total Charges for Services	18,303	34,477	-	-	-	52,780
Other Receipts						
Interest	68,634	9	6	2	-	68,651
Donations	274,760	136,111	-	-		410,871
Other	15,493	380	150	-	52,326	68,349
Total Other Receipts	358,887	136,500	156	2	52,326	547,871
Total Receipts	$ 1,244,923	$ 206,112	$ 156	$ 63,206	$ 99,336	$ 1,613,733

CITY OF OTTERTAIL, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2025

	General	Fire	Loan Pool	GO Bond	Capital Projects Fund	Total Governmental Funds
DISBURSEMENTS						
General Government						
Mayor and Council	$ 11,846	$ -	$ -	$ -	$ -	$ 11,846
Municipal Clerk	138,139	-	-	-	-	138,139
Other General Government	246,865	-	7,405	920	60,202	315,392
Capital Outlay	4,074	-	-	-	-	4,074
Total General Government	400,924	-	7,405	920	60,202	469,451
Fire Protection						
Fire Protection - Current	-	112,818	-	-	-	112,818
Fire Protection - Capital Outlay	-	22,119	-	-	-	22,119
Total Public Safety	-	134,937	-	-	-	134,937
Public Works						
Highways and Streets						
Street Maintenance/Cleaning	3,861	-	-	-	-	3,861
Street Lighting	14,487	-	-	-	-	14,487
Snow Removal	17,065	-	-	-	-	17,065
Capital Outlay - Streets	86,519	-	-	-	-	86,519
Total Public Works	121,932	-	-	-	-	121,932
Sanitation						
Current	4,223	-	-	-	-	4,223
Culture and Recreation						
Culture and Recreation - Current	43,241	-	-	-	-	43,241
Debt Service						
Principal	-	41,239	-	50,000	-	91,239
Interest	-	7,121	-	12,600	-	19,721
Total Debt Service	-	48,360	-	62,600	-	110,960
Total Disbursements	$ 570,320	$ 183,297	$ 7,405	$ 63,520	$ 60,202	$ 884,744

CITY OF OTTERTAIL, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2025

	General	Fire	Loan Pool	GO Bond	Capital Projects Fund	Total Governmental Funds
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	$ 674,603	$ 22,815	$ (7,249)	$ (314)	$ 39,134	$ 728,989
OTHER FINANCING SOURCES (USES)						
Transfers from Other Funds	100,000	35,959	10,000	-	-	145,959
Transfers to Other Funds	(45,959)	-	(100,000)	-	-	(145,959)
Total Other Financing Sources (Uses)	54,041	35,959	(90,000)	-	-	-
NET CHANGE IN CASH FUND BALANCE	728,644	58,774	(97,249)	(314)	39,134	728,989
Cash Fund Balance - Beginning of Year	1,997,068	72,595	130,792	10,662	(56,055)	2,155,062
CASH FUND BALANCE - END OF YEAR	$ 2,725,712	$ 131,369	$ 33,543	$ 10,348	$ (16,921)	$ 2,884,051

CITY OF OTTERTAIL, MINNESOTA
COMBINING STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS – CAPITAL PROJECT FUND
YEAR ENDED DECEMBER 31, 2025

	TIF District 1-3	TIF District 1-4	TIF District 1-5	TIF District 1-6	TIF District 1-7	TIF District 1-8	Total Capital Projects Funds
ASSETS							
Cash	(27,185)	$ 9,365	3,618	(1,046)	(1,508)	(165)	$ (16,921)
CASH FUND BALANCES							
Unassigned	(27,185)	9,365	3,618	(1,046)	(1,508)	(165)	(16,921)
Total Liabilities and Cash Fund Balances	$ (27,185)	$ 9,365	$ 3,618	#####	$ (1,508)	$ (165)	$ 83,079

CITY OF OTTERTAIL, MINNESOTA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCE – CAPITAL PROJECT FUND
YEAR ENDED DECEMBER 31, 2025

	TIF District 1-3	TIF District 1-4	TIF District 1-5	TIF District 1-6	TIF District 1-7	TIF District 1-8	Total Capital Projects Fund
RECEIPTS							
Tax Increments	$ -	$ 17,130	$ 7,475	$ 5,973	$ 8,822	$ -	$ 39,400
Licenses and Permits	-	-	-	-	-	7,610	7,610
Other Revenues	52,326	-	-	-	-	-	52,326
Total Revenue	52,326	17,130	7,475	5,973	8,822	7,610	99,336
DISBURSEMENTS							
General Government							
Current	25,528	10,955	6,621	5,209	4,114	7,775	60,202
NET CHANGE IN CASH FUND BALANCE	26,798	6,175	854	764	4,708	(165)	139,134
Cash Fund Balance - Beginning of Year	(53,983)	3,190	2,764	(1,810)	(6,216)	-	(56,055)
CASH FUND BALANCE - END OF YEAR	$ (27,185)	$ 9,365	$ 3,618	$ (1,046)	$ (1,508)	$ (165)	$ 83,079

OTHER INFORMATION (UNAUDITED)

CITY OF OTTERTAIL, MINNESOTA
SCHEDULE OF ACCOUNTS RECEIVABLE
YEAR ENDED DECEMBER 31, 2025
(UNAUDITED)

Fund	Source of Revenue	Purpose	Amount
General Fund			
	Ottertail County	Property Taxes	$ 16,187
	The Otter Supper Club	Hotel Tax	166
	Residents	Burn Permits	11
	City of Perham	ROW Permit	280
	Thumper Pond Resort & Golf Course	Motel Tax	1,314
			$ 17,958
Fire			
	City of Henning	Mutual Aid Revenue	$ 240
	Resident	Fire Call Payment	500
			$ 740
Water			
	Ottertail County	Property Taxes	$ 826
	Various Customers	User Charges	1,729
			$ 2,555
TIF			
	Otter Tail County	Property Taxes	$ 5,012
Total			$ 26,265

CITY OF OTTERTAIL, MINNESOTA
SCHEDULE OF ACCOUNTS PAYABLE
DECEMBER 31, 2025
(UNAUDITED)

Vendor	Description	Amount
General		
1st National Bank Credit Card	Operating Supplies	$ 79
Carr's Tree Service, Inc.	Tree removal	650
Citizen's Advocate	Advertising	78
Brian D. Koehn	2025 Audit	1,000
City of Perham	Utilities	389
Hilltop Lumber	Operating Supplies	70
Karkela, Hunt & Cheshire, PLLP	Professional Fees	938
City of Battle Lake	Tri-City Management	50
Budget Payroll and Accounting	Operating Supplies	80
Otter Tail Aggregate	Repairs and Maintenance	6,715
Otter Tail Power Company	Electric Utilies	1,986
Ottertail Convention & Tourism	Lodging Tax	1,406
Steves Sanitation, Inc.	Garbage	112
Productive Alternatives, Inc.	Repairs and Maintenance	105
		$ 13,658
Fire		
American Welding	Oxygen Cylinders	$ 63
City of Perham	Utilities	221
Otter Tail Power Company	Electric Utilities	598
Great Plains Fire	Operating Supplies	851
		$ 2,023
Water		
City of Henning	Utilities	6,177
1st Nation Bank Credit Card	Operating Supplies	80
		$ 5,908
		$ 21,589

CITY OF OTTERTAIL, MINNESOTA
SCHEDULE OF INDEBTEDNESS
DECEMBER 31, 2025
(UNAUDITED)

	Interest Rate	Issue Date	Final Maturity	Outstanding January 1, 2025	Issued in 2025	Paid in 2025	Outstanding December 31, 2025	Principal Due in 2026	Interest Due in 2026
BONDED INDEBTEDNESS									
General Obligation Bonds									
G.O. Bonds Series 2017A	1.4-3.1%	07/13/17	02/01/33	$ 445,000	$ -	50,000	$ 395,000	$ -	$ 6,013
Revenue Bonds									
G.O Water Rev Refunding Bonds of 2020	0.45-1.60%	12/20/20	01/01/39	590,000	-	40,000	550,000	-	3,650
TOTAL BONDED INDEBTEDNESS				1,035,000	-	90,000	945,000	-	9,663
CAPITAL LEASES									
Municipal Lease and Option Agreement	3.2%	08/18/16	07/01/26	77,965	-	36,182	41,783	41,783	1,320
Municipal Lease and Option Agreement	5.7%	02/01/22	03/01/29	27,624	-	5,057	22,567	5,281	999
TOTAL INDEBTEDNESS				$ 1,140,589	$ -	$ 131,239	$ 1,009,350	$ 47,064	$ 11,982

REPORTS RELATED TO GOVERNMENT AUDITING STANDARDS

BRIAN D. KOEHN, CPA, PLLC

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City Council
City of Ottertail, Minnesota

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the City of Ottertail, Minnesota, which comprise of the statement of balances arising from cash transactions of each fund as of December 31, 2025, and the related statement of receipts, disbursements, and changes in cash fund balances – governmental funds, statement of receipts, disbursements, and changes in cash fund balances – proprietary funds, and the statement of cash flows – proprietary funds for each fund, and the related notes to the financial statements of the City of Ottertail, Minnesota, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Ottertail, Minnesota's basic financial statements and have issued my report thereon dated August 27, 2026.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Ottertail, Minnesota's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ottertail, Minnesota's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Ottertail, Minnesota's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2025-001, 2025-002, AND 2024-003 that I consider to be material weaknesses.

City Council
City of Ottertail, Minnesota

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ottertail, Minnesota's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The City of Ottertail, Minnesota's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Ottertail, Minnesota's response to the findings identified in my audit and described in the accompanying schedule of findings and responses. the City of Ottertail, Minnesota's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brian D. Koehn, CPA, PLLC
Parkers Prairie, Minnesota
August 27, 2026

BRIAN D. KOEHN, CPA, PLLC

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REPORT ON MINNESOTA LEGAL COMPLIANCE

City Council
City of Ottertail, Minnesota

I have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States the accompanying financial statements of the City of Ottertail, Minnesota, which comprise of the statement of balances arising from cash transactions of each fund as of December 31, 2025, and the related statement of receipts, disbursements, and changes in cash fund balances – governmental funds, statement of receipts, disbursements, and changes in cash fund balances – proprietary funds, and the statement of cash flows – proprietary funds for each fund, and the related notes to the financial statements of the City of Ottertail, Minnesota, as of and for the year ended December 31, 2025, and the related notes to the financial statements, and have issued my report thereon dated August 27, 2026.

In connection with my audit, nothing came to my attention that caused me to believe that City of Ottertail, Minnesota failed to comply with the provisions of the contracting and bidding section of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, my audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had I performed additional procedures, other matters may have come to my attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of my testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Brian D. Koehn, CPA, PLLC

Brian D. Koehn, CPA, PLLC
Parkers Prairie, Minnesota
August 27, 2026

MATERIAL WEAKNESSES:

2025-001 LACK OF SEGREGATION OF DUTIES

Condition: The City has a limited number of office personnel and, accordingly, does not have adequate internal controls in certain areas because of lack of segregation of duties.

Criteria: Effective internal control provides an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: Because of the lack of segregation of duties, one individual regularly handles transactions from inception to completion.

Effect: The City's internal control policies can be compromised by certain individuals.

Recommendation: While I recognize the City's office staff may not be large enough to permit an adequate segregation of duties in all respects for an effective internal control structure, it is important that the City be aware of this condition.

Response: The City will review the segregation of accounting duties to attempt to resolve the lack of segregation of duties within the City office until it becomes cost prohibitive.

2025-002 YEAR-END CLOSING PROCEDURES (MATERIAL ADJUSTING JOURNAL ENTRIES)

Condition: As part of the audit, I proposed material adjustments for closing the City's books at year end and reclassifications to the proper accounts.

Criteria: The City is responsible for establishing and maintaining internal controls for the proper recording of all the City's accounting transactions, including account coding, reporting of accruals and net assets, and cash flow reporting.

Cause: The City relies on the audit firm to prepare the annual financial report and record significant reclassification entries.

Effect: The design of the internal controls over recording transactions and year-end accruals limits the ability of the City to provide accurate cash basis financial information.

Recommendation: While I recognize the City may not find it necessary to account and report using Reporting and Publishing Requirements for Audited Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting as prescribed by the *Minnesota Office of the State Auditor*, it is important the City constantly be aware of these conditions.

Response: City personnel will continue to annually get additional training on Reporting and Publishing Requirements for Audited Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting as prescribed by the *Minnesota Office of the State Auditor* and prepare more of the adjusting journal entries.

2025-003 FINANCIAL STATEMENT PREPARATION

Condition: The City does not have an internal control process in place over annual financial reporting under Reporting and Publishing Requirements for Audited Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting as prescribed by the *Minnesota Office of the State Auditor*, therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the City's internal controls.

Criteria: The City must be able to prevent or detect a material misstatement in the annual financial statement including footnote disclosures.

Cause: The City relies on the audit firm to prepare the annual financial report.

Effect: Departures from generally accepted accounting principles may not be detected by the City.

Recommendation: While I recognize the City may not find it necessary to account and report using generally accepted accounting principles, it is important the City constantly be aware of these conditions.

Response: City personnel will continue to annually get additional training on Reporting and Publishing Requirements for Audited Cities under 2,500 in Population Reporting on the Cash or Regulatory Basis of Accounting as prescribed by the *Minnesota Office of the State Auditor* and continue to utilize auditing firm to prepare financial statements and footnotes. In addition, City will document its review of the statements prepared by auditor to assure accuracy and retain documentation of those reviews.

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF LEGAL OPINION

$____________
GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2026A
CITY OF OTTERTAIL
OTTER TAIL COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Ottertail, Otter Tail County, Minnesota (the "Issuer"), of its $____________ General Obligation Capital Improvement Plan Bonds, Series 2026A, bearing a date of original issue of October 8, 2026 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

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

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

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

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

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

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(See following pages)

[Appendix ____ to Official Statement]

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Ottertail, Minnesota (the "Issuer"), in connection with the issuance of its $____________ General Obligation Capital Improvement Plan Bonds, Series 2026A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on September 17, 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 4 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 4 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, at least annually to the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, its Audited Financial Statements for the most recent Fiscal Year, which is the only financial information or operating data which is customarily prepared by the Issuer and publicly available, 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. Reporting of Significant Events. This Section 4 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.

SECTION 5. 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 6. 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 7. 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 8. 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 9. 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 10. 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 11. 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 7 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: October 8, 2026.

CITY OF OTTERTAIL, MINNESOTA

By ______________________________
Its Mayor

By ______________________________
Its City Clerk-Treasurer

APPENDIX E

TERMS OF PROPOSAL

$2,400,000* GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2026A CITY OF OTTERTAIL, MINNESOTA

Proposals for the purchase of $2,400,000* General Obligation Capital Improvement Plan Bonds, Series 2026A (the "Bonds") of the City of Ottertail, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M., Central Time, on September 17, 2026, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 5:30 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including Section 475.521, by the City, for the purpose of financing the expansion and renovation to the existing Fire Station in the City. The Bonds are general obligations of the City, for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated October 8, 2026, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2028	$95,000	2033	$145,000	2038	$180,000
2029	130,000	2034	155,000	2039	185,000
2030	135,000	2035	160,000	2040	195,000
2031	135,000	2036	165,000	2041	200,000
2032	140,000	2037	170,000	2042	210,000

ADJUSTMENT OPTION

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

TERM BOND OPTION

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. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Minneapolis, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2037 shall be subject to optional redemption prior to maturity on February 1, 2036 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about October 8, 2026, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Taft Stettinius & Hollister LLP, Minneapolis, Minnesota, Bond Counsel to the City ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

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

STATEMENT REGARDING BOND COUNSEL PARTICIPATION

Bond Counsel has neither been engaged nor undertaken to prepare or independently verify the accuracy of any portion of the Official Statement, including the financial or operational information of the Issuer and risks associated with the purchase of the Bonds, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "APPENDIX B – FORM OF LEGAL OPINION."

SUBMISSION OF PROPOSALS

Proposals must not be for less than $2,371,200 plus accrued interest on the principal sum of $2,400,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

1) Electronically to bondsale@ehlers-inc.com; or

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

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

A good faith deposit ("Deposit") in the amount of $48,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to $250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

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

(1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;

(2) all bidders shall have an equal opportunity to bid;

(3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) <u>If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule</u>, 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 proposal 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 sale date and ending on the earlier of the following:

(1) the close of the fifth (5^{th}) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5^{th}) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-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 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 rule 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 as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the 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 party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the 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 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 third-party distribution agreement to:

(A) 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

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

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

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

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 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),

(iii) 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 of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

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

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of $10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, Telephone (651) 697-8500.

By Order of the City Council

City of Ottertail, Minnesota

PROPOSAL FORM

The City Council **September 17, 2026**
City of Ottertail, Minnesota (the "City")

RE: **$2,400,000* General Obligation Capital Improvement Plan Bonds, Series 2026A (the "Bonds")**
DATED: **October 8, 2026**

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $__________________ (not less than $2,371,200) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

________	% due	2028	________	% due	2033	________	% due	2038
________	% due	2029	________	% due	2034	________	% due	2039
________	% due	2030	________	% due	2035	________	% due	2040
________	% due	2031	________	% due	2036	________	% due	2041
________	% due	2032	________	% due	2037	________	% due	2042

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

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of $48,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about October 8, 2026.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: ____ NO: ____.

If the competitive sale requirements are not met, we elect to use either the: _____10% test, or the _____hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: ______________________________ By: ______________________________
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from October 8, 2026 of the above proposal is $_______________and the true interest cost (TIC) is __________%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Ottertail, Minnesota, on September 17, 2026.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________