

**FINAL OFFICIAL STATEMENT DATED MAY 13, 2026**

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 7, 2026

New Issue

Assured Guaranty Rating: AA

*In the opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain requirements of the Internal Revenue Code of 1986, as amended, and certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations.. Such interest is includable in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions. (See "TAXABILITY OF INTEREST" herein.)*

**City of Ada, Minnesota**

**\$1,800,000**

**General Obligation Capital Improvement Plan Bonds, Series 2026A**

**Schedule of Maturity Dates, Principal Amounts, and Interest Rates:**

The bonds will mature February 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>CUSIP</u>
2028	\$ 65,000	4.0000	102.036%	005212 JP1
2029	65,000	4.0000	103.153	005212 JQ9
2030	65,000	4.0000	104.130	005212 JR7
2031	70,000	4.0000	104.823	005212 JS5
2032	70,000	4.0000	105.504	005212 JT3
2035*	230,000	4.0000	105.389	005212 JW6
2038*	255,000	4.0000	103.858	005212 JZ9
2041*	285,000	4.0000	102.651	005212 KC8
2044*	325,000	4.0000	101.757	005212 KF1
2047*	370,000	4.0000	100.871	005212 KJ3

\*denotes term bond

2035 Term Bond		2038 Term Bond		2041 Term Bond		2044 Term Bond		2047 Term Bond	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2033	75,000	2036	80,000	2039	90,000	2042	105,000	2045	115,000
2034	75,000	2037	85,000	2040	95,000	2043	110,000	2046	125,000
2035	80,000	2038	90,000	2041	100,000	2044	110,000	2047	130,000

**Optional Redemption**

Bonds maturing on or after February 1, 2034 are callable on February 1, 2033 or any date thereafter at a price of par plus accrued interest. Bonds are issued and callable in denominations of \$5,000.

**Tax Exempt/Bank-Qualified**

**Underwriter**

Northland Securities, Inc., has agreed to purchase the Bonds from the City for an aggregate price of \$1,818,005.65, plus accrued interest to the date of delivery. It is expected that the Bonds will be available for delivery on or about May 26, 2026. Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, MN, will act as pay agent/registrar for this issue.

*THIS ADDENDUM IS INCORPORATED BY REFERENCE AS OF THE DATE HEREOF INTO THE PRELIMINARY OFFICIAL STATEMENT OF THE CITY DATED APRIL 7, 2026 WITH RESPECT TO THE BONDS. TAKEN IN CONJUNCTION WITH SAID PRELIMINARY OFFICIAL STATEMENT, THIS ADDENDUM SHALL CONSTITUTE A "FINAL OFFICIAL STATEMENT" OF THE CITY WITH RESPECT TO THE BOND AS THAT TERM IS DEFINED IN RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.*

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY INC**



Assured Guaranty Inc. (“AG”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading “BOND INSURANCE” and “Appendix G - Specimen Municipal Bond Insurance Policy”.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“AG”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, Maryland, California, Connecticut or Florida insurance law.

### **Assured Guaranty Inc.**

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets, and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates, and in the annuity reinsurance business through Assured Life Reinsurance Ltd. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On August 4, 2025, KBRA announced that it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG’s financial strength rating of “AA” (stable outlook).

On July 10, 2024, Moody’s announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody’s and/or KBRA may take. For more information regarding AG’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

## *Capitalization of AG*

At March 31, 2026:

- The policyholders' surplus of AG was approximately \$3,158 million.
- The contingency reserve of AG was approximately \$1,539 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,402 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

## *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- i. the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (filed by AGL with the SEC on February 27, 2026); and
- ii. the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (filed by AGL with the SEC on May 8, 2026).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100) Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

## *Miscellaneous Matters*

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "BOND INSURANCE".

### **BOND RATING**

S&P assigned the Bonds an insured rating of "AA" (Stable Outlook) based on the Bond Insurance Policy to be issued and delivered by AG. This rating reflects only the views of S&P and any explanation of the significance of such rating may only be obtained therefrom.

PRELIMINARY OFFICIAL STATEMENT April 7, 2026

New Issue

S & P Global Rating Requested

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

**\$1,800,000**  
**City of Ada, Minnesota**  
**General Obligation Capital Improvement Plan Bonds, Series 2026A**

**PURPOSE/AUTHORITY:** The \$1,800,000 General Obligation Capital Improvement Plan Bonds, Series 2026A (the "Bonds") are being issued by the City of Ada, Minnesota (the "City" or the "Issuer") pursuant to Minnesota Statutes, Chapter 475 to finance a new combined city hall/police/fire hall building (the "Project"). The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The City will pledge tax levies to make the semi-annual payments.

**BID OPEN & AWARD:** Tuesday, May 12, 2026; Open 11:00 A.M. CST; Award 6:00 P.M. CST.

**DATED DATE:** May 26, 2026

**MATURITY:** The Bonds will mature February 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$ -	2034	\$ 75,000	2041	\$ 100,000
2028	65,000	2035	80,000	2042	105,000
2029	65,000	2036	80,000	2043	110,000
2030	65,000	2037	85,000	2044	110,000
2031	70,000	2038	90,000	2045	115,000
2032	70,000	2039	90,000	2046	125,000
2033	75,000	2040	95,000	2047	130,000

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

**MATURITY AGREEMENT:** 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.

**CALL DATE:** February 1, 2033

**MINIMUM BID:** \$1,776,600.00 (98.70%)

**TAX STATUS:** Tax-exempt; bank-qualified

**GOOD FAITH DEPOSIT:** \$36,000 payable to the City on the sale date

**CLOSING/ DELIVERY DATE:** On or about May 26, 2026

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

## **COMPLIANCE WITH S.E.C. RULE 15C-12**

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

## **PRELIMINARY OFFICIAL STATEMENT**

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

## **REVIEW PERIOD**

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

## **FINAL OFFICIAL STATEMENT**

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

## **REPRESENTATIONS**

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

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

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

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

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## CITY OF ADA, MINNESOTA

### City of Ada City Council

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
John Hintz	Mayor	12/31/2026
Scott Erickson	Council Member	12/31/2028
Mike Nelson	Council Member	12/31/2028
Scott Nordquist	Council Member	12/31/2026
Eric Ness	Council Member	12/31/2026
Wayne Kroshus	Council Member	12/31/2026
Shawn Roux	Council Member	12/31/2028
Tom Opheim	Council Member	12/31/2026

### Administration

Ashley Larson	City Administrator	Appointed
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### Bond Counsel

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

### Municipal Advisor

David Drown Associates, Inc.  
Minneapolis, MN

## INTRODUCTORY SUMMARY OF THE PRELIMINARY OFFICIAL STATEMENT

*The following information is furnished solely to provide limited introductory information regarding the \$1,800,000 General Obligation Capital Improvement Plan Bonds, Series 2026A, of City of Ada, Minnesota and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the detailed descriptions appearing in this Preliminary Official Statement, including the appendices hereto.*

Issuer:	City of Ada, Minnesota					
Sale Date & Time:	Tuesday, May 12, 2026; 11:00 A.M. Central					
Award Date & Time:	Tuesday, May 12, 2026; 6:00 P.M. Central					
Dated Date:	May 26, 2026					
Interest Payments:	February 1, 2027, and each August 1 and February 1 thereafter to registered owners of the Bonds appearing of record in the bond register on the fifteenth day (whether or not a business day) of the month prior (the "Record Date").					
Principal Payments:	February 1 in the years and amounts as follows:					
	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
	2027	\$ -	2034	\$ 75,000	2041	\$ 100,000
	2028	65,000	2035	80,000	2042	105,000
	2029	65,000	2036	80,000	2043	110,000
	2030	65,000	2037	85,000	2044	110,000
	2031	70,000	2038	90,000	2045	115,000
	2032	70,000	2039	90,000	2046	12,500
	2033	75,000	2040	95,000	2047	130,000
Rating:	The City <i>has</i> requested a rating from S & P Global Rating.					
Maturity Adjustment:	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.					
Continuing Disclosure:	Limited continuing disclosure					
Security:	The City pledges tax levies to the repayment of these bonds.					
Purpose:	Proceeds will finance a new combined city hall/police/fire hall building					
Authority:	Minnesota Statutes, Chapter 475					
Optional Redemption:	Bonds are callable on February 1, 2033					
Tax Status:	Tax-exempt, bank-qualified					
Legal Opinion:	Fryberger, Buchanan, Smith & Frederick, P.A., Minneapolis, Minnesota					
Municipal Advisor:	David Drown Associates, Inc., Minneapolis, Minnesota					
Closing/Delivery:	On or about May 26, 2026					

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

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## TERMS OF OFFERING

**City of Ada, Minnesota**

**\$1,800,000**

**General Obligation Capital Improvement Plan Bonds, Series 2026A**

**(BOOK ENTRY ONLY)**

### TERMS OF PROPOSAL

Proposals for the Bonds will be received on Tuesday, May 12, 2026 at 11:00 A.M. Central Time, at the offices of David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota, after which time they will be opened and tabulated. Consideration for award of the Bonds will be by the City Council of the City of Ada (the "City") at 6:00 P.M., Central Time, on that same date.

### SUBMISSION OF PROPOSALS

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

Notice is hereby given that electronic proposals will be received via PARITY®, in the manner described below, until 11:00 A.M., local time on May 12, 2026. Bids must be submitted electronically via PARITY® pursuant to this Notice until 11:00 A.M., local time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY® conflict with this Notice, the terms of this Notice shall control. For further information about PARITY®, potential bidders must contact David Drown Associates, Inc. or PARITY® at (212) 806-8304.

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

### DETAILS OF THE BONDS

The Bonds will be dated May 26, 2026, as the date of original issue, and will bear interest payable on February 1 and August 1 of each year, commencing February 1, 2027. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds will mature February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2028	65,000	2038	90,000
2029	65,000	2039	90,000
2030	65,000	2040	95,000
2031	70,000	2041	100,000
2032	70,000	2042	105,000
2033	75,000	2043	110,000
2034	75,000	2044	110,000
2035	80,000	2045	115,000
2036	80,000	2046	125,000
2037	85,000	2047	130,000

## **TERM BOND OPTION**

Bids for the bonds must contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the bid must specify as provided on the Proposal Form.

## **BOOK ENTRY SYSTEM**

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds must be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

## **REGISTRAR**

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

## **OPTIONAL REDEMPTION**

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

## **SECURITY AND PURPOSE**

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The City will pledge tax levies to make the semi-annual payments. The proceeds will finance a new combined city hall/police/fire hall building.

## **TYPE OF PROPOSALS**

Proposals shall be for not less than \$1,776,600.00 (98.70%) and accrued interest on the total principal amount of the Bonds. The apparent low-bidder as notified by David Drown Associates, Inc. shall wire, to a designated account, a good faith amount of \$36,000 by 3:00 p.m. on the date of sale. If the good faith wire transfer is not in process prior to the award, the City shall retain the right to reject the bid. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the City. No proposal can be withdrawn or amended after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

## **AWARD**

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

## **MATURITY ADJUSTMENTS**

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

## **ISSUE PRICE DETERMINATION**

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

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

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

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

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

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

### **BOND INSURANCE AT PURCHASER'S OPTION**

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

### **CUSIP NUMBERS**

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The purchaser shall pay the CUSIP Service Bureau charge for the assignment of CUSIP identification numbers.

### **SETTLEMENT**

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

### **LIMITED CONTINUING DISCLOSURE**

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

### **OFFICIAL STATEMENT**

The City has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a nearly final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota 55410, and telephone (612) 920-3320. The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the

senior managing underwriter of the syndicate to which the Bonds are awarded 5 copies of the Official Statement and the addendum or addenda described above. The City designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated: 7 April 2026

BY ORDER OF THE CITY COUNCIL

/s/ Ashley Larson  
City Administrator

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# OFFICIAL STATEMENT

## CITY OF ADA, MINNESOTA

### \$1,800,000 General Obligation Capital Improvement Plan Bonds, Series 2026A

#### INTRODUCTION

This Preliminary Official Statement provides information relating to the issuance of \$1,800,000 General Obligation Capital Improvement Plan Bonds, Series 2026A (the “Bonds”) by City of Ada, Minnesota (the “City”). This Preliminary Official Statement has been executed on behalf of the City and may be distributed in connection with the sale of Bonds authorized therein.

Inquiries may be made to David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, MN 55410 or by telephoning (612) 920-3320. Information can also be obtained from Ms. Ashley Larson, City Administrator, City of Ada, 15 – 4<sup>th</sup> Avenue East, Ada, MN 56510 or by telephoning (218) 784-5520.

#### Limited Continuing Disclosure

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

The City has complied in all material respects with any previous undertaking under the Rule during the past five (5) years. The City also notes that previous continuing disclosure undertakings included language that the audit would be filed “as soon as available”. Although not always filed as soon as available, the audits have been filed within the 12-month time frame as provided for in the undertakings. Additional information on Continuing Disclosure filings can be found in Appendix F of this document.

#### Authority and Purpose

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 for the purpose of financing a combined city hall/police/fire hall building.

#### Sources and Uses

<u>Sources</u>		<u>Uses</u>	
Par Amount of the Bonds	\$ 1,800,000	Project Costs	\$ 3,441,809
City Contribution	230,532	Underwriter’s Discount (1.30%)	23,400
Insurance Proceeds	<u>1,526,976</u>	Issuance & Legal	43,250
		Capitalized Interest	<u>49,049</u>
Totals	\$ 3,557,508	Total	\$ 3,557,508

## Payment and Security

The Bonds are valid and binding general obligations of the City and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. The City has pledged tax levies to the repayment of the Bonds.

## Optional Redemption

The City may elect on February 1, 2033 and on any day thereafter, to prepay Bonds due on or after February 1, 2034. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. Redemption will be made by giving 30 days' notice by registered mail, to the registered owner of the Bond. All prepayments shall be at a price of par plus accrued interest to the date of call.

## Rating

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

## Taxability of Interest

At closing, Fryberger, Buchanan, Smith & Frederick, P.A., Bond Counsel, will render an opinion based upon present federal and State of Minnesota laws (which excludes any pending legislation which may have a retroactive effect), regulations, ruling and decisions, to the following effect:

1. **Gross Income:** the Bonds, as of their date of issuance, bear interest which is not includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trust and estates for Minnesota income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of Minnesota franchise tax.
2. **Alternative Minimum Tax:** interest on the Bonds is not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to individuals or the Minnesota alternative minimum tax imposed on individuals, trusts and estates; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations.
3. **Compliance:** the above opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements that must be satisfied subsequent to the issuance of the Bonds. FAILURE TO COMPLY WITH CERTAIN OF SUCH REQUIREMENTS MAY CAUSE THE INCLUSION OF INTEREST ON THE BONDS IN FEDERAL GROSS INCOME AND IN MINNESOTA TAXABLE NET INCOME RETROACTIVE TO THE DATE OF ISSUANCE OF THE BONDS.

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

## Other Federal Tax Considerations

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

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

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

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

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

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

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

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

## Details of Certain Terms

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

## Original Issue Discount

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

## Original Issue Premium

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

## Term Bond Option

Bids for the bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the bid must specify as provided on the Proposal Form.

## Bank-qualified Tax-Exempt Obligations

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the federal Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes interest expense that is allocable to carrying and acquiring tax-exempt obligations. "Qualified tax-exempt obligations" are treated as acquired by the financial institution before August 8, 1986. Interest allocable to such obligations remains subject to the 20% disallowance contained in prior law.

## Book Entry System

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

DTC is a limited-purpose trust company organized under the New York State Banking Law, a "banking organization" within the meaning of the New York State Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York State Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-sale settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporations, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporations (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchanges, Inc., the American Stock Exchanges LLC, and the National Association of Securities

Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

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

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

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC (nor its nominee), the Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or other such nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registrar, Issuer, or Agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

## Litigation

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

## Future Financing

The City of Ada is contemplating a large water and sewer replacement project in 2027. Total project is estimated at \$2.5 million. This project will be financed through the Minnesota Public Facilities Authority. Please note, the city will only undertake the project if awarded funds through MN PFA.

## Legality

The Bonds are subject to approval as to certain matters by Fryberger, Buchanan, Smith & Frederick, P.A. of Duluth, Minnesota, as Bond Counsel. Bond Counsel has neither been engaged nor undertaken to prepare, opine on, examine or independently verify the accuracy of any portion of this Official Statement, including the financial, statistical or operational statements or data contained in this Official Statement and risks associated with the purchase of the Bonds, except for statements under "Taxability of Interest" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "Appendix B – PROPOSED FORM OF LEGAL OPINION," and a legal opinion in substantially the form set out in Appendix B herein will be delivered at closing.

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

## Municipal Advisor

The City has retained David Drown Associates, Inc., Minneapolis, Minnesota, as Municipal Advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. In preparing the Preliminary Official Statement, the Municipal Advisor has relied upon governmental officials and other sources that have access to relevant information contained in the Preliminary Official Statement. The Municipal Advisor has not been engaged, nor has it undertaken to independently verify, the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in the Preliminary Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## Certification

The City has authorized the distribution of this Preliminary Official Statement for use in connection with the initial sale of the Bonds. As of the date of the settlement of the Bonds, the Purchaser(s) will be furnished with a certificate signed by the appropriate officers of the City. The certificate will state that as of the date of the Preliminary Official Statement, it did not and does not as of the date of the certificate contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

## VALUATIONS – COUNTY AUDITOR

For full valuation, top ten taxpayers, tax rate, tax levy/collections information, please see the full Norman County Auditor’s Certificate for taxes payable in 2026 found under Appendix A.

### TRENDS IN VALUATIONS

#### Trends in Valuations

<u>Year</u>	<u>Economic Market Value</u>	<u>Estimated Market Value</u>	<u>Taxable Market Value</u>	<u>Adjusted Net Tax Capacity</u>
2025/26	Not available	\$ 104,541,500	\$ 86,789,322	\$ 895,303
2024/25	\$ 109,654,232	104,349,000	86,639,671	883,292
2023/24	112,171,542	94,315,800	80,667,925	832,823
2022/23	92,381,289	87,093,100	72,955,908	731,414
2021/22	82,880,532	79,339,700	65,420,961	656,683
2020/21	81,442,713	77,238,700	63,894,777	639,883
2019/20	75,726,804	71,719,500	58,561,319	586,286

### CASH AND INVESTMENTS

*(as of January 31, 2026)*

<u>Fund</u>	<u>Cash/Investments</u>
General	\$ 1,084,648
Special	607,662
Debt Service	
GO Revenue	129,723
Lease Agreements	70,474
Capital	1,315,279
Enterprise	<u>1,690,654</u>
Total	\$ 4,898,440

## CITY INDEBTEDNESS

(as of 05/01/2026)

### Legal Debt Limit and Margin

Legal Debt Limit (3% of Estimated Market Value)	\$ 3,136,245
Less: Outstanding Debt Subject to Limit	<u>0</u>
 Legal Debt Margin as of 05/01/2026	 \$ 3,136,245

\*The Estimated Market Value for taxes payable 2026 is \$104,541,500.

### General Obligation Debt Supported by Tax Levies

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
05/26/2026	\$ 1,800,000	Capital Improvements, This Issue	02/01/2047	\$ 1,800,000
08/20/2024	935,000	Tax Abatement	02/01/2040	<u>905,000</u>
 Total				 \$ 2,705,000

### General Obligation Debt Supported by Special Assessments

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
11/09/2020	\$ 341,000	Improvement Refunding	08/20/2040	\$ 100,000
09/20/2016	298,000	Improvements	02/01/2027	<u>33,000</u>
 Total				 \$ 133,000

### General Obligation Debt Supported by Revenues

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
11/09/2020	\$ 310,000	Utility Refunding	08/20/2040	\$ 121,000
08/24/2020	813,680	Water Revenue	08/20/2040	646,000
08/24/2020	1,162,054	Sewer Revenue	08/20/2040	928,000
01/01/2015	750,000	Water Revenue	02/01/2035	<u>390,000</u>
 Total				 \$ 2,085,000

### Summary of Direct Debt

	<u>Gross Debt</u>	<u>Less: Debt Funds</u>	<u>Net Direct Debt</u>
GO Debt Supported by Tax Levies	\$ 2,705,000	\$ -	\$ 2,705,000
GO Debt Supported by Assessments	133,000	-	133,000
GO Debt Supported by Revenues	<u>2,085,000</u>	<u>-</u>	<u>2,085,000</u>
 Total	 \$ 4,923,000	 \$ -	 \$ 4,923,000

### Overlapping Debt

<u>Taxing Unit</u>	<u>2025/26 Tax Capacity</u>	<u>% in City</u>	<u>Total G.O. Debt</u>	<u>City Share</u>
Norman County	\$ 30,929,951	2.89%	\$ 8,130,000	\$ 235,332
ISD #2854	21,567,393	4.15%	11,365,000	<u>471,793</u>
Total				\$ 707,115

\* Includes all general obligation debt through December 31, 2025

### Debt Ratios

	<u>Net G.O. Debt</u>	<u>Debt/Economic Market Value \$ 109,654,232</u>	<u>Debt per Capita 1,833</u>
Net Direct G.O. Debt*	\$ 2,838,000	2.59%	\$ 1,548
Total Overlapping Debt	3,545,115	3.23%	1,934
Total GO Debt	4,923,000	4.49%	2,686

\* Excludes all GO debt supported by revenues

### Annual Debt Service Payments

Year	<b>GO Debt Supported by Tax Levies</b>			<b>GO Debt Supported by Special Assessments</b>		
	<u>Principal</u>	<u>Payment</u>	<u>% Retired</u>	<u>Principal</u>	<u>Payment</u>	<u>% Retired</u>
2026	\$ -	\$ 18,100	0%	\$ 50,000	\$ 50,788	38%
2027	50,000	167,198	2%	83,000	83,788	100%
2028	115,000	219,265	6%	-	-	
2029	120,000	220,150	11%	-	-	
2030	120,000	215,935	15%	-	-	
2031	130,000	221,543	20%	-	-	
2032	130,000	216,868	25%	-	-	
2033	140,000	221,903	30%	-	-	
2034	140,000	216,753	35%	-	-	
2035	145,000	216,378	40%	-	-	
2036	150,000	215,678	46%	-	-	
2037	160,000	219,684	52%	-	-	
2038	165,000	218,268	58%	-	-	
2039	170,000	216,523	64%	-	-	
2040	175,000	214,576	71%	-	-	
2041	100,000	133,878	74%	-	-	
2042	105,000	134,419	78%	-	-	
2043	110,000	134,743	82%	-	-	
2044	110,000	129,848	86%	-	-	
2045	115,000	129,729	91%	-	-	
2046	125,000	134,144	95%	-	-	
2047	<u>130,000</u>	<u>136,175</u>	100%	-	-	
	\$ 2,705,000	\$ 3,951,752		\$ 133,000	\$ 134,575	

**GO Debt  
Supported by Revenues**

<u>Year</u>	<u>Principal</u>	<u>Payment</u>	<u>% Retired</u>
2026	139,000	154,095	27%
2027	180,000	208,253	34%
2028	179,000	204,363	40%
2029	140,000	162,770	46%
2030	142,000	162,470	51%
2031	148,000	166,013	57%
2032	149,000	164,408	62%
2033	150,000	162,793	68%
2034	150,000	160,168	73%
2035	157,000	164,455	79%
2036	108,000	113,510	83%
2037	109,000	113,430	87%
2038	110,000	113,340	92%
2039	112,000	114,240	96%
2040	<u>112,000</u>	<u>113,120</u>	100%
	\$ 2,085,000	\$ 2,277,425	

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## GENERAL INFORMATION

The City of Ada is located in Norman County in northwest Minnesota, approximately 42 miles northeast of the Fargo Moorhead area and approximately 254 miles northwest of Minneapolis, Minnesota. The City is served by State Highways 9 and 200.

### Organization

The City of Ada was incorporated in 1879 as a charter city. The City operates under a mayor and seven-member city council. The City Council is currently comprised of the following members:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
John Hintz	Mayor	12/31/2026
Scott Erickson	Council Member	12/31/2028
Mike Nelson	Council Member	12/31/2028
Scott Nordquist	Council Member	12/31/2026
Eric Ness	Council Member	12/31/2026
Wayne Kroshus	Council Member	12/31/2026
Shawn Roux	Council Member	12/31/2028
Tom Opheim	Council Member	12/31/2026

The City Administrator, Ashley Larson, is appointed by the City Council. The City currently employs fifteen (15) full-time and seventeen (21) part-time persons, which includes the administration, public works and utilities, the Dekko Center, liquor store, and police department. The police department employees included in the City employee total includes five (5) full time and one (1) part time staff. There are twenty-five (25) part-time (volunteer) firefighters. Firefighters have access to a 1996 fire engine and a 2006 tanker.

The City has four (4) community parks. Bosworth Park has a playground, shelter, and open space. West Side Park has a playground, shelter, and open space. East Side Park has open spaces and gardens. Dekko Park has a playground, basketball court, baseball fields, ice rink, and shelter. The Dekko Community Center Director manages the parks, and the public works department handles maintenance and repairs. A committee formed with 2 council members, the Dekko Director, and 6 community members manages the budget and projects.

### City Services

The City's municipal water service has three (3) wells with an unlimited pumping capacity. The average demand is 123,230 gallons per day with a peak demand of 560,000 gallons per day. The elevated storage capacity is 500,000 gallons. There are approximately 852 connections to the municipal water system.

The City has a Pond wastewater treatment system with a treatment capacity of 0.448 million gallons per day. The average demand is 0.144 million gallons per day with a peak demand of 0.247 million gallons per day. There are approximately 852 connections to the sanitary sewer system.

### Employee Pensions

The City participates in the General Employees Retirement Plan and the Public Employees Police and Fire Retirement Plan, pension plans that are administered by the Public Employees Retirement Association (PERA). The City's contributions to the General Employees Retirement Plan for the year ended December 31, 2024 were \$62,638. They City's contributions to the Police and Fire Fund for the year ended December 31, 2024 were \$52,719. Please refer to the City's 2024 audited financial statement for detailed information.

## Census Data

### Population Trends

	<u>Population</u>
2010 U.S. Census	1,707
2020 U.S. Census	1,740
2024 U.S. Census Estimate	1,833

Source: U.S. Census Bureau

### Income and Housing Statistics

	<u>City of Ada</u>	<u>Norman County</u>	<u>State of Minnesota</u>
2024 per Capita Income	\$ 32,804	\$ 37,402	\$ 47,926
2024 Median Household Income	64,091	72,260	87,117
Percent Living in Poverty	16.8%	10.1%	9.3%

Median Value of Owner-Occupied Housing \$ 137,800 \$ 147,100 \$ 344,600

Source: U.S. Census Bureau (2024 American Community Survey 5-Year Estimates)

The City has 285 single family homes and 7 multi-family homes. Three (3) of the single-family units have been constructed during the past year. RAGE Addition was developed in the last 3 years. All eleven lots have sold, with two remaining on which to have homes built.

Source: City Records

## Employment Data

	<u>Labor Force Norman County</u>	<u>Unemployment Rate Norman County</u>	<u>Statewide</u>
December, 2025	3,370	4.8%	4.3%
December, 2024	3,409	3.5%	3.0%

Source: MN Department of Employment and Economic Development

## Major Employers

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate # of Employees</u>
Ada Borup West School	Public School	100
Essentia Health Ada	Hospital/Clinic/ER	75
Benedictine Living Community	Nursing Home/Assisted Living	100
Norman County Courthouse	Government	95
City of Ada	Government	54
Kellys Chrysler/Lee Bro's	Auto Sales	28
Ag Country Financial	Financial Services	15
DAC	Government Organization	23
RDO	Ag Equipment	22
Little Learners Daycare	Daycare Center	24

Source: City Records

## Commercial/Industrial Development

In the past three (3) years, the City has not had the following commercial/industrial development in excess of \$25,000.

<u>Name of Business</u>	<u>Product/Service</u>	<u>Type of Business</u>	<u>(Estimated) Cost of Project</u>
Norman County Hwy Dept	Government	Commercial	\$ 2,000,000

Source: City Records

The City has 7.6-acre industrial park that is served by water and sewer that is approximately 60% developed.

Source: City Records (April 6, 2026)

## Building Permits

<u>Year</u>	<u>Comm./Ind.</u>	<u>Number of Permits Residential</u>	<u>Total Value of Permits</u>
2026*	0	2	\$ 14,000
2025	7	21	1,292,662
2024	4	24	1,599,584
2023	5	31	842,799
2022	3	29	2,811,180

\* As of April 6, 2026

Source: City Records

## Financial Services

Ada has 3 banks (branch offices) located in the City. American Federal Bank (Fargo, ND) reported deposits of \$35,274,000; BMO Bank National Association (Chicago, IL) reported deposits of \$20,033,000; and Frandsen Bank and Trust (Lonsdale, MN) reported deposits of \$65,907,000 as of June 30, 2025.

Source: FDCI Summary of Deposits

## Healthcare

Essentia Health Ada is a hospital/clinic in the City providing emergency services. Bridges care community is a nursing home/assisted living facility in the City.

Source: [www.city-data.com](http://www.city-data.com)

## Education

Ada Borup School District serves students PK-12 in the area. The elementary and secondary schools are both located in Ada. The closest four-year university is North Dakota State University, Fargo ND (approximately 32 miles); the closest technical college is Northland Community and Technical College, Thief River Falls, MN (approximately 60 miles).

Source: [www.city-data.com](http://www.city-data.com)

## Transportation

The City of Ada lies approximately 254 miles northwest of Minneapolis. Interstate 94 runs within 20 miles of the City providing easy access to the Twin Cities and St. Cloud. State Highways 9 and 200 run through the City.

The Minneapolis/St. Paul International Airport, located in Bloomington, Minnesota lies 35 miles to the southeast of the City. Located in the City of Ada are the following airports and heliports: Hammars Farm Airport (1 runway), Compressor Station Heliport, and Essential Health Ada Heliport.

Source: [www.mapquest.com](http://www.mapquest.com) and [www.city-data.com](http://www.city-data.com)

## Utilities

Ada public works provides electricity to the City and natural gas is provided by MN Energy Resources Corporation.

Source: *City Records*

## Communications

The City of Ada is provided local telephone service by Arvig Communications. The City also has cable television and local Internet access available. The City's official newspaper is the Norman County Index which is published each Tuesday. The City has an on-line presence with a web address of: [www.adamn.gov](http://www.adamn.gov).

Source: *City Records*

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## **APPENDIX A**

### **COUNTY AUDITOR'S CERTIFICATE**

The following pages contain a copy of the Norman County Auditor's Certificate for taxes payable in 2026.

TWP/CITY 25 CITY OF ADA

Current Valuation 2025/2026

	Estimated Market Value	Taxable Market Value	Tax Capacity
Real Estate:			
Residential Homestead (Non-Agricultural) (Class 1a & 1b)		62,009,072	618,871
Agricultural (Class 2 & 4b(3))		286,400	2,507
Commercial & Industrial (Class 3, 5(1), & 5(3)) (zoned Comm/Industrial/Public Utility)			
Commercial/Industrial		9,425,700	155,882
Public Utility		0	0
Railroad Operating Property		8,000	120
Residential Non-Homestead (Class 4a, 4b (1-2), 4c (1-4) (7-8), 4d & 4c)		14,288,250	144,786
Seasonal/Recreational Comm & Residential (Class 1c & 4c (5-6))		0	0
Other		0	0
Total Real Estate	103,769,600	86,017,422	922,166
Total Personal Property	771,900	771,900	14,632
Total Real Estate & Personal Property	104,541,500	86,789,322	936,798
Total Residential Homestead Market Exclusion Value		15,397,878	
If Applicable To The Taxing District			
Subtract: Captured Tax Capacity Of Tax Incement District			( 41,495 )
Job Zone Tax Capacity			( 0 )
10% of 200 kV Transmission Lines			( 0 )
Total Adjusted Taxable Net Tax Capacity			895,303

TWP/CITY 25 CITY OF ADA

Valuation History (Real & Personal Property)

Assessment/ Payable Year	Estimated Market Value	Taxable Market Value	Mkt Value Homestead Exclusion Values	Less Tax Increment/ Fiscal Disparities/ Transmission Lines	Net Tax Capacity
2025/2026	104,541,500	86,789,322	15,397,878	( 41,495 )	895,303
2024/2025	104,349,000	86,639,671	15,445,129	( 55,187 )	883,292
2023/2024	94,315,800	80,667,925	11,982,875	( 48,542 )	832,823
2022/2023	87,093,100	72,955,908	12,488,192	( 70,279 )	731,414
2021/2022	79,339,700	65,420,961	12,274,039	( 61,706 )	656,683
2020/2021	77,238,700	63,894,777	12,143,023	( 62,958 )	639,883
2019/2020	71,719,500	58,561,319	12,415,581	( 62,919 )	586,286

MH Valuation - Most Recent Date And Data Available

3/30/2026	72,600	63,600	9,000		636
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Twenty-five Largest Taxpayers

Taxpayer	ASMT Code Description	Taxable Market Value	Tax Capacity
BRIDGES CARE CENTER	4 OR MORE NC > 06/30/01	1,808,400	22,605
KLEVGAARD APARTMENTS MN LLC	4 OR MORE UNITS	1,405,600	16,033
TRIPLE CROWN NUTRITION INC	COMM LAND/BLD	677,500	12,800
MINNESOTA ENERGY RESOURCES COR	SYST OF GAS UTILITIES	643,700	12,124
PINNACLE AGRICULTURE DISTR INC	COMM LAND/BLD	594,800	11,146
RAMSTAD/ELLEN	RESIDENTIAL\SINGLE UNIT	911,000	10,138
AGCOUNTRY FARM CREDIT SERVICES	COMM LAND/BLD	504,500	9,340
LORETEL SYSTEMS, INC	COMM LAND/BLD	507,200	8,644
ADA AREA PROMOTIONS COM INC	COMM LAND/BLD	463,800	8,284
JOHNSON/WARREN M/&	COMM LAND/BLD	413,800	7,526
TEN LINES SERVICES INC	COMM LAND/BLD	502,100	6,767
JOHNSON/LYNN & PATRICIA	RESIDENTIAL\SINGLE UNIT	592,600	6,158
FLOAN BURKE PROPERTIES	RESIDENTIAL\SINGLE UNIT	377,200	5,994
WUEST/BETH SCHLAGEL	RESIDENTIAL\SINGLE UNIT	531,500	5,687
CHISHOLM/NICHOLAS	RESIDENTIAL\SINGLE UNIT	482,100	4,821
TERLOR LLC	COMM LAND/BLD	268,100	4,612
THOM/STEVEN & VALERIE	RESIDENTIAL\SINGLE UNIT	452,234	4,523
VISSER/BRUCE & REBECCA M	RESIDENTIAL\SINGLE UNIT	440,135	4,401
ADA AG LLC	COMM LAND/BLD	273,200	4,352
ENGELSTAD/ROSS & KIRSTEN	RESIDENTIAL\SINGLE UNIT	431,197	4,312
KOCHMANN/KEVIN & ELIZABETH	RESIDENTIAL\SINGLE UNIT	407,326	4,073
MYERS/TAYLOR & CHELSEA	COMM LAND/BLD	231,300	3,876
SYVERSON/RODNEY & DEBRA	RESIDENTIAL\SINGLE UNIT	310,929	3,844
KROSHUS/CHARLES & AMY	RESIDENTIAL\SINGLE UNIT	379,858	3,799
RENFREW/CRAIG W & MARIA A	RESIDENTIAL\SINGLE UNIT	378,583	3,786

County Employees	Full Time	Part Time	Seasonal	Total
	82	4	8	94

TWP/CITY 25 CITY OF ADA

If the County has plans for additional financing within the next three months, please complete:

Amount: Purpose:

Have the bonds authorized? When:

**Taxing Authority and Local Tax Rate History**

Local Tax Rate History  
(Levy Year/Collection Year)

Governmental Unit	2021/22	2022/23	2023/24	2024/25	2025/26
COUNTY	43.00700	36.23600	31.36100	29.33500	29.12300
COUNTY WIDE	.21800	.18300	.15500	.14900	.14000
CITY OF ADA	68.41700	63.88400	57.78600	57.75700	59.26100
ADA-BORUP-WEST	7.34700	4.36100	2.75900	3.38400	2.91200
WILD RICE	4.99900	4.19900	3.92700	4.12900	4.20000
ADA-BORUP #2854 DEBT	10.88500	9.15400	6.38400	6.14100	5.51200
ADA-BORUP-WEST	.16427	.16209	.18921	.17188	.18143

TWP/CITY 25 CITY OF ADA

Bonded Indebtedness 2025/2026

Gov. Unit Name	**** T A X C A P A C I T Y O F ****			Bonded Debt
	Entire Gov.Unit	NORMAN COUNTY	CITY OF ADA	as of 12/31/25
COUNTY	30,929,951	30,929,951	895,303	8,130,000
CITY OF ADA	895,303	895,303	895,303	4,508,980
ADA-BORUP-WEST	21,567,393	21,567,393	895,303	11,365,000
WILD RICE	30,321,102	30,321,102	895,303	0
ADA-BORUP #2854 DEBT	13,096,951	13,096,951	895,303	70,967
Debt Serv \$ For Cnty		.00		
Sinking \$ For Spc. Dist		.00		

## TWP/CITY 25 CITY OF ADA

## Tax Levies and Collections

Levy Year/ Collection Year	2021/ 2022	2022/ 2023	2023/ 2024	2024/ 2025	2025/ 2026
Original Gross Tax	449,282.56	467,255.77	481,255.11	510,161.55	530,565.27
Prop Tax Credits	.00	.00	.00	.00	.00
Levy Adjustmnts	326.36-	284.29-	3,677.50-	2,899.14-	.00
Net Tax Levy	448,956.20	466,971.48	477,577.61	507,262.41	530,565.27
Amount Collected in Collection Year	437,424.15	458,187.25	465,673.06	493,023.81	N/A
Amt Dlg at End of Collection Year	11,532.05	8,784.23	11,904.55	14,238.60	N/A
Dlg Collected as of 12/31/25	11,010.02	3,907.08	9,220.81	.00	N/A
Dlg Abt/cancelled as of 12/31/25	223.72-	3,558.54-	283.15-	.00	N/A
Tot Dlg Outstanding as of 12/31/25	298.31	1,318.61	2,400.59	14,238.60	N/A

TWP/CITY

25 CITY OF ADA

Please list the name, title, and telephone number of a person(s) to contact regarding the completed certificate in case there are any questions

Contact Person	AMANDA RIEGERT
Telephone	218-784-5471
E-mail address	AMANDA.RIEGERT@NORMANMN.GOV
Preferred method to receive certificate (i.e.: mail or email) or, please indicate if your county prefers to use a separate form.	EMAIL

Witness My hand and official seal this 3 day of April, 2024



*Amanda Riegert*  
County Auditor-Treasurer

(SEAL)



May 26, 2026

City of Ada  
15 4<sup>th</sup> Avenue East  
Ada, MN 56510

[TBD]

**Re: *City of Ada, Minnesota*  
*\$1,800,000 General Obligation Capital Improvement Plan Bonds, Series*  
*2026A***

We have acted as Bond Counsel in connection with the authorization, issuance and delivery by the City of Ada, Norman County, Minnesota (the "Issuer"), of the above-referenced bonds dated the date hereof (the "Bonds"). The Bonds are issued pursuant to Minnesota Statutes, Section 475.521 and Chapter 475.

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

1. a resolution of the Issuer adopted on May 12, 2026, authorizing the issuance and delivery of the Bonds (the "Resolution");
2. the Officers' Certificate of the Issuer dated the date hereof setting forth and certifying as to certain matters, including but not limited to the use and investment of the proceeds of the Bonds (the "Tax Certificate");
3. applicable law and certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the Issuer and others with respect to the authorization, sale and issuance of the Bonds; and
4. such other documents as we consider necessary in order to render this opinion.

B. **Reliance.** As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officers of the Issuer and others without undertaking to verify such facts by independent investigation. We have also relied, without independent investigation, upon representations and certifications made by the Issuer in the Tax Certificate and the representations and certifications made by the Issuer, agents of the Issuer and others in connection with the issuance of the Bonds as to: (a) the nature, cost, use and useful economic life of the facilities

---

FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A

CLOQUET  
813 Cloquet Ave.  
Cloquet, MN 55720  
p: (218) 879-6830

DULUTH  
302 West Superior St,  
Ste 700  
Duluth, MN 55802  
p: (218) 722-0861

SUPERIOR  
1409 Hammond Ave., Suite 330  
Superior, WI 54880  
p: (715)392-7405

ST. PAUL  
c/o 302 West Superior St,  
Ste 700  
Duluth, MN 55802  
p: (651)221-1044

and/or improvements financed by the Bonds, (b) the application to be made of the proceeds of the Bonds, (c) the investment of such proceeds and (d) other matters material to the tax-exempt status of the interest borne by the Bonds, including the anticipated sources of repayment of the Bonds.

C. Assumptions.

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

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

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

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

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

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

3. The Bonds, as of their date of issuance, bears interest which is (a) not includable in gross income of the recipient for federal income tax purposes or in taxable net income of

individuals, trusts and estates for State income tax purposes; (b) includable in taxable income of corporations and financial institutions for purposes of State franchise tax; and (c) not an item of tax preference which is included in alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on individuals or the State alternative minimum tax imposed on individuals, trusts and estates; however, such interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations.

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

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

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

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

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

4. Our opinions expressed in Section D above are limited to the law of the State and the federal law of the United States of America, and we assume no responsibility as to the applicability to this transaction, or the effect thereon, of the law of any other jurisdiction.

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

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

# FRYBERGER LAW FIRM

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

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

Respectfully submitted,

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

## LIMITED CONTINUING DISCLOSURE CERTIFICATE

This Limited Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Ada, Norman County, Minnesota (the “Issuer”) in connection with the issuance of the \$1,800,000 General Obligation Capital Improvement Plan Bonds, Series 2026A, dated May 26, 2026 (the “Obligations”). The Obligations are being issued pursuant to a Resolution of the Issuer dated May 12, 2026 (the “Resolution”). The Issuer certifies (i) that it is the only obligated person with respect to the Obligations; and (ii) that on the date hereof, the Issuer is an obligated person with respect to less than \$10,000,000 aggregate amount of outstanding municipal securities, including the Obligations, and thus limited continuing disclosure pursuant to subparagraph (d)(2) of the Rule is required. The Issuer covenants and agrees as follows:

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

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

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

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

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

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

“Financial Obligation” means, with respect to the Issuer a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of one of the foregoing. The term “Financial Obligation” shall not include municipal securities as to

which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with this rule.

“IRS” means the Internal Revenue Service of the Department of the Treasury.

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

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

“Official Statement” means the Official Statement, dated April \_\_, 2026 delivered in connection with the original issuance and sale of the Obligations, together with any amendments thereto or supplements thereof.

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

“Rule” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

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

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the fiscal year (presently December 31), commencing with the fiscal year ended December 31, 2026, provide to the MSRB, filed in accordance with Section 1(b) of this Disclosure Certificate, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate.

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

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

Section 4. Content of Annual Reports. The Issuer’s financial information or operating data shall contain or consist of the audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Governmental Accounting Standards Board.

Section 5. Reporting of Significant Events.

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

- (1) principal and interest payment delinquencies;
  - (2) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (3) unscheduled draws on credit enhancements reflecting financial difficulties;
  - (4) substitution of credit or liquidity providers, if any, or their failure to perform;
  - (5) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
  - (6) tender offers;
  - (7) defeasances;
  - (8) rating changes;
  - (9) bankruptcy, insolvency, receivership or similar event of the Issuer;
- or
- (10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

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

- (1) non-payment related defaults;
- (2) unless described in (a)(5) above, other notices or determinations by the IRS with respect to the tax-exempt status of the Obligations, or other events affecting the tax-exempt status of the Obligations;
- (3) modifications to rights of holders of the Obligations;
- (4) bond calls;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dated as of May 26, 2026.

CITY OF ADA, MINNESOTA

By \_\_\_\_\_  
Mayor

By \_\_\_\_\_  
City Administrator

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## **Appendix D**

### **Summary of Tax Levies, Payment Provisions & Valuations**

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

#### **Property Valuations (Chapter 273, Minnesota Statutes)**

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

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

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

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

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

#### **Property Tax Payments and Delinquencies**

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

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

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

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

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

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

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

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

### **Debt Limitations**

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

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

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

### **Levies for General Obligation Debt**

***(Sections 475.61 and 475.74, Minnesota Statutes)***

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

### **Metropolitan Revenue Distribution**

***(Chapter 473F, Minnesota Statutes)*** (“Fiscal Disparities Law”)

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

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

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

<sup>1</sup> Subject to the State General Property Tax.

<sup>2</sup> Exempt from referendum market value tax.

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

## **APPENDIX E**

### **FINANCIAL STATEMENT**

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

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

**CITY OF ADA  
ADA, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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**CITY OF ADA**  
**CITY OFFICIALS**  
**DECEMBER 31, 2024**

Mayor	John Hintz
Council Member	Scott Erickson
Council Member	Casey Krieger
Council Member	Wayne Krieger
Council Member	Michael Nelson
Council Member	Scott Nordquist
Council Member	Shawn Roux
Council Member	Eric Ness
City Administrator, Clerk & Treasurer	Ashley Larson
Liquor Dispensary Manager	Gerrie Aasland
Electric & Water / Sewer Supervisor	Brian Rasmusson

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Ada  
Ada, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements – regulatory basis of each major fund and the aggregate remaining fund information of the City of Ada, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

#### *Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund and the aggregate remaining fund information for the City of Ada, as of December 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended on the basis of accounting described in Note 1.

#### *Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” section of our audit, the accompanying 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 each fund of the City of Ada, as of December 31, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

#### *Basis for Opinions*

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the City of Ada on the basis of the financial reporting provisions of the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Minnesota Statute 471.698. 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 these financial statements in accordance with the financial reporting provisions of the regulatory basis of accounting. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

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

### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2025, on our consideration of the City of Ada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.  
THIEF RIVER FALLS, MINNESOTA**

September 3, 2025

**CITY OF ADA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2024**

	General	2015 Revolving Loan	Long Term Asset Fund 2	2008 Lease Purchase	Long-Term Designation	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 1,462,352	\$ 62,381	\$ 995,304	\$ 55,802	\$ 339,418	\$ 652,948	\$ 3,568,205
Accounts Receivable	12,080						12,080
Notes Receivable		405,000					405,000
Taxes Receivable - Delinquent	24,000						24,000
Special Assessments - Delinquent	2,000						2,000
Special Assessments - Noncurrent	3,700				78,200		81,900
Due From Other Funds					205,536		205,536
<b>TOTAL ASSETS</b>	<b>\$ 1,504,132</b>	<b>\$ 467,381</b>	<b>\$ 995,304</b>	<b>\$ 55,802</b>	<b>\$ 623,154</b>	<b>\$ 652,948</b>	<b>\$ 4,298,721</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 854					\$ 1,124	\$ 1,978
Payroll Liabilities	5,329						5,329
Due to Other Funds						205,536	205,536
<b>Total Liabilities</b>	<b>6,183</b>					<b>206,660</b>	<b>212,843</b>
<b>Deferred Inflows of Resources</b>							
Unavailable Revenues							
Notes Receivable		405,000					405,000
Delinquent Taxes	24,000						24,000
Special Assessments	5,700				78,200		83,900
<b>Total Deferred Inflows of Resources</b>	<b>29,700</b>	<b>405,000</b>			<b>78,200</b>		<b>512,900</b>
<b>Fund Balances</b>							
Restricted for Development						61,872	61,872
Restricted for Community Center						65,797	65,797
Restricted for Capital Project	220,727						220,727
Restricted for Debt Service				55,802			55,802
Committed for Capital Outlay (from Hospital)			995,304				995,304
Committed for Development		62,381				487,939	550,320
Committed for Library						14,856	14,856
Committed for Public Works						22,392	22,392
Committed for Capital Outlay					544,954		544,954
Unassigned	1,247,522					(206,568)	1,040,954
<b>Total Fund Balances</b>	<b>1,468,249</b>	<b>62,381</b>	<b>995,304</b>	<b>55,802</b>	<b>544,954</b>	<b>446,288</b>	<b>3,572,978</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,504,132</b>	<b>\$ 467,381</b>	<b>\$ 995,304</b>	<b>\$ 55,802</b>	<b>\$ 623,154</b>	<b>\$ 652,948</b>	<b>\$ 4,298,721</b>

See Notes to the Financial Statements

**CITY OF ADA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	General	2015 Revolving Loan	Long Term Asset Fund 2	2008 Lease Purchase	Long-Term Designation	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Property Taxes	\$ 416,395	\$	\$	\$	\$ 63,155	\$ 70,781	\$ 550,331
Special Assessments	4,360				8,662		13,022
Licenses and Permits	22,325						22,325
Intergovernmental	1,022,853			13,650			1,036,503
Charges for Services	398,096						398,096
Fines and Forfeits	7,527						7,527
Investment Earnings	53,301	6,791	32,105		55,553	2,653	150,403
Miscellaneous	271,804	66,497	68,682			781	407,764
<b>Total Revenues</b>	<b>2,196,661</b>	<b>73,288</b>	<b>100,787</b>	<b>13,650</b>	<b>127,370</b>	<b>74,215</b>	<b>2,585,971</b>
<b>EXPENDITURES</b>							
<b>Current</b>							
General Government	304,599		67,033				371,632
Public Safety	716,095						716,095
Public Works	627,185						627,185
Culture and Recreation	381,973					22,271	404,244
Economic Development	145,666						145,666
Community Development		146,000				85,239	231,239
Miscellaneous	21,956						21,956
<b>Debt Service</b>							
Principal				47,000			47,000
Interest and Other Charges				2,619			2,619
<b>Capital Outlay</b>							
Public Safety	126,917						126,917
Public Works	104,025				2,452	59,969	166,446
Culture and Recreation	757,367					3,408	760,775
<b>Total Expenditures</b>	<b>3,185,783</b>	<b>146,000</b>	<b>67,033</b>	<b>49,619</b>	<b>2,452</b>	<b>170,887</b>	<b>3,621,774</b>
Revenues Over (Under) Expenditures	(989,122)	(72,712)	33,754	(35,969)	124,918	(96,672)	(1,035,803)
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from Long Term Debt	962,774						962,774
Transfers In	621,000			39,000	170,000	26,625	856,625
Transfers Out	(12,000)					(14,625)	(26,625)
<b>Total Other Financing Sources (Uses)</b>	<b>1,571,774</b>			<b>39,000</b>	<b>170,000</b>	<b>12,000</b>	<b>1,792,774</b>
Net Change in Fund Balances	582,652	(72,712)	33,754	3,031	294,918	(84,672)	756,971
Fund Balances - Beginning	885,597	135,093	961,550	52,771	250,036	530,960	2,816,007
Fund Balances - Ending	\$ 1,468,249	\$ 62,381	\$ 995,304	\$ 55,802	\$ 544,954	\$ 446,288	\$ 3,572,978

See Notes to the Financial Statements

**CITY OF ADA**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**DECEMBER 31, 2024**

	Water and Sewer	Light	Liquor	Total
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 94,940	\$ 992,221	\$ 16,519	\$ 1,103,680
Accounts Receivable - Net	69,150	331,088	2,576	402,814
Special Assessments Receivable	59,200			59,200
Inventories	9,330	37,716	62,146	109,192
Total Current Assets	232,620	1,361,025	81,241	1,674,886
Capital Assets				
Land	4,000		1,267	5,267
Buildings	573,622		222,435	796,057
Equipment and Fixtures		107,961	137,277	245,238
Distribution Systems	11,139,771	1,634,802		12,774,573
Less: Accumulated Depreciation	(4,998,824)	(1,528,136)	(241,301)	(6,768,261)
Net Capital Assets	6,718,569	214,627	119,678	7,052,874
Total Assets	6,951,189	1,575,652	200,919	8,727,760
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Cost Sharing Defined Benefit Pension Plan	23,106	10,315	19,339	52,760
Total Deferred Outflows of Resources	23,106	10,315	19,339	52,760
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	7,823	8,810	6,201	22,834
Accrued Interest	22,680			22,680
Salaries Payable	2,636	1,227	1,804	5,667
Customer Deposits		36,071		36,071
Current Portion - Long-Term Debt	350,000			350,000
Total Current Liabilities	383,139	46,108	8,005	437,252
Long-Term Liabilities				
Bonds Payable, Net of Premium	3,832,585			3,832,585
Net Pension Liability	67,763	30,675	57,515	155,953
Compensated Absences	39,043	19,785	16,032	74,860
Less: Current Portion - Long-Term Debt	(350,000)			(350,000)
Total Long-Term Liabilities	3,589,391	50,460	73,547	3,713,398
Total Liabilities	3,972,530	96,568	81,552	4,150,650
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Cost Sharing Defined Benefit Pension Plan	46,536	20,358	38,169	105,063
Total Deferred Inflows of Resources	46,536	20,358	38,169	105,063
<b>NET POSITION</b>				
Net Investment in Capital Assets	2,885,984	214,627	119,678	3,220,289
Unrestricted	69,245	1,254,414	(19,141)	1,304,518
Total Net Position	\$ 2,955,229	\$ 1,469,041	\$ 100,537	\$ 4,524,807

See Notes to the Financial Statements

**CITY OF ADA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Water and Sewer</u>	<u>Light</u>	<u>Liquor</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Sales	\$	\$	\$ 622,049	\$ 622,049
Cost of Goods Sold			449,298	449,298
Gross Profit			172,751	172,751
Charges for Sales and Services	714,738	2,086,958		2,801,696
Other Receipts	10,259	18,669		28,928
Total Operating Revenues	<u>724,997</u>	<u>2,105,627</u>	<u>172,751</u>	<u>3,003,375</u>
<b>OPERATING EXPENSES</b>				
Other Operating Expenses	363,889	1,132,187	177,193	1,673,269
Depreciation	291,080	20,068	12,403	323,551
Total Operating Expenses	<u>654,969</u>	<u>1,152,255</u>	<u>189,596</u>	<u>1,996,820</u>
Operating Income (Loss)	<u>70,028</u>	<u>953,372</u>	<u>(16,845)</u>	<u>1,006,555</u>
<b>NONOPERATING INCOME (EXPENSE)</b>				
Interest Expense	(59,273)			(59,273)
Property Taxes	112			112
Special Assessments	3,707			3,707
Total Nonoperating Income (Expense)	<u>(55,454)</u>			<u>(55,454)</u>
Net Income (Loss) Before Transfers	14,574	953,372	(16,845)	951,101
Transfers Out		(830,000)		(830,000)
Total Transfers		<u>(830,000)</u>		<u>(830,000)</u>
Change in Net Position	14,574	123,372	(16,845)	121,101
Net Position, Beginning of Year	<u>2,940,655</u>	<u>1,345,669</u>	<u>117,382</u>	<u>4,403,706</u>
Net Position, End of Year	<u>\$ 2,955,229</u>	<u>\$ 1,469,041</u>	<u>\$ 100,537</u>	<u>\$ 4,524,807</u>

See Notes to the Financial Statements

**CITY OF ADA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Water and Sewer	Light	Liquor	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 734,237	\$ 2,105,480	\$ 621,073	\$ 3,460,790
Payments to Suppliers	(119,132)	(1,042,723)	(489,348)	(1,651,203)
Payments to Employees	(242,081)	(96,006)	(136,905)	(474,992)
Net Cash Provided (Used) By Operating Activities	<u>373,024</u>	<u>966,751</u>	<u>(5,180)</u>	<u>1,334,595</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to Other Funds		(830,000)		(830,000)
Net Cash Used By Noncapital Financing Activities		<u>(830,000)</u>		<u>(830,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Special Assessment Revenue Received	16,607			16,607
Property Tax Revenue Received	112			112
Purchase of Capital Assets		(16,460)	(4,000)	(20,460)
Bonds Issued	16,017			16,017
Principal Paid on Bonds	(346,000)			(346,000)
Interest Paid	(61,846)			(61,846)
Net Cash Used By Capital And Related Financing Activities	<u>(375,110)</u>	<u>(16,460)</u>	<u>(4,000)</u>	<u>(395,570)</u>
Increase (Decrease) in Cash and Cash Equivalents	(2,086)	120,291	(9,180)	109,025
Cash and Cash Equivalents - Beginning of Year	<u>97,026</u>	<u>871,930</u>	<u>25,699</u>	<u>994,655</u>
Cash and Cash Equivalents - End of Year	<u>\$ 94,940</u>	<u>\$ 992,221</u>	<u>\$ 16,519</u>	<u>\$ 1,103,680</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 70,028	\$ 953,372	\$ (16,845)	\$ 1,006,555
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	291,080	20,068	12,403	323,551
Effects on Operating Cash Flows due to Changes in:				
Accounts Receivable	9,240	(781)	(976)	7,483
Inventories		(8,552)	3,058	(5,494)
Deferred Outflows	1,866	785	1,473	4,124
Accounts Payable	1,831	1,522	1,009	4,362
Salaries Payable	(400)	(200)	(400)	(1,000)
Customer Deposits		634		634
Net Pension Liability	(23,832)	(10,034)	(18,815)	(52,681)
Compensated Absences	9,273	4,068	2,909	16,250
Deferred Inflows	13,938	5,869	11,004	30,811
Total Adjustments	<u>302,996</u>	<u>13,379</u>	<u>11,665</u>	<u>328,040</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 373,024</u>	<u>\$ 966,751</u>	<u>\$ (5,180)</u>	<u>\$ 1,334,595</u>

See Notes to the Financial Statements

**CITY OF ADA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Ada, Minnesota was incorporated in 1879 as a charter city, under the provisions of the State of Minnesota. The City operates under a mayor and seven member city council. It provides the following services as authorized by its charter: public safety (police and fire), public works (streets and sanitation), culture-recreation, economic and community development, and general administrative services. Other services include utilities and a municipal liquor store.

**A. Reporting Entity**

The City's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the City is considered financially accountable.

Component units are legally separated entities for which the City (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered component units of the City.

**B. Fund Financial Statements**

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

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

The financial statements of the City of Ada have been prepared in conformity with the regulatory basis of accounting of the State of Minnesota. This basis differs from accounting principles generally accepted in the United States of America because the regulatory basis of accounting does not require the presentation of the Management's Discussion and Analysis or the government-wide financial statements (Statement of Net Position and the Statement of Activities). Lease revenue is recognized as payments are received and lease expenditures are recognized when cash is paid.

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

**CITY OF ADA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2024

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Nonoperating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

### **Major Governmental Funds**

General Fund – Accounts for all financial resources and transactions except those required to be accounted for in other funds.

Special Revenue Funds – Accounts for proceeds of specific revenue sources (other than permanent fund and major capital projects) that are legally restricted to expenditures for specified purposes. The City’s major special revenue funds are as follows:

2015 Revolving Loan Fund - Accounts for the activity related to the City outstanding loans receivable.

Long Term Asset Fund 2 - Accounts for the capital outlay activity from the hospital.

Capital Project Funds – Accounts for financial resources to be used for acquisition or construction of major capital facilities. The City’s major capital project funds are as follows:

Long-Term Designation - Accounts for capital outlays not accounted for in other funds.

Debt Service Fund – Accounts for the financial resources accumulated that are restricted for principal and interest debt payments. The City’s major debt service fund is as follows:

2008 Lease Purchase – Accounts for the debt relating to the Emergency Service Building.

### **Major Proprietary Funds**

Water and Sewer – Accounts for the activities to operate the water and sewer utility.

Light – Accounts for the activities to operate the electric utility.

Liquor - Accounts for the activities to operate the liquor store.

### **D. Specific Account Information**

Cash and Cash Equivalents – The City considers cash investments to be certificates of deposits and other highly liquid investments with original maturities of three months or less. They are carried at cost.

**CITY OF ADA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2024

For purposes of the statement of cash flows, the enterprise funds consider all highly liquid investments (including restricted assets) with maturity of three months or less when purchased, to be cash equivalents.

Property Taxes – Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the City at periodic intervals as the taxes are collected.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Accounts Receivable – Receivables are carried at invoice amount less an estimate made for uncollectible accounts. Management determines the allowance for uncollectible accounts by using historical experience and review of individual customer accounts. The allowance for uncollectible accounts receivable in the electric fund at December 31, 2024, was \$10,000. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

A receivable is considered to be past due if any portion of the receivable balance is outstanding on the 10th of the month. A penalty is charged on receivables that are outstanding on the 10th of the month.

Special Assessments Receivable – Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with Minnesota Statutes. The City usually adopts the assessment rolls when the individual projects are completed or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue.

Collection of annual installments (including interest) is handled by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

Special assessments receivable includes the following components:

Delinquent – amounts billed to property owners but not paid.

Noncurrent – assessment installment, which will be billed to property owners in future years.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expenditure at the time of consumption.

Inventories – Inventories are valued at cost which approximates using the first in / first out (FIFO) method. The cost of governmental fund type inventories are recorded as expenditures when purchased.

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Capital Assets – Governmental Funds – Capital assets are not capitalized in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds.

Capital Assets – Proprietary Funds – Capital assets are recorded in the proprietary funds only. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The City maintains a threshold level of \$5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 7 to 50 years for buildings, 5 to 35 years for distribution systems, and 5 to 20 years for equipment and fixtures.

Capital assets not being depreciated include land and construction in progress, if any.

Long-term Obligations – In the proprietary fund types, long-term obligations are reported as liabilities in the applicable proprietary fund. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

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

Sales Tax – Sales tax collected from customers and remitted to taxing authorities are excluded from revenues and cost of sales, respectively.

Compensated Absences – The City compensates employees for unused vacation upon termination. Unused vacation may be accumulated to a maximum of 30 days. As of December 31, 2024, a liability for unused vacation has been set up for the proprietary fund employees and is included in compensated absences.

Unused sick leave may be accumulated to a maximum of 120 days. Upon termination, half of the unused accumulated sick leave up to 30 days will be paid to the employee. As of December 31, 2024, a liability for unused sick leave has been set up for the proprietary fund employees and is included in compensated absences.

The City accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
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Pensions – For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA’s fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The City has one item that qualifies for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* which represents actuarial differences within PERA pension plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items, one of which arises only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the first item, *unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments, and notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item that qualifies for reporting in this category is named *Cost Sharing Defined Benefit Pension Plan*, which represents actuarial differences within PERA pension plans.

Net Position – Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City’s financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. When both restricted and unrestricted resources are available for use, it is the City’s policy to first use restricted resources, and then use unrestricted resources as they are needed.

Fund Balance – The following classifications describe the relative strength of the spending constraints and the purposes for which resources can be used:

*Nonspendable* - consists of amounts that are not in spendable form (such as inventory and prepaid items) or are required to be maintained intact.

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

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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*Committed* - consists of amounts constrained to specific purposes by the government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

*Assigned* - consists of amounts a government intends to use for a specific purpose. These constraints are established by the Council and/or management.

*Unassigned* – consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

**E. Use of Estimates**

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the proprietary fund during the reporting period. Actual results could differ from those estimates.

**NOTE 2 BUDGETARY DATA**

The City is required by state statutes to adopt an annual budget for its general fund. There is no legal restriction on expenditures in excess of appropriations.

An annual budget is adopted for the general fund. The City does not adopt a budget for the major special revenue Long Term Asset Fund 2 fund and 2015 Revolving Loan fund. All budgets are adopted on a basis consistent with the regulatory basis of accounting.

Administration may transfer budgeted amounts between line items. All unexpended appropriations lapse at year-end. Encumbrances outstanding at year-end expire and are not reported in the financial statements. Any changes in the total budget of each fund must be approved by a majority vote of the city council. No material supplemental appropriations were made during 2024.

Expenditures exceeded budget by \$845,093 in the general fund for the year ended December 31, 2024.

**NOTE 3 DEFICIT FUND BALANCE**

Deficit fund balance of individual funds at December 31, 2024, is as follows:

Events Center	\$166,293
Rage 2 <sup>nd</sup> Addition	\$39,243
Tax Abatement District	\$1,032

The deficit is expected to be eliminated through future revenue or transfer from another fund.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
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**NOTE 4 DEPOSITS AND INVESTMENTS**

The City maintains a cash account at its depository bank. Investments are valued at amortized costs. The City considers certificates of deposit to be cash. As of December 31, 2024, the City had no investments.

Interest Rate Risk – According to the City’s formal investment policy, extended maturities may be utilized to take advantage of higher yields; however, no more than 15% of the total investments should extend beyond five (5) years and in no circumstance should any extend beyond ten (10) years.

Credit Risk – The City may invest idle funds as authorized in Minnesota Statutes, as follows:

- (a) Direct obligations or obligations guaranteed or insured issued by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- (b) General obligations and revenue obligations of any state or local government with taxing powers rated “A” and “AA”, respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated “A” or better.
- (c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
- (d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
- (e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (f) Repurchase or reverse repurchase agreements with banks that are qualified as a “depository” of public funds of the government entity, any other financial institution which is a member of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Guaranteed investment contracts (GIC’s) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC’s issued by Minnesota banks.
- (h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

Concentration of Credit Risk - The City places no limit on the amount the City may invest in any one issuer.

Custodial Credit Risk – Deposits – The City does not have a formal custodial credit risk policy. In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City's city council, all of which are members of the Federal Reserve System. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not

**CITY OF ADA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2024**

covered by insurance or bonds. As of December 31, 2024, the City had \$13,481 of funds that were undercollateralized.

**NOTE 5 NOTES RECEIVABLE**

The City has various notes receivable from organizations at December 31, 2024, as follows:

	<u>Due Dates</u>	<u>Interest Rates</u>	<u>Balance</u>
Special Revenue Funds			
2015 Revolving Loan	2025 - 2031	1%	\$ 405,000

**NOTE 6 CAPITAL ASSETS – PROPRIETARY FUNDS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 5,267	\$	\$	\$ 5,267
Total capital assets, not being depreciated	<u>5,267</u>	<u></u>	<u></u>	<u>5,267</u>
Capital assets, being depreciated:				
Buildings	796,057			796,057
Equipment and fixtures	241,238	4,000		245,238
Distribution systems	12,758,113	16,460		12,774,573
Total capital assets, being depreciated	<u>13,795,408</u>	<u>20,460</u>	<u></u>	<u>13,815,868</u>
Less accumulated depreciation for:				
Buildings	467,078	20,762		487,840
Equipment and fixtures	184,965	12,262		197,227
Distribution systems	5,792,667	290,527		6,083,194
Total accumulated depreciation	<u>6,444,710</u>	<u>323,551</u>	<u></u>	<u>6,768,261</u>
Total capital assets, being depreciated, net	<u>7,350,698</u>	<u>(303,091)</u>	<u></u>	<u>7,047,607</u>
Proprietary funds capital assets, net	<u>\$ 7,355,965</u>	<u>\$ (303,091)</u>	<u>\$</u>	<u>\$ 7,052,874</u>

Depreciation expense was charged to functions as follows:

Proprietary funds:	
Water and Sewer	\$ 291,080
Light	20,068
Liquor	12,403
Total depreciation expense - proprietary funds	<u>\$ 323,551</u>

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**NOTE 7 DEFINED BENEFIT PENSION PLANS-STATEWIDE**

The financial statements of the City of Ada have been prepared in conformity with the regulatory basis of accounting in the State of Minnesota as described in Note 1. The regulatory basis of accounting allows the City to report deferred inflows and outflows of resources for the proprietary funds but not at the governmental fund level. The net pension liability is an all-inclusive calculation for governmental and proprietary funds; however, because the City reports on the regulatory basis of accounting, it is only required to include net pension liability for the proprietary funds.

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

*General Employees Retirement Plan*

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

*Public Employees Police and Fire Retirement Plan*

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

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

*General Employees Plan Benefits*

General Employees Plan requires three years of service to vest. Benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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

*Police and Fire Plan Benefits*

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

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

Contributions – *Minnesota* Statutes chapters 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

*General Employees Fund Contributions*

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50 percent for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024 were \$62,638. The City's contributions were equal to the required contributions as set by state statute.

*Police and Fire Fund Contributions*

Police and Fire Plan members were required to contribute 11.8 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.7 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2024, were \$52,719. The City's contributions were equal to the required contributions as set by state statute.

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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Pension Costs – At December 31, 2024, the City reported a liability of \$383,431 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$9,915.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0104% at the end of the measurement period and 0.0091% for the beginning of the period.

City's proportionate share of the net pension liability	\$	383,431
State of Minnesota's proportionate share of the net pension liability associated with the City		9,915
Total	\$	<u>393,346</u>

For the year ended December 31, 2024, the City recognized pension expense of \$54,402 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional (\$190) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$1,696 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 34,678	\$
Difference between projected and actual investment earnings		115,030
Changes in actuarial assumptions	1,661	132,236
Changes in proportion	61,263	7,190
Contributions paid to PERA subsequent to the measurement date	31,319	
Total	<u>\$ 128,921</u>	<u>\$ 254,456</u>

**CITY OF ADA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2024**

\$31,319 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31</u>	<u>Pension Expense Amount</u>
2025	\$ (99,294)
2026	(2,983)
2027	(25,109)
2028	(29,468)

At December 31, 2024 the City reported a liability of \$255,591 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0194% at the end of the measurement period and 0.0188% for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of MN's proportionate share of the net pension liability associated with the City totaled \$9,743.

City's proportionate share of the net pension liability	\$	255,591
State of Minnesota's proportionate share of the net pension liability associated with the City		9,743
Total	\$	265,334

For the year ended December 31, 2024, the City recognized pension expense of \$38,966 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$946 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$1,748 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 96,573	\$
Difference between projected and actual investment earnings		87,718
Changes in actuarial assumptions	263,946	364,229
Changes in proportion	16,746	16,025
Contributions paid to PERA subsequent to the measurement date	26,359	
Total	\$ 403,624	\$ 467,972

\$26,359 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Pension Expense Amount
2025	\$ (24,638)
2026	57,871
2027	(38,734)
2028	(92,845)
2029	7,639

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

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

The total pension expense for all plans recognized by the City for the year ended December 31, 2024 was \$93,368.

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

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

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

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

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

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

**General Employees Fund**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2024**

**Police and Fire Fund**

Changes in Plan Provisions:

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

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

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

	City Proportionate Share of NPL		
	1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
General Employees Fund	\$ 837,476	\$ 383,431	\$ 9,938
Police and Fire Fund	604,012	255,591	(30,535)

Pension Plan Fiduciary Net Position – Detailed information about each defined benefit pension plan’s fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**CITY OF ADA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2024**

**NOTE 8 LONG-TERM LIABILITIES**

**A. General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was \$638,000. The City issued general obligation tax abatement bonds of \$935,000 for fiscal year ending December 31, 2024.

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Funds - Refunding	1.50%	\$ 151,000
Governmental Funds - Tax Abatement	4.0%	935,000
Proprietary Funds	2.5%	97,000
		<u>\$ 1,183,000</u>

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

<u>Year Ending December 31</u>	<u>Governmental Funds</u>		<u>Proprietary Funds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 51,000	\$ 37,309	\$ 31,000	\$ 2,038
2026	80,000	37,925	33,000	1,238
2027	100,000	35,575	33,000	413
2028	50,000	33,200		
2029	55,000	31,100		
2030-2034	305,000	120,500		
2035-2039	365,000	53,900		
2040-2042	80,000	1,600		
	<u>\$ 1,086,000</u>	<u>\$ 351,109</u>	<u>\$ 97,000</u>	<u>\$ 3,689</u>

**B. General Obligation Revenue Bonds**

The City issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of general obligation revenue bonds issued in prior years was \$7,991,772. The City issued revenue bonds of \$16,017 for fiscal year ending December 31, 2024 in the proprietary funds to finance various projects and refund debt. Net operating revenues in the water and sewer fund (excluding depreciation, interest, property taxes, and special assessments) was \$367,189 and the debt service on the bonds was \$383,314.

Revenue bonds outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Proprietary Funds	1.0 - 3.5%	\$ 3,606,980
Proprietary Funds - Refunding	2.0 - 2.1%	120,000
		<u>\$ 3,726,980</u>

**CITY OF ADA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2024**

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

Year Ending December 31	Proprietary Funds	
	Principal	Interest
2025	\$ 319,000	\$ 54,090
2026	244,000	48,681
2027	251,000	44,981
2028	250,000	41,151
2029	213,000	37,616
2030-2034	1,119,000	136,404
2035-2039	1,002,000	50,601
2040-2042	328,980	8,142
	\$ 3,726,980	\$ 421,666

**C. Changes in Long-Term Liabilities**

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Fund</b>					
General Obligation Bonds	\$ 198,000	\$	\$ 47,000	\$ 151,000	\$ 51,000
General Obligation Tax Abatement Bonds		935,000		935,000	
Total Governmental Fund	\$ 198,000	\$ 935,000	\$ 47,000	\$ 1,086,000	\$ 51,000
<b>Proprietary Fund</b>					
General Obligation Bonds	\$ 128,000	\$	\$ 31,000	\$ 97,000	\$ 31,000
General Obligation Revenue Bonds	4,025,963	16,017	315,000	3,726,980	319,000
Bond Premium	11,175		2,570	8,605	2,570
Compensated Absences	58,610	16,250 *		74,860	
Total Proprietary Fund	\$ 4,223,748	\$ 32,267	\$ 348,570	\$ 3,907,445	\$ 352,570

\*Changes to compensated absences are shown as a net increase.

The City's interest expense for the year ended December 31, 2024, was \$61,892.

The compensated absences are generally liquidated by the proprietary funds.

See the Schedule of Indebtedness for detail and payment provisions.

**NOTE 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of December 31, 2024, is as follows:

Due to other funds:

Receivable Fund	Payable Fund	Amount
Long-Term Designation	Nonmajor Special Revenue Funds	\$ 205,536
Total		\$ 205,536

The purpose of the interfund loan is to cover the cash shortage.

**CITY OF ADA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2024**

Interfund Transfers:

Transfer In	Transfer Out	Amount
General	Light	\$ 621,000
Nonmajor Governmental	General	12,000
Long Term Designated	Light	170,000
Nonmajor Governmental	Nonmajor Governmental	14,625
2008 Lease Purchase	Light	39,000
Total		\$ 856,625

The purpose of the transfers is to finance various programs and to cover the City's portion of debt service.

**NOTE 10 CONTINGENCIES**

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

**NOTE 11 RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of damage, and destruction of assets; errors and omissions; injuries to employees; and disasters. The City participates in a group workers' compensation plan with the League of Minnesota Cities Insurance Trust (LMCIT), which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota cities. The plan is administered by Berkley Administrators.

The workers' compensation plan is self-sustaining based on the premiums charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims, liabilities and other expenses. The City has entered into a regular premium adjustment after annual actual salaries are determined. All charges are distributed to each City department based upon salary and workers' compensation class code. LMCIT is responsible for Workers' Compensation Reinsurance Association premiums and for the general, administrative and claim expenses.

The City continues to carry commercial insurance for employee health, standard liability, property, and automotive insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three years. There has been no substantial change in coverage from the prior year.

**NOTE 12 NEW PRONOUNCEMENTS**

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

**CITY OF ADA**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2024

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Management has not yet determined the effect these Statements will have on the City's financial statements.

**CITY OF ADA**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Original & Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget
<b>REVENUES</b>			
Property Tax	\$ 428,295	\$ 416,395	\$ (11,900)
Special Assessments	13,650	4,360	(9,290)
Licenses and Permits	7,560	22,325	14,765
<b>Intergovernmental</b>			
Federal		120,604	120,604
State			
Local Government Aid	770,000	770,149	149
PERA Aid	3,150		(3,150)
Fire Aid	31,500	63,724	32,224
Police Aid	26,250	37,835	11,585
Other State Aid	150,222	30,541	(119,681)
Total Intergovernmental	<u>981,122</u>	<u>1,022,853</u>	<u>41,731</u>
<b>Charges for Services</b>			
Public Works	13,650	12,832	(818)
Parks and Recreation	99,750	109,011	9,261
Public Safety	42,000	70,733	28,733
Public Works - Sanitation	207,900	196,158	(11,742)
Other	16,800	9,362	(7,438)
Total Charges for Services	<u>380,100</u>	<u>398,096</u>	<u>17,996</u>
Fines and Forfeits	5,775	7,527	1,752
Investment Earnings	32,100	53,301	21,201
Miscellaneous	26,865	271,804	244,939
<b>Total Revenues</b>	<u>1,875,467</u>	<u>2,196,661</u>	<u>321,194</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	621,000	621,000	
Sale of Capital Assets	5,000		(5,000)
Proceeds from Long Term Debt		962,774	962,774
<b>Total Other Financing Sources</b>	<u>626,000</u>	<u>1,583,774</u>	<u>957,774</u>
<b>Total Revenue and Other Financing Sources</b>	<u>2,501,467</u>	<u>3,780,435</u>	<u>1,278,968</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
<b>General Government</b>			
Mayor and Council	48,200	46,910	(1,290)
Clerk / Treasurer	195,525	189,973	(5,552)
Election		3,588	3,588
Assessor	10,000	9,390	(610)
Auditing	16,800	20,600	3,800
Legal	25,000	13,504	(11,496)
City Hall, General Government Buildings	12,780	20,634	7,854
Total General Government	<u>308,305</u>	<u>304,599</u>	<u>(3,706)</u>

cont.

**CITY OF ADA**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Original & Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget
<b>EXPENDITURES - Continued</b>			
Current			
Public Safety			
Police Protection	\$ 527,059	\$ 553,187	\$ 26,128
Fire Protection	121,703	154,145	32,442
Civil Defense and Flood Control	9,093	8,763	(330)
Total Public Safety	<u>657,855</u>	<u>716,095</u>	<u>58,240</u>
Public Works			
Highway and Street Construction	458,080	385,641	(72,439)
Street Lighting	7,613	7,093	(520)
Sanitation	237,038	234,451	(2,587)
Total Public Works	<u>702,731</u>	<u>627,185</u>	<u>(75,546)</u>
Culture and Recreation			
Recreation	24,074	26,597	2,523
Community Center	266,405	248,717	(17,688)
Parks	93,719	104,448	10,729
Other	1,470	2,211	741
Total Culture and Recreation	<u>385,668</u>	<u>381,973</u>	<u>(3,695)</u>
Economic Development	43,029	145,666	102,637
Miscellaneous	27,530	21,956	(5,574)
Capital Outlay			
Public Safety	87,722	126,917	39,195
Public Works	113,850	104,025	(9,825)
Culture and Recreation	14,000	757,367	743,367
Total Capital Outlay	<u>215,572</u>	<u>988,309</u>	<u>772,737</u>
Total Expenditures	<u>2,340,690</u>	<u>3,185,783</u>	<u>845,093</u>
<b>OTHER FINANCING USES</b>			
Transfers Out	12,000	12,000	
Total Other Financing Uses	<u>12,000</u>	<u>12,000</u>	
Total Expenditures and Other Financing Uses	<u>2,352,690</u>	<u>3,197,783</u>	<u>845,093</u>
Net Change in Fund Balance	148,777	582,652	433,875
Fund Balance - Beginning	<u>885,597</u>	<u>885,597</u>	
Fund Balance - Ending	<u>\$ 1,034,374</u>	<u>\$ 1,468,249</u>	<u>\$ 433,875</u>

**CITY OF ADA**  
**SCHEDULE OF CITY CONTRIBUTIONS**  
**LAST 10 YEARS**

	Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
General Employees Plan	2015	\$ 41,235	\$ 41,235	\$	\$ 549,793	7.50 %
	2016	39,785	39,785		530,613	7.50
	2017	43,019	43,019		573,705	7.50
	2018	44,241	44,241		589,880	7.50
	2019	45,279	45,279		603,715	7.50
	2020	50,484	50,484		673,121	7.50
	2021	51,258	51,258		683,443	7.50
	2022	51,464	51,464		686,188	7.50
	2023	59,375	59,375		791,662	7.50
	2024	62,638	62,638		835,172	7.50
Police and Fire Plan	2015	\$ 29,233	\$ 29,233	\$	\$ 180,448	16.20 %
	2016	30,174	30,174		186,256	16.20
	2017	33,321	33,321		205,685	16.20
	2018	36,554	36,554		225,642	16.20
	2019	38,477	38,477		227,005	16.95
	2020	39,896	39,896		225,401	17.70
	2021	40,512	40,512		228,825	17.70
	2022	40,451	40,451		228,536	17.70
	2023	44,080	44,080		249,520	17.67
	2024	52,719	52,719		297,846	17.70

**CITY OF ADA**  
**SCHEDULE OF CITY'S SHARE OF NET PENSION LIABILITY**  
**LAST 10 YEARS**

	Fiscal Year Ended June 30	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the City	Total	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Employees Plan	2015	0.0097 %	\$ 502,704	\$	\$ 502,704	\$ 570,680	88.09 %	78.19 %
	2016	0.0087	706,397	9,212	715,609	540,203	130.77	68.90
	2017	0.0085	542,635	6,835	549,470	552,159	98.28	75.90
	2018	0.0086	477,093	15,687	492,780	581,793	82.00	79.53
	2019	0.0085	469,946	14,666	484,612	596,798	78.74	80.23
	2020	0.0090	539,591	16,679	556,270	638,418	84.52	79.06
	2021	0.0095	405,693	12,402	418,095	678,282	59.81	87.00
	2022	0.0092	728,643	21,430	750,073	684,816	106.40	76.67
	2023	0.0091	508,862	14,101	522,963	738,925	68.87	83.10
	2024	0.0104	383,431	9,915	393,346	813,417	47.14	89.08
Police and Fire Plan	2015	0.0200 %	\$ 227,247	\$	\$ 227,247	\$ 175,228	129.69 %	86.61 %
	2016	0.0190	762,503		762,503	183,352	415.87	63.90
	2017	0.0190	256,523		256,523	195,971	130.90	85.40
	2018	0.0201	214,245		214,245	215,664	99.34	88.84
	2019	0.0219	233,148		233,148	226,324	103.02	89.26
	2020	0.0194	255,713	6,037	261,750	226,203	113.05	87.19
	2021	0.0188	145,116	6,542	151,658	227,113	63.90	93.66
	2022	0.0180	783,289	34,243	817,532	228,681	342.53	70.53
	2023	0.0188	324,652	13,039	337,691	239,028	135.82	86.47
	2024	0.0194	255,591	9,743	265,334	273,683	93.39	90.17

The amounts presented for each year were determined as of the measurement date of the collective net pension liability, which is June 30.

**CITY OF ADA**  
**COMBINING BALANCE SHEET – NONMAJOR FUNDS**  
**DECEMBER 31, 2024**

	Special Revenue	Capital Project	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 652,948	\$ _____	\$ 652,948
<b>TOTAL ASSETS</b>	<b>\$ 652,948</b>	<b>\$ _____</b>	<b>\$ 652,948</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 1,124	\$ _____	\$ 1,124
Due to Other Funds	166,293	39,243	205,536
<b>Total Liabilities</b>	<b>167,417</b>	<b>39,243</b>	<b>206,660</b>
<b>Fund Balances</b>			
Restricted for Development	61,872	_____	61,872
Restricted for Community Center	65,797	_____	65,797
Committed for Development	487,939	_____	487,939
Committed for Library	14,856	_____	14,856
Committed for Public Works	22,392	_____	22,392
Unassigned	(167,325)	(39,243)	(206,568)
<b>Total Fund Balances</b>	<b>485,531</b>	<b>(39,243)</b>	<b>446,288</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 652,948</b>	<b>\$ _____</b>	<b>\$ 652,948</b>

**CITY OF ADA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**NONMAJOR FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Nonmajor Fund Special Revenue</u>	<u>Nonmajor Fund Capital Project</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Property Taxes	\$ 70,781	\$	\$ 70,781
Investment Earnings	2,653		2,653
Miscellaneous			
Other	<u>781</u>		<u>781</u>
Total Revenues	<u>74,215</u>		<u>74,215</u>
<b>EXPENDITURES</b>			
Current			
Culture and Recreation	22,271		22,271
Community Development	85,239		85,239
Capital Outlay			
Culture and Recreation	3,408		3,408
Public Works	<u>20,726</u>	<u>39,243</u>	<u>59,969</u>
Total Expenditures	<u>131,644</u>	<u>39,243</u>	<u>170,887</u>
Revenues Over (Under)			
Expenditures	<u>(57,429)</u>	<u>(39,243)</u>	<u>(96,672)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	26,625		26,625
Transfers Out	<u>(14,625)</u>		<u>(14,625)</u>
Total Other Financing Sources	<u>12,000</u>		<u>12,000</u>
Net Change in Fund Balances	(45,429)	(39,243)	(84,672)
Fund Balances - Beginning	<u>530,960</u>		<u>530,960</u>
Fund Balances - Ending	<u>\$ 485,531</u>	<u>\$ (39,243)</u>	<u>\$ 446,288</u>

**CITY OF ADA**  
**COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2024**

	Nonmajor Funds					
	Library	Public Works	Recreation Development	Tax Abatement District	A.R.P. Revolving Loan	T.I.F. 2-2 Housing
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 14,856	\$ 22,392	\$ 61,872	\$ 92	\$ 44,728	\$ 333,131
Notes Receivable						
<b>TOTAL ASSETS</b>	<u>\$ 14,856</u>	<u>\$ 22,392</u>	<u>\$ 61,872</u>	<u>\$ 92</u>	<u>\$ 44,728</u>	<u>\$ 333,131</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable				\$ 1,124		
Due to Other Funds						
<b>Total Liabilities</b>				<u>1,124</u>		
<b>Deferred Inflows of Resources</b>						
Unavailable Revenues						
Notes Receivable						
<b>Total Deferred Inflows of Resources</b>						
<b>Fund Balances</b>						
Restricted for Development			61,872			
Restricted for Community Center						
Committed for Capital Outlay (from Hospital)						
Committed for Development					44,728	333,131
Committed for Library	14,856					
Committed for Public Works		22,392				
Unassigned				(1,032)		
<b>Total Fund Balances</b>	<u>14,856</u>	<u>22,392</u>	<u>61,872</u>	<u>(1,032)</u>	<u>44,728</u>	<u>333,131</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 14,856</u>	<u>\$ 22,392</u>	<u>\$ 61,872</u>	<u>\$ 92</u>	<u>\$ 44,728</u>	<u>\$ 333,131</u>

**CITY OF ADA**  
**COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS - CONTINUED**  
**DECEMBER 31, 2024**

						Total	Major Funds		Total Special Revenue
	T.I.F. 2-3 Housing	T.I.F. 2-4 Housing	Retail DAC	Event Center	Community Center Maintenance	Nonmajor Special Revenue	2015 Revolving Loan	Long Term Asset Fund 2	
<b>ASSETS</b>									
Cash and Cash Equivalents	\$	\$ 86,116	\$ 23,964	\$	\$ 65,797	\$ 652,948	\$ 62,381	\$ 995,304	\$ 1,710,633
Notes Receivable							405,000		405,000
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>\$ 86,116</b>	<b>\$ 23,964</b>	<b>\$</b>	<b>\$ 65,797</b>	<b>\$ 652,948</b>	<b>\$ 467,381</b>	<b>\$ 995,304</b>	<b>\$ 2,115,633</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts Payable	\$	\$	\$	\$	\$	\$ 1,124	\$	\$	\$ 1,124
Due to Other Funds				166,293		166,293			166,293
<b>Total Liabilities</b>				<b>166,293</b>		<b>167,417</b>			<b>167,417</b>
<b>Deferred Inflows of Resources</b>									
Unavailable Revenues									
Notes Receivable							405,000		405,000
<b>Total Deferred Inflows of Resources</b>							<b>405,000</b>		<b>405,000</b>
<b>Fund Balances</b>									
Restricted for Development						61,872			61,872
Restricted for Community Center					65,797	65,797			65,797
Committed for Capital Outlay (from Hospital)								995,304	995,304
Committed for Development		86,116	23,964			487,939	62,381		550,320
Committed for Library						14,856			14,856
Committed for Public Works						22,392			22,392
Unassigned				(166,293)		(167,325)			(167,325)
<b>Total Fund Balances</b>		<b>86,116</b>	<b>23,964</b>	<b>(166,293)</b>	<b>65,797</b>	<b>485,531</b>	<b>62,381</b>	<b>995,304</b>	<b>1,543,216</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$</b>	<b>\$ 86,116</b>	<b>\$ 23,964</b>	<b>\$</b>	<b>\$ 65,797</b>	<b>\$ 652,948</b>	<b>\$ 467,381</b>	<b>\$ 995,304</b>	<b>\$ 2,115,633</b>

**CITY OF ADA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Nonmajor Funds					
	Library	Public Works	Recreation Development	Tax Abatement District	A.R.P. Revolving Loan	T.I.F. 2-2 Housing
<b>REVENUES</b>						
Property Taxes	\$ 15,514	\$ 8,342	\$	\$	\$	\$ 31,766
Miscellaneous						
Loan Repayments						
Other						
<b>Total Revenues</b>	<u>15,514</u>	<u>8,342</u>				<u>31,766</u>
<b>EXPENDITURES</b>						
Current						
General Government						
Culture and Recreation	9,936					
Community Development						
Capital Outlay						
Culture and Recreation						
Public Works		20,726				
<b>Total Expenditures</b>	<u>9,936</u>	<u>20,726</u>				
Revenues Over (Under)						
Expenditures	<u>5,578</u>	<u>(12,384)</u>				<u>31,766</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In		12,000				
Transfers Out						(14,625)
<b>Total Other Financing Sources</b>		<u>12,000</u>				<u>(14,625)</u>
<b>Net Change in Fund Balances</b>	<u>5,578</u>	<u>(384)</u>				<u>17,141</u>
<b>Fund Balances - Beginning</b>	<u>9,278</u>	<u>22,776</u>	<u>61,872</u>	<u>(1,032)</u>	<u>44,728</u>	<u>315,990</u>
<b>Fund Balances - Ending</b>	<u>\$ 14,856</u>	<u>\$ 22,392</u>	<u>\$ 61,872</u>	<u>\$ (1,032)</u>	<u>\$ 44,728</u>	<u>\$ 333,131</u>

**CITY OF ADA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – SPECIAL REVENUE FUNDS -**  
**CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

						Total	Major Funds		Total Special Revenue
	T.I.F. 2-3 Housing	T.I.F. 2-4 Housing	Retail DAC	Event Center	Community Center Maintenance	Nonmajor Special Revenue	2015 Revolving Loan	Long Term Asset Fund 2	
<b>REVENUES</b>									
Property Taxes	\$	\$ 15,159	\$	\$	\$	\$ 70,781	\$	\$	\$ 70,781
Investment Earnings					2,653	2,653	6,791	32,105	41,549
Intergovernmental									
Miscellaneous									
Loan Repayments							66,497		66,497
Other		1		780		781		68,682	69,463
<b>Total Revenues</b>		<u>15,160</u>		<u>780</u>	<u>2,653</u>	<u>74,215</u>	<u>73,288</u>	<u>100,787</u>	<u>248,290</u>
<b>EXPENDITURES</b>									
Current									
General Government								67,033	67,033
Culture and Recreation					12,335	22,271			22,271
Community Development	24,542	165		60,532		85,239	146,000		231,239
Capital Outlay									
Culture and Recreation					3,408	3,408			3,408
Public Works						20,726			20,726
<b>Total Expenditures</b>	<u>24,542</u>	<u>165</u>		<u>60,532</u>	<u>15,743</u>	<u>131,644</u>	<u>146,000</u>	<u>67,033</u>	<u>344,677</u>
Revenues Over (Under)									
Expenditures	(24,542)	14,995		(59,752)	(13,090)	(57,429)	(72,712)	33,754	(96,387)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers In	14,625					26,625			26,625
Transfers Out						(14,625)			(14,625)
<b>Total Other Financing Sources</b>	<u>14,625</u>					<u>12,000</u>			<u>12,000</u>
<b>Net Change in Fund Balances</b>	<u>(9,917)</u>	<u>14,995</u>		<u>(59,752)</u>	<u>(13,090)</u>	<u>(45,429)</u>	<u>(72,712)</u>	<u>33,754</u>	<u>(84,387)</u>
<b>Fund Balances - Beginning</b>	<u>9,917</u>	<u>71,121</u>	<u>23,964</u>	<u>(106,541)</u>	<u>78,887</u>	<u>530,960</u>	<u>135,093</u>	<u>961,550</u>	<u>1,627,603</u>
<b>Fund Balances - Ending</b>	<u>\$</u>	<u>\$ 86,116</u>	<u>\$ 23,964</u>	<u>\$ (166,293)</u>	<u>\$ 65,797</u>	<u>\$ 485,531</u>	<u>\$ 62,381</u>	<u>\$ 995,304</u>	<u>\$ 1,543,216</u>

**CITY OF ADA**  
**SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Balance Beginning of Year	Revenues	Expenditures	Bond Issue, Net	Transfers In	Transfers Out	Balance End of Year
Governmental Funds							
General							
Restricted - Capital Project	\$			\$ 220,727			\$ 220,727
Unassigned		885,597	2,196,661	3,185,783	742,047	621,000	12,000
							1,247,522
Special Revenue							
Library		9,278	15,514	9,936			14,856
Events Center		(106,541)	780	60,532			(166,293)
Public Works		22,776	8,342	20,726	12,000		22,392
Recreation Development		61,872					61,872
Tax Abatement District		(1,032)					(1,032)
A.R.P. Revolving Loan		44,728					44,728
2015 Revolving Loan		135,093	73,288	146,000			62,381
Community Center Maintenance		78,887	2,653	15,743			65,797
T.I.F. 2-2 Housing		315,990	31,766			14,625	333,131
T.I.F. 2-3 Housing		9,917		24,542	14,625		
T.I.F. 2-4 Housing		71,121	15,160	165			86,116
Retail DAC		23,964					23,964
Long Term Asset Fund 2		961,550	100,787	67,033			995,304
Debt Service							
2008 Lease Purchase		52,771	13,650	49,619		39,000	55,802
Capital Projects							
Long-Term Designation		250,036	127,370	2,452		170,000	544,954
Rage 2nd Addition				39,243			(39,243)
Proprietary Funds							
Water and Sewer		2,940,655	728,816	714,242			2,955,229
Light		1,345,669	2,105,627	1,152,255		830,000	1,469,041
Liquor		117,382	622,049	638,894			100,537

**CITY OF ADA**  
**SCHEDULE OF INDEBTEDNESS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Interest Rate	Date of Issue	Maturity Dates	Amount of Issue	Balance 01-01-2024	Issued 2024	Retired 2024	Balance 12-31-2024	Principal Due in 2025	Interest Due in 2025
<b>General Obligation Bonds</b>										
G.O. Refunding Note 2020A	1.50%	11/09/20	02/01/27	\$ 341,000	\$ 198,000	\$	\$ 47,000	\$ 151,000	\$ 51,000	\$ 1,883
G.O. Improvement Bond	2.50%	11/1/16	02/01/27	297,000	128,000		31,000	97,000	31,000	2,038
Total					<u>326,000</u>		<u>78,000</u>	<u>248,000</u>	<u>82,000</u>	<u>3,921</u>
<b>General Obligation Tax Abatement Bonds</b>										
GO Tax Abatement Bonds 2024A	4.00%	8/20/2024	02/01/40	935,000		935,000		935,000		35,426
Total						<u>935,000</u>		<u>935,000</u>		<u>35,426</u>
<b>General Obligation Revenue Bonds</b>										
<b>G.O. Water and Sewer Refunding 2015B</b>										
G.O. Water Revenue Bonds	2.0 - 2.1%	06/01/15	12/01/25	1,100,000	240,000		120,000	120,000	120,000	2,520
G.O. Water Revenue Bonds	1.3 - 3.5%	01/16/15	02/01/35	750,000	495,000		35,000	460,000	35,000	14,825
G.O. Utility Revenue Bond	1.50%	11/09/20	02/01/28	310,000	199,000		37,000	162,000	41,000	2,123
G.O. Water Revenue Bonds	1.00%	06/23/20	08/20/40	779,965	693,285		38,000	655,285	38,000	6,553
G.O. Sewer Revenue Bonds	1.00%	06/23/20	08/20/40	888,565	1,013,000		55,000	958,000	55,000	9,580
G.O. Water Revenue Bonds	1.31%	03/14/23	08/20/42	1,415,010	1,385,678	16,017	30,000	1,371,695	30,000	18,490
Total					<u>4,025,963</u>	<u>16,017</u>	<u>315,000</u>	<u>3,726,980</u>	<u>319,000</u>	<u>54,091</u>
<b>TOTALS</b>					<u>\$ 4,351,963</u>	<u>\$ 951,017</u>	<u>\$ 393,000</u>	<u>\$ 4,909,980</u>	<u>\$ 401,000</u>	<u>\$ 93,438</u>

## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Honorable Mayor and  
Members of the City Council  
City of Ada  
Ada, Minnesota

We 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 financial statements of each major fund and the aggregate remaining fund information of the City of Ada as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise of the City's basic financial statements, and have issued our report thereon dated September 3, 2025. Our report disclosed that, as described in Note 1 to the financial statements, the City prepares its financial statements on the regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

### Legal Compliance

In connection with our audit, we noted that the City of Ada failed to comply with provisions of the Miscellaneous Provisions, Depositories of Public Funds and Public Investments, and Contracting – Bid Laws sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the schedule of findings as items 2024-004, 2024-005 and 2024-006. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of public indebtedness, claims and disbursements, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### City's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and corrective action plan. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **Purpose of the Report**

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

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive style with a large initial 'B' and 'M'.

**BRADY, MARTZ & ASSOCIATES, P.C.  
THIEF RIVER FALLS, MINNESOTA**

September 3, 2025

**INDEPENDENT AUDITOR'S 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**

To the Honorable Mayor and  
Members of the City Council  
City of Ada  
Ada, Minnesota

We 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 financial statements of each major fund and the aggregate remaining fund information of the City of Ada, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Ada's basic financial statements and have issued our report thereon dated September 3, 2025. Our report disclosed that, as described in Note 1 to the financial statements, the City prepares its financial statements on the regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings, we did identify a certain deficiency in internal control that we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item 2024-003 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2024-001 and 2024-002 to be significant deficiencies.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and corrective action plan. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of the Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**THIEF RIVER FALLS, MINNESOTA**

September 3, 2025

**CITY OF ADA**  
**SCHEDULE OF FINDINGS**  
**DECEMBER 31, 2024**

**2024-001 FINDING – Significant Deficiency**

Criteria

An appropriate system of internal controls requires the City to prepare financial statements in compliance with the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of Minnesota Statute 471.698.

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the city council. However, the City currently does not prepare financial statements, including accompanying note disclosures and material journal entries, as required by the regulatory basis of accounting. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The City elected to not allocate resources for the preparation of the financial statements.

Effect

There is increased risk of material misstatement to the City's financial statements.

Recommendation

We recommend the City consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures. As a compensating control, the City should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will review on an annual basis.

**CITY OF ADA**  
**SCHEDULE OF FINDINGS - CONTINUED**  
**DECEMBER 31, 2024**

**2024-002 FINDING – Significant Deficiency**

Criteria

Generally, a system of internal control contemplates separation of duties so that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition

Lack of sufficient segregation of duties.

Cause

Size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting that could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

The areas should be reviewed periodically and consideration given to improving the segregation of duties.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will review on an annual basis.

**CITY OF ADA**  
**SCHEDULE OF FINDINGS - CONTINUED**  
**DECEMBER 31, 2024**

**2024-003 FINDING – Material Weakness**

Criteria

A good system of internal accounting control contemplates an adequate system designed to reconcile balance sheet accounts such as cash, accounts receivable, and payroll liabilities.

Condition

The City's cash balances are not being reconciled to the general ledger on a timely basis. An adjustment of approximately \$33,000 was proposed and posted to reconcile the December 31, 2024 balances.

Cause

The City does not have an internal control system designed to compare general ledger balances to reconciliations.

Effect

The City's general ledger amounts for cash did not agree to the bank reconciliation.

Recommendation

The City should reconcile their balance sheet accounts on a monthly basis.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will review the reconciliation procedures.

**CITY OF ADA**  
**SCHEDULE OF FINDINGS - CONTINUED**  
**DECEMBER 31, 2024**

**2024-004 FINDING – Legal Compliance**

Criteria

MN statute §345.38-.43 requires all unclaimed or uncashed checks or other intangible property held for more than three years (or one year for unpaid compensation) to be reported to the State Commissioner of Commerce.

Condition

The City has uncashed checks in excess of three years that have not been reported to the State Commissioner of Commerce.

Cause

Oversight.

Effect

The City is not in compliance with Minnesota State Statutes regarding unclaimed property.

Recommendation

We recommend the City report all uncashed checks in excess of three years old to the State Commissioner of Commerce.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will implement immediately.

**CITY OF ADA**  
**SCHEDULE OF FINDINGS - CONTINUED**  
**DECEMBER 31, 2024**

**2024-005 FINDING – Legal Compliance**

Criteria

MN Statute § 118A.03, states that contracts over \$175,000 can be made on sealed bids, or through best value procurement.

Condition

The City did not advertise for bids for a project at the Dekko Center project that was approximately \$300,000.

Cause

Oversight.

Effect

The City is not in compliance with Minnesota State Statutes regarding contracting – bid laws.

Recommendation

We recommend the City review its policies and procedures over contracting to ensure all MN Statutes are followed.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will implement immediately.

**CITY OF ADA**  
**SCHEDULE OF FINDINGS - CONTINUED**  
**DECEMBER 31, 2024**

**2024-006 FINDING – Legal Compliance**

Criteria

MN Statute § 471.345, requires the City to obtain a bond or collateral which, when computed at its market value, shall be at least ten percent more than the amount of the excess deposit.

Condition

The City had deposits which were in excess of deposit insurance and the City did not have sufficient collateral to cover the deposits.

Cause

Oversight.

Effect

The City has uninsured and uncollateralized deposits during the calendar year.

Recommendation

We recommend the City establish a policy and a procedure to monitor the depository balances. We would recommend the balances be monitored on a monthly basis and more often if the City may have deposits in excess of the deposit insurance and the collateral.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will implement immediately.

**CITY OF ADA**  
**CORRECTIVE ACTION PLAN**  
**DECEMBER 31, 2024**

**2024-001 FINDING**

Contact Person – Ashley Larson, City Administrator, Clerk & Treasurer

Corrective Action Plan – Will establish policy to document review of financial statements and notes.

Completion Date – Ongoing

**2024-002 FINDING**

Contact Person – Ashley Larson, City Administrator, Clerk & Treasurer

Corrective Action Plan – The City has the following procedures in place to mitigate risk:

- 1) Council approves checks.
- 2) Council reviews monthly financial statements.

When it becomes economically feasible, the City will hire additional personnel in the accounting department to improve segregation of duties.

Completion Date – Ongoing

**2024-003 FINDING**

Contact Person – Ashley Larson, City Administrator, Clerk & Treasurer

Corrective Action Plan – The City will reconcile the cash, accounts receivable accounts from the utility software, and the payroll liabilities to the general ledger monthly.

Completion Date – Immediately

**2024-004 FINDING**

Contact Person – Ashley Larson, City Administrator, Clerk & Treasurer

Corrective Action Plan – The City will report all uncashed checks in excess of three years old to the State Commissioner of Commerce.

Completion Date – Immediately

**2024-005 FINDING**

Contact Person – Ashley Larson, City Administrator, Clerk & Treasurer

Corrective Action Plan – The City will review its policies and procedures over contracting to ensure all MN Statutes are followed.

Completion Date – Immediately

**CITY OF ADA**  
**CORRECTIVE ACTION PLAN - CONTINUED**  
**DECEMBER 31, 2024**

**2024-006 FINDING**

Contact Person – Ashley Larson, City Administrator, Clerk & Treasurer

Corrective Action Plan – The City will obtain sufficient collateral.

Completion Date – Immediately

**APPENDIX F:  
CONTINUING DISCLOSURE FILINGS**

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

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

## Issue Details



CITY OF ADA, MINNESOTA GENERAL OBLIGATION WATER AND SEWER REVENUE CROSSOVER REFUNDING BONDS, SERIES 2015B (MN)  
ADA MINN GO WTR AND SWR REV REF BDS 2015B (MN)\*

**Dated Date:** 06/01/2015  
**Underwriting Spread Amount:** Disclosed in Official Statement  
**Closing Date:** 06/11/2015  
**Time of Formal Award:** 04/30/2015 10:46 AM  
**Time of First Execution:** 04/30/2015 01:00 PM

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

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

### FINANCIAL INFORMATION & DOCUMENTS

[Collapse](#)

**Most Recent** [2024 Audit - Ada MN for the year ended 12/31/2024 posted 09/24/2025 \(1.2 MB\)](#)

[details](#)

#### Audited Financial Statements or ACFR

[2024 Audit - Ada MN for the year ended 12/31/2024 posted 09/24/2025 \(1.2 MB\)](#)

[details](#)

[2023 Audit - Ada MN for the year ended 12/31/2023 posted 08/30/2024 \(1.8 MB\)](#)

[details](#)

[2022 Audit - Ada MN for the year ended 12/31/2022 posted 07/18/2023 \(950 KB\)](#)

[details](#)

[2021 Audit - Ada MN for the year ended 12/31/2021 posted 11/29/2022 \(503 KB\)](#)

[details](#)

[2020 Audit - Ada MN for the year ended 12/31/2020 posted 07/15/2021 \(1.1 MB\)](#)

[details](#)

[Financial Operating Filing for the year ended 12/31/2019 posted 12/13/2020 \(311 KB\)](#)

[details](#)

[2019 Audit - Ada MN for the year ended 12/31/2019 posted 10/29/2020 \(311 KB\)](#)

[details](#)

[Financial Operating Filing for the year ended 12/31/2018 posted 09/25/2019 \(515 KB\) \(Modified 09/25/2019\)](#)

[details](#)

[2018 Audit - Ada MN for the year ended 12/31/2018 posted 07/22/2019 \(515 KB\)](#)

[details](#)

[2017 Audit - Ada MN for the year ended 12/31/2017 posted 12/28/2018 \(515 KB\)](#)

[details](#)

[Financial Operating Filing for the year ended 12/31/2017 posted 12/21/2018 \(512 KB\)](#)

[details](#)

[2016 Audit - Ada MN for the year ended 12/31/2016 posted 08/16/2017 \(369 KB\)](#)

[details](#)

[Financial Operating Filing for the year ended 12/31/2016 posted 08/16/2017 \(369 KB\)](#)

[details](#)

[Financial Operating Filing for the year ended 12/31/2015 posted 12/07/2016 \(479 KB\)](#)

[details](#)

[2015 Audit - Ada MN for the year ended 12/31/2015 posted 09/26/2016 \(11.8 MB\)](#)

[details](#)

[Financial Operating Filing for the year ended 12/31/2014 posted 11/02/2015 \(4.3 MB\)](#)

[details](#)

[2014 Audit for the year ended 12/31/2014 posted 10/06/2015 \(10.2 MB\)](#)

[details](#)

### EVENT NOTICES

[Collapse](#)

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

[details](#)

#### Failure to Provide Event Filing Information

[S&P Global - Rating Upgrade July 7 2017 dated 07/07/2017 posted 04/26/2018 \(218 KB\)](#)

[details](#)

#### Rating Change

[Upgrade to Minnesota Credit Enhancement Programs dated 07/27/2018 posted 07/27/2018 \(50 KB\)](#)

[details](#)

[S&P Global - Rating Upgrade July 7 2017 dated 07/07/2017 posted 04/26/2018 \(218 KB\)](#)

[details](#)

#### Successor, Additional or Change in Trustee

### Links to Former NRMSIRs

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

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

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

[details](#)

[Event Filing posted 12/26/2024 \(133 KB\)](#)

[details](#)

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1.0.9903-39-P2





# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By \_\_\_\_\_  
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)