

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 10, 2026

**NEW ISSUE
BANK QUALIFIED**

**BOOK ENTRY ONLY
S&P GLOBAL RATINGS' RATING "AA-"
S&P'S MINNESOTA CREDIT ENHANCEMENT PROGRAM RATING: "AAA"
[MINNESOTA STATE CREDIT ENHANCEMENT PROGRAM]**

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

CITY OF LUVERNE, MINNESOTA \$2,425,000* General Obligation Utility Revenue Bonds, Series 2026A

Dated Date: Date of Delivery (Estimated to be March 18, 2026)

**Interest Due: Each February 1 and August 1
Commencing August 1, 2026**

<u>Maturity</u> [*]	<u>Amount</u> [*]	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Maturity</u> [*]	<u>Amount</u> [*]	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
2/1/2027	\$140,000	_____%	_____%	_____	2/1/2035	\$165,000	_____%	_____%	_____
2/1/2028	135,000	_____	_____	_____	2/1/2036	165,000	_____	_____	_____
2/1/2029	140,000	_____	_____	_____	2/1/2037	175,000	_____	_____	_____
2/1/2030	140,000	_____	_____	_____	2/1/2038	180,000	_____	_____	_____
2/1/2031	145,000	_____	_____	_____	2/1/2039	185,000	_____	_____	_____
2/1/2032	150,000	_____	_____	_____	2/1/2040	190,000	_____	_____	_____
2/1/2033	155,000	_____	_____	_____	2/1/2041	200,000	_____	_____	_____
2/1/2034	160,000	_____	_____	_____					

The General Obligation Utility Revenue Bonds, Series 2026A (the "Bonds" or the "Issue") are being issued by the City of Luverne, Minnesota (the "City" or the "Issuer") pursuant to Minnesota Statutes, Chapters 444 and 475, as amended. Proceeds of the Bonds will be used to finance the City-portion of the MnDOT Highway 75 reconstruction project, consisting of the replacement of the water and sewer lines in the project area and to pay costs associated with issuance of the Bonds. See *Authority and Purpose* herein for additional information.

The Bonds are valid and binding general obligations of the City and are payable from net revenues of the City's water and sewer utilities. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. In addition, the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086, which provides for payment by the State of Minnesota, in the event of a potential default of certain county debt obligations, of the principal and interest on the Bonds, when due. See *Security/Sources and Uses of Funds* herein for additional information.

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

Principal due with respect to the Bonds is payable annually on February 1, commencing February 1, 2027. Interest due with respect to the Bonds is payable semiannually on February 1 and August 1, commencing August 1, 2026. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. The Paying Agent/Registrar will be Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, Minnesota.

Proposals: Tuesday, February 17, 2026 10:00 A.M., Central Time

Award: Tuesday, February 17, 2026 5:00 P.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than \$2,392,262.50 (98.65%) and accrued interest on the total principal amount of the Bonds. **Bids will not be subject to cancellation – see "Establishment of Issue Price" in the Notice of Sale herein for additional details. The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity.** A Good Faith Deposit (the "Deposit") in the amount of \$48,500, in the form of a federal wire transfer payable to the order of the City, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

* Preliminary, subject to change.



TABLE OF CONTENTS

	<u>Page</u>
SUMMARY OF OFFERING	2
PRINCIPAL CITY OFFICIALS	3
NOTICE OF SALE	4
AUTHORITY AND PURPOSE.....	14
SECURITY/SOURCES AND USES OF FUNDS	14
MINNESOTA CREDIT ENHANCEMENT PROGRAM	14
BONDHOLDERS' RISKS.....	15
DESCRIPTION OF THE BONDS.....	17
FULL CONTINUING DISCLOSURE	19
UNDERWRITER.....	20
MUNICIPAL ADVISOR	20
FUTURE FINANCING.....	20
BOND RATING.....	20
LITIGATION	21
CERTIFICATION.....	21
LEGALITY	21
TAX EXEMPTION.....	21
GENERAL INFORMATION	23
MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS.....	29
ECONOMIC AND FINANCIAL INFORMATION.....	33
SUMMARY OF DEBT AND DEBT STATISTICS.....	35

APPENDIX A – FORM OF LEGAL OPINION

APPENDIX B – CONTINUING DISCLOSURE CERTIFICATE

APPENDIX C – CITY'S FINANCIAL STATEMENT

THE BONDS ARE OFFERED, SUBJECT TO PRIOR SALE, WHEN, AS AND IF ACCEPTED BY THE UNDERWRITER(S) NAMED ON THE FRONT COVER OF THIS OFFICIAL STATEMENT AND SUBJECT TO AN OPINION AS TO VALIDITY OF THE BONDS BY BOND COUNSEL. SUBJECT TO APPLICABLE SECURITIES LAWS AND PREVAILING MARKET CONDITIONS, THE UNDERWRITER(S) INTENDS, BUT IS NOT OBLIGATED, TO EFFECT SECONDARY MARKET TRADING FOR THE BONDS. CLOSING DATE IS ESTIMATED TO BE MARCH 18, 2026.

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

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

SUMMARY OF OFFERING

City of Luverne, Minnesota
\$2,425,000 *
General Obligation Utility Revenue Bonds, Series 2026A
(Book-Entry Only)

AMOUNT -	\$2,425,000*																																					
ISSUER -	City of Luverne, Minnesota (the "City" or the "Issuer")																																					
AWARD DATE -	February 17, 2026																																					
MUNICIPAL ADVISOR -	Northland Securities, Inc. (the "Municipal Advisor"), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402, telephone: 612-851-5900 or 800-851-2920																																					
TYPE OF ISSUE -	General Obligation Utility Revenue Bonds, Series 2026A (the "Bonds" or the "Issue")																																					
AUTHORITY, PURPOSE & SECURITY -	<p>The General Obligation Utility Revenue Bonds, Series 2026A (the "Bonds") are being issued by the City of Luverne, Minnesota (the "City") pursuant to Minnesota Statutes, Chapters 444 and 475, as amended. Proceeds of the Bonds will be used to finance the City-portion of the MnDOT Highway 75 reconstruction project, consisting of the replacement of the water and sewer lines in the project area and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City and are payable from net revenues of the City's water and sewer utilities. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. In addition, the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086, which provides for payment by the State of Minnesota, in the event of a potential default of certain county debt obligations, of the principal and interest on the Bonds, when due. See <i>Authority and Purpose</i> as well as <i>Security/Sources and Uses of Funds</i> herein for additional information.</p>																																					
DATE OF ISSUE -	Date of Delivery (Estimated to be March 18, 2026)																																					
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing August 1, 2026, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the "Record Date").																																					
MATURITIES* -	<table><tbody><tr><td>2/1/2027</td><td>\$140,000</td><td>2/1/2031</td><td>\$145,000</td><td>2/1/2035</td><td>\$165,000</td><td>2/1/2039</td><td>\$185,000</td></tr><tr><td>2/1/2028</td><td>135,000</td><td>2/1/2032</td><td>150,000</td><td>2/1/2036</td><td>165,000</td><td>2/1/2040</td><td>190,000</td></tr><tr><td>2/1/2029</td><td>140,000</td><td>2/1/2033</td><td>155,000</td><td>2/1/2037</td><td>175,000</td><td>2/1/2041</td><td>200,000</td></tr><tr><td>2/1/2030</td><td>140,000</td><td>2/1/2034</td><td>160,000</td><td>2/1/2038</td><td>180,000</td><td></td><td></td></tr></tbody></table>						2/1/2027	\$140,000	2/1/2031	\$145,000	2/1/2035	\$165,000	2/1/2039	\$185,000	2/1/2028	135,000	2/1/2032	150,000	2/1/2036	165,000	2/1/2040	190,000	2/1/2029	140,000	2/1/2033	155,000	2/1/2037	175,000	2/1/2041	200,000	2/1/2030	140,000	2/1/2034	160,000	2/1/2038	180,000		
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2/1/2030	140,000	2/1/2034	160,000	2/1/2038	180,000																																	
REDEMPTION -	The Bonds maturing on February 1, 2035 and thereafter are subject to redemption, in whole or in part, on February 1, 2034 and on any date thereafter at a price of par plus accrued interest. See <i>Description of the Bonds</i> herein for additional information.																																					
BOOK-ENTRY -	The Bonds will be issued as fully registered and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and interest payments will be made. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers will not receive physical delivery of the Bonds.																																					
PAYING AGENT/REGISTRAR -	Northland Bond Services, a division of First National Bank of Omaha, Minneapolis, Minnesota																																					
TAX DESIGNATIONS -	<p><u>NOT Private Activity Bonds</u> - The Bonds are not "private activity bonds" as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the "Code").</p> <p><u>Bank Qualified Tax-Exempt Obligations</u> - The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.</p>																																					
LEGAL OPINION -	Taft Stettinius & Hollister LLP, Minneapolis, Minnesota ("Bond Counsel")																																					
BOND RATING -	The City received an underlying rating of "AA-" from S&P Global Ratings ("S&P"). See <i>Bond Rating</i> herein for additional information. In addition, the Bonds were rated "AAA" by S&P based on the State of Minnesota Credit Enhancement Program. See <i>State of Minnesota Credit Enhancement Program</i> herein for additional information.																																					
CLOSING -	Estimated to be March 18, 2026																																					
PRIMARY CONTACTS -	Tyler Reisch, Finance Director, City of Luverne, Minnesota 507-449-9920 George Eilertson, Managing Director, Northland Securities, Inc., 612-851-5906																																					

* Preliminary, subject to change.

CITY OF LUVERNE, MINNESOTA

PRINCIPAL CITY OFFICIALS

Elected Officials

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Pat Baustian	Mayor	12/31/28
Dan Nath	Council Member	12/31/28
Mert Kracht	Council Member	12/31/28
Kevin Aaker	Council Member	12/31/26
Caroline Thorson	Council Member	12/31/26

City Council

Primary Contacts

Jill Wolf	City Administrator
Tyler Reisch	City Finance Director

BOND COUNSEL

Taft Stettinius & Hollister LLP
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

NOTICE OF SALE

\$2,425,000*

GENERAL OBLIGATION UTILITY REVENUE BONDS, SERIES 2026A

CITY OF LUVERNE, MINNESOTA
(Book-Entry Only)

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

TIME AND PLACE:

Proposals (also referred to herein as "bids") will be opened by the City's Finance Director, or designee, on Tuesday, February 17, 2026, at 10:00 A.M., CT, at the offices of Northland Securities, Inc. (the City's "Municipal Advisor"), 150 South 5th Street, Suite 3300, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Tuesday, February 17, 2026 at 5:00 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

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

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:00 A.M., CT, on Tuesday, February 17, 2026. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:00 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

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

BOOK-ENTRY SYSTEM

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

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

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

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be March 18, 2026)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, as amended. Proceeds will be used to finance the City-portion of the MnDOT Highway 75 reconstruction project, consisting of the replacement of the water and sewer lines in the project area and to pay the costs associated with the issuance of the Bonds. The Bonds are payable from net revenues of the City's water and sewer utilities. In addition, the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086, which provides for payment by the State of Minnesota, in the event of a potential default of certain county debt obligations, of the principal and interest on the Bonds, when due. The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing August 1, 2026, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date.

MATURITIES

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

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2027	\$140,000	2032	\$150,000	2037	\$175,000
2028	135,000	2033	155,000	2038	180,000
2029	140,000	2034	160,000	2039	185,000
2030	140,000	2035	165,000	2040	190,000
2031	145,000	2036	165,000	2041	200,000

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

INTEREST RATES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

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

OPTIONAL REDEMPTION

Bonds maturing on February 1, 2035 through 2041 are subject to redemption and prepayment at the option of the City on February 1, 2034 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the City and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

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

DELIVERY

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

TYPE OF PROPOSAL

Proposals of not less than \$2,392,262.50 (98.65%) and accrued interest on the principal sum of \$2,425,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Tyler Reisch, Finance Director
305 E Luverne St.
PO Box 659
Luverne, Minnesota 56156

A good faith deposit (the "Deposit") in the amount of \$48,500 in the form of a federal wire transfer (payable to the order of the City) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the City may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

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

AWARD

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

INFORMATION FROM SUCCESSFUL BIDDER

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

OFFICIAL STATEMENT

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

FULL CONTINUING DISCLOSURE UNDERTAKING

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

BANK QUALIFICATION

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

BOND INSURANCE AT UNDERWRITER'S OPTION

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

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

Dated: January 20, 2026

BY ORDER OF THE LUVERNE CITY COUNCIL

/s/ Tyler Reisch
Finance Director

Additional information may be obtained from:

Northland Securities, Inc.
150 South 5th Street, Suite 3300
Minneapolis, Minnesota 55402
Telephone No.: 612-851-5900

EXHIBIT A

[FORM OF ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED]

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

1. Reasonably Expected Initial Offering Price.

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

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

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

2. Defined Terms.

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

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

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

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

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

Dated: March 18, 2026.

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

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

1. Initial Offering Price of the Bonds.

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

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

2. Defined Terms.

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

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

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

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

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

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

and by Taft Stettinius & Hollister LLP, Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: March 18, 2026.

AUTHORITY AND PURPOSE

The General Obligation Utility Revenue Bonds, Series 2026A (the “Bonds” or the “Issue”) are being issued by the City of Luverne, Minnesota (the “City”) pursuant to Minnesota Statutes, Chapters 444 and 475, as amended. Proceeds from issuance of the Bonds will be used to finance the City-portion of the MnDOT Highway 75 reconstruction project, consisting of the replacement of the water and sewer lines in the project area and to pay costs associated with issuance of the Bonds.

SECURITY/SOURCES AND USES OF FUNDS

Security

The Bonds are valid and binding general obligations of the City and are payable from net revenues of the City's water and sewer utilities. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. In addition, the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086, which provides for payment by the State of Minnesota, in the event of a potential default of certain county debt obligations, of the principal and interest on the Bonds, when due.

Sources and Uses of Funds

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

Sources of Funds

Par Amount of Bonds	<u>\$ 2,425,000*</u>
Total Sources of Funds:	<u>\$ 2,425,000</u>

Uses of Funds

Deposit to Project Fund	\$ 2,335,389
Costs of Issuance/Underwriter's Discount	89,212
Rounding Amount	<u>399</u>
Total Uses of Funds:	<u>\$ 2,425,000</u>

MINNESOTA CREDIT ENHANCEMENT PROGRAM

In the resolution adopting the sale of the Bonds, the City will covenant and obligate itself to be bound by the provisions of Minnesota Statutes, Section 446A.086 (the “Credit Enhancement Act” or the “Act”), which provides for payment by the State of Minnesota in the event of a potential default of certain debt obligations. The provisions of the Credit Enhancement Act shall be binding on the City as long as any Bonds remain outstanding. Under the Credit Enhancement Act, if the City believes it may be unable to make a principal or interest payment for the Bonds on the due date, it must notify the Minnesota Commissioner of Management and Budget and the Minnesota Public Facilities Authority (the “Authority”) as soon as possible, but not less than 15 business days prior to the due date (which notice is to specify certain information), and would use the provisions of the Credit Enhancement Act to have the State of Minnesota, acting through the Authority, make payment of the principal and interest when due. The City also covenants in the Resolution to deposit with the paying agent for the issue three business days prior to the date on which a payment is due an amount sufficient to make that payment or to notify the Authority that it will be unable to make all or a portion of the payment.

* Preliminary, subject to change.

The Credit Enhancement Act also requires the paying agent for the Bonds to notify the Authority if it becomes aware of a potential default in the payment of principal and interest on these obligations, or if, on the day two business days before the date a payment is due, there are insufficient funds on deposit with the paying agent to make the payment.

After receipt of a notice which requests a payment pursuant to the Act, after consultation with the paying agent and the City, and after verifying the accuracy of the information provided, the Authority shall notify the Commissioner of the potential default. The Credit Enhancement Act provides that “upon receipt of this notice...the Commissioner shall issue a warrant and authorize the Authority to pay to...the paying agent for the debt obligation the specified amount on or before the date due. The amounts needed for purposes of this subdivision are annually appropriated to the Authority from the [state] general fund.”

BONDHOLDERS' RISKS

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

Secondary Market

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

Ratings Loss

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

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

Forward-Looking Statements

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

Tax Exemption, Bank Qualification and Loss of Tax Exemption

If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue

Code of 1986, as amended (the “Code”) and post-issuance tax covenants of the Issuer may result in the inclusion of interest on the Bonds in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

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

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

Pending Federal and State Tax Legislation

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

Tax Levy Procedures

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

Factors Beyond Issuer’s Control

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

Cybersecurity

The Issuer, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no

assurances that any security and operational control measures implemented by the Issuer will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

Suitability of Investment

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

Summary

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

DESCRIPTION OF THE BONDS

Details of Certain Terms

The Bonds will be dated, as originally issued, as of the date of delivery (estimated to be March 18, 2026), and will be issued as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing February 1, 2027. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing August 1, 2026. The Bonds when issued, will be registered in the name of Cede & Co. (the “Registered Holder”), as nominee of The Depository Trust Company, New York, New York (“DTC”), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder of the Bonds. See “Book-Entry System” in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof (“Authorized Denominations”). Individual purchasers (“Beneficial Owners”) of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

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

Registration, Transfer and Exchange

So long as the Book-Entry Only System is used, payments from Cede & Co., as the Registered Holder, to the Beneficial Owners shall be governed by the Book-Entry Only System. If the Book-Entry Only System is discontinued, the Bonds may be transferred upon surrender of the Bonds at the principal office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his or her attorney duly authorized in writing. The Bonds, upon surrender thereof at the principal office of the Bond Registrar, may also be exchanged for other Bonds of the same series, of any authorized denominations having the same form, terms, interest rates and maturities as the Bonds being exchanged. The Bond Registrar will require the payment by the Bond holder requesting such exchange or transfer of any tax or governmental charge required to be paid with respect to such exchange or transfer. The Bond Registrar is not required to (i) issue, transfer or exchange

any Bond during a period beginning at the opening of business fifteen days before any selection of Bonds of a particular stated maturity for redemption in accordance with the provisions of the Bond resolution and ending on the day of the first mailing of the relevant notice of redemption or (ii) to transfer any Bonds or portion thereof selected for redemption.

Optional Redemption

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

Book-Entry System

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

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

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

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

credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

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

FULL CONTINUING DISCLOSURE

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

contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Certificate in substantially the form attached hereto as Appendix B.

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

The City has implemented disclosure policies and procedures to be followed by the City in relation to the financial disclosures and reportable events for which the City must provide notice to the MSRB's Electronic Municipal Market Access system. The City has retained a Dissemination Agent for its continuing disclosure filings.

UNDERWRITER

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

MUNICIPAL ADVISOR

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

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

FUTURE FINANCING

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

BOND RATING

The City received an underlying rating of "AA-" from S&P Global Ratings ("S&P"). In addition, the Bonds were rated "AAA" by S&P based on the Minnesota Credit Enhancement Program. The City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086 (State of Minnesota Credit Enhancement Program), which provides for payment by the State of Minnesota, in the event of a potential default of a Bonds debt obligation, of the principal and interest on the Bonds when due. These ratings reflect only the opinion of S&P and any explanation of the significance of these ratings may be obtained only from S&P. There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of S&P, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See *Minnesota Credit Enhancement Program* herein for additional information. These ratings are not a recommendation to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agency.

LITIGATION

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

CERTIFICATION

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

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

LEGALITY

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

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

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings, and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining “annual adjusted financial statement income” for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinions are subject to the condition that the Issuer complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

OTHER FEDERAL AND STATE TAX CONSIDERATIONS

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social

security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisors.

Original Issue Discount

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

Original Issue Premium

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

Proposed Changes in Federal and State Tax Law

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

Qualified Tax-Exempt Obligations

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

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

CITY OF LUVERNE, MINNESOTA

GENERAL INFORMATION

Access and Transportation

The City of Luverne, the county seat of Rock County, is located in the southwestern portion of Minnesota. The City lies approximately 25 miles east of Sioux Falls, South Dakota, 25 miles south of Pipestone, 30 miles west of Worthington and 205 miles southwest of the Twin Cities Metropolitan Area. In addition, the City also lies about 10 miles north of the Iowa border. Access is available via Interstate Highway 90, U.S. Highway 75 as well as County Road 4.

Area

2,186.24 Acres
(3.416 Square Miles)

Population

2000 Census	4,617	2020 Census	4,946
2010 Census	4,745	2025 Estimate*	4,929

Labor Force Data

Comparative average labor force and unemployment rate figures for 2025 through September and year-end 2024 from the Minnesota Department of Employment and Economic Development are listed below. Figures are not seasonally adjusted and numbers of people are estimated by place of residence.

	September 2025		2024	
	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>
Rock County	5,430	2.7%	5,407	2.0%
Minnesota	3,161,333	3.7	3,129,802	3.0

Income Data¹

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

	<u>City of Luverne</u>	<u>State of Minnesota</u>	<u>United States</u>
Median Family Income	\$91,628	\$111,492	\$96,922
Per Capita Income	35,860	46,957	43,289

City Government

Luverne, organized on February 14, 1877, is a Minnesota Home Rule City. It has a mayor elected at large for a four-year term and four aldermen elected by wards for four-year terms. The Mayor and Council appoint the City Administrator who is responsible for managing and coordinating the operations of the City. The City Administrator is responsible for hiring management staff that consists of a Clerk, Finance Director, Public Works Senior Supervisor and Water/Wastewater Senior Supervisor.

* Source: City of Luverne.

¹ Source: 2019-2023 American Community Survey, U.S. Census Bureau.

The City has the following municipal enterprise services: water utility, sewer utility, electric utility, storm sewer, municipal liquor store, and a refuse and recycling system.

Comprehensive Plan

The City's Comprehensive Plan was last revised in 2024. The revised plan provides the basis for long-term development strategies adopted by the City in areas such as water, sewer, electric and transportation systems.

The Plan evaluates housing, municipal infrastructure, community facilities, neighborhood enhancement and development, transportation, education facilities and economic development.

Employee Pension Programs

The City employs 159 people, 30 full-time and 58 part-time and 71 seasonal employees. The pension plan covers 56 of the City's employees.

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

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

The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.5% of their annual covered salary in 2024. In 2024, State statute requires the City to contribute 7.50% of annual covered payroll for Coordinated Plan GEF members.

Volunteer firefighters of the City are eligible for pension benefits through membership in the Luverne Volunteer Firemen's Relief Association organized under Minnesota Statutes, Chapter 69, and administered by a separate Board elected by the membership. State aids, investment earnings and City contributions fund the plan. State statute requires this plan to fund current service cost as it accrues and prior service cost amortized over a period of ten years. Full retirement benefits are available to members at age 50 plus twenty years of service in lump sum equal to the sum of \$2,200 for each full year of active service as an active firefighter, not to exceed 30 years.

Additional information regarding the City's Pension obligations is provided in the City's Comprehensive Annual Financial Report which is included in Appendix C of this Official Statement, with particular reference to Note 6.

Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The City operates a single-employer retiree benefit plan that provides health, life and dental insurance to eligible employees and their families through the City's health plan. The full cost of the benefits is covered by the plan. Benefit and eligibility provisions are established through negotiations between the City and various unions representing City employees and are renegotiated each bargaining period.

Changes in Total OPEB Liability

Balance on December 31, 2023	\$48,612
Changes From Prior Year	
Service Cost	2,599
Interest Cost	1,972
Benefit Payment	(4,926)
Differences Between Expected and Actual Experience	23,628
Changes in Assumptions	<u>4,383</u>
Net Change	<u>27,656</u>
Balance on December 31, 2024	<u>\$76,268</u>

Additional information regarding the City's OPEB obligations is provided in the City's Comprehensive Annual Financial Report, excerpts of which are provided in Appendix C of this Official Statement, with particular reference to Note 7.

Estimated Cash and Investment Balances as of December 30, 2025 (unaudited)

<i>Fund</i>	
General Fund	\$3,318,798
Special Revenue Funds	630,323
Debt Service Funds	905,448
Capital Project Funds	2,131,636
Enterprise Funds	15,270,507
Internal Service Funds	1,196,171
Trust and Agency Funds	<u>1,897,029</u>
Total Estimated Cash and Investment Balances	<u>\$25,349,912</u>

General Fund Budget Summary

	<u>2025 Budget</u>	<u>2026 Budget</u>
Revenues:		
Property Taxes	\$2,926,082	\$3,137,774
Licenses and Permits	76,840	76,840
Intergovernmental Revenue	1,902,967	1,801,185
Charges for Services	360,989	360,989
Fines and Forfeits	10,000	10,000
Franchise Fees	500,000	500,000
Miscellaneous	795,427	238,427
Transfers In	<u>310,000</u>	<u>285,000</u>
 Total Revenues	 \$6,882,305	 \$6,410,215
 Expenditures:		
General Government	\$1,160,829	\$1,145,796
Community Development	155,080	157,272
Public Safety	1,799,504	1,938,298
Recreation	959,362	1,008,293
Public Works	1,058,956	1,041,784
Transfers Out	<u>1,173,374</u>	<u>1,118,772</u>
 Total Expenditures	 \$6,307,105	 \$6,410,215
 Revenues Over (Under) Expenditures	 \$575,200	 \$0
 Beginning Fund Balance (January 1)	 \$3,342,870	 \$3,918,070
 Ending Fund Balance (December 31)	 <u>\$3,918,070</u>	 <u>\$3,918,070</u>

Residential Development

There are approximately 1,774 single-family homes and 449 multifamily units located within the City. In addition, there have been two single-family, two twin home dwellings and two 27-unit apartment buildings constructed within the past twelve months.

Industrial Park

The City has a 376-acre industrial park with a capacity of 31 enterprises. Currently, there are 25 enterprises within the park, the larger of which include Henning Construction, Design Craft; Midwest Fire & Equipment; Hills Stainless Steel & Equipment; Luverne Auto Body Shop; Jaycox Inc.; Papik Motors; Buffalo Ridge Concrete; Sieve Electric; Mert's Machine and Welding; Schwartz Farms; Bosch Investments; Nutrien Ag Solutions; 4-Way Insulation; CHS; RSD Development; Great Plains Processing; K.R.U. Ltd, Kemp Electric; Premium Minnesota Pork; Back Draft Mfg.; Lineage Logistics; and Ellis & Eastern Co.

Commercial/Industrial Development

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

<u>Name</u>	<u>Product/Service</u>	<u>Description of Construction</u>
Kwik Trip	Convenience Store	New Wood Frame Structure w/fuel pumps
Backdraft Mfg.	Custom engineering and mfg	New Metal Frame Structure
Loosbrock Electric	Electrical contractor	New Wood Post Frame Structure
Kids Rock Childcare	Childcare Center	Renovation of 32,000 Sq Ft Masonry and Metal Building
Rock County Land Mgmt	County Gov't Office	Renovation of Masonry Building
The Flower Shop	Retail / multi-tenant	New Wood Frame Structure
Dikun Properties	Cannabis Cultivation	New Wood Post Frame Structure
Luverne Storage Rental LLC	Rental Storage Units	New Wood Post Frame Structure
McClure P&H	Plumbing & HVAC contractor	New Wood Post Frame Structure

Building Permits

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

<u>Year</u>	<i>Commercial/ Industrial Number of Permits</i>	<i>Residential Number of Permits</i>	<i>Total Number of Permits</i>	<i>Total Permit Valuation</i>
2025 (As of 12/30)	27	112	139	\$6,305,256
2024	14	130	144	18,404,074
2023	32	122	154	9,406,640
2022	24	136	160	29,450,362
2021	23	111	134	15,077,990
2020	27	170	197	9,767,569

Banking/Financial Institutions

Banking and financial services provided within the City include the following: Security Savings Bank, First Farmers and Merchants National Bank, and Minnwes Bank Luverne.

Education

The City is served by Independent School District No. 2184, Luverne.

Major/Leading Employers¹

Following are some of the major/leading employers within the City:

<u>Name</u>	<u>Product/Service</u>	<u>Number of Employees²</u>
Premium Minnesota Pork	Pork Processing	459
Sanford Hospital - Luverne	Health Care Services	225
ISD No. 2184, Luverne	Public Education	221
MN Veterans Home	Veteran Retirement Home	155
City of Luverne ³	City Government	154
Mary Jane Brown Good Samaritan Home	Retirement Home	105
Continental Western Group	Commercial Insurance	99
Habilitative Services	Healthcare Support	90
Rock County	County Government	80
Papik Motors ⁴	Automobile Sales	56

Largest Taxpayers⁵

Following are ten of the largest taxpayers within the City:

<u>Name</u>	<u>Classification</u>	<u>2024/2025 Tax Capacity</u>	<u>Percent of Total Tax Capacity</u>
			<u>(\$5,693,807)⁶</u>
Lineage Logistics LLC	Industrial	\$ 621,942	10.92%
Premium Minnesota Pork LLC	Industrial	190,662	3.35
Agri-Energy LLC	Industrial	120,443	2.12
Greensmith Luverne Holding LLC	Apartments	103,488	1.82
R&M Commercial Properties LLC	Commercial	71,660	1.26
Luverne Hotel Partners LLC	Commercial	55,840	0.98
CenterPoint Energy/ Minnesasco	Utility	38,884	0.68
Evangelical Lutheran	Various	37,856	0.67
Rock River Properties LLC	Industrial	36,138	0.63
Kwik Trip Inc	Commercial	<u>31,936</u>	<u>0.56</u>
		<u><u>\$ 1,308,849</u></u>	<u><u>22.99%</u></u>

¹ Sources: City and Data Axle Reference Solutions.

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

³ Constitutes 30 full-time, 58 part-time and 71 seasonal employees.

⁴ Located within the 376-acre industrial park.

⁵ As reported by Rock County.

⁶ Before tax increment adjustment.

MINNESOTA VALUATIONS; PROPERTY TAX CLASSIFICATIONS

Market Value

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

Taxable Market Value

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

Market Value Exclusion

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

Sales Ratio

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

Economic and Indicated Market Value

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

Net Tax Capacity

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

Tax Cycle

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

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

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

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

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

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

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

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

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

Levy Limits

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

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The following is a partial summary of these factors:

Property Tax Classifications

<u>Class</u>	<u>Type of Property</u>	<u>Class Rate Schedule</u>		
		<u>2022/ 2023</u>	<u>2023/ 2024</u>	<u>2024/ 2025</u>
1a	<u>Residential Homestead:</u> First \$500,000 Over \$500,000	1.00% 1.25	1.00% 1.25	1.00% 1.25
1c	<u>Commercial seasonal-residential recreational-</u> under 250 days and includes homestead First \$600,000 \$600,001-2,300,000 Over \$2,300,000 [†]	.50 1.00 1.25	.50 1.00 1.25	.50 1.00 1.25
2a	<u>Agricultural Homestead – House, Garage, One Acre:</u> First \$500,000 Over \$500,000 Remainder of Farm* – First \$1,890,000 Over \$1,890,000 First \$2,150,000 Over \$2,150,000 First \$3,500,000 Over \$3,500,000	1.00 1.25 0.50 1.00 0.50 1.00 .50 1.00	1.00 1.25 1.00 0.50 1.00 1.00	1.00 1.25 1.00
2b	<u>Non-Homestead Rural Vacant Land¹</u>	1.00	1.00	1.00
3a	<u>Commercial/Industrial and Public Utility</u> First \$150,000 [†] Over \$150,000 [†]	1.50 2.00	1.50 2.00	1.50 2.00
4a	<u>Apartment</u> (4+ units, incl. private for-profit hospitals)	1.25	1.25	1.25
4bb(1)	<u>Residential Non-Homestead</u> (Single Unit) First \$500,000 Over \$500,000	1.00 1.25	1.00 1.25	1.00 1.25
4c(1)	<u>Seasonal Residential Recreational/Commercial[†]</u> (Resort): First \$500,000 Over \$500,000	1.00 1.25	1.00 1.25	1.00 1.25
4c(12)	<u>Seasonal Residential Recreational[†]</u> Non-Commercial (Cabin): First \$500,000* Over \$500,000*	1.00 1.25	1.00 1.25	1.00 1.25
4d	<u>Qualifying Low-Income Rental Housing</u> First \$100,000 Over \$100,000	.75 .25	.75 .25	.25 .25

[†] Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

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

CITY OF LUVERNE, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION¹

Valuations

	<i>Estimated Market Value 2024/2025</i>	<i>Net Tax Capacity 2024/2025</i>
Real Property	\$ 507,042,300	\$ 5,646,289
Personal Property	2,576,600	47,518
Less Tax Increment Deduction	<u>---</u>	(152,502)
Total Adjusted Valuation	<u><u>\$ 509,618,900</u></u>	<u><u>\$ 5,541,305</u></u>

Valuation Trends (Real and Personal Property)

<i>Levy Year/ Collection Year</i>	<i>Economic Market Value</i>	<i>Sales Ratio</i>	<i>Estimated Market Value</i>	<i>Taxable Market Value</i>	<i>Tax Capacity Before Tax Increments</i>	<i>Tax Capacity After Tax Increments</i>
2024/2025	\$523,156,861	96.78%	\$509,618,900	\$465,625,854	\$5,693,807	\$5,541,305
2023/2024	479,319,303	94.99	453,990,200	421,829,618	5,082,952	4,954,746
2022/2023	421,210,993	92.68	389,067,900	355,824,870	4,224,404	4,140,511
2021/2022	404,095,004	89.53	360,701,100	326,735,758	3,942,391	3,861,985
2020/2021	367,582,652	92.05	338,326,300	304,028,324	3,652,711	3,572,956

Breakdown of Valuations

2024/2025 Tax Capacity, Real and Personal Property (before tax increment adjustments):

Residential Homestead	\$ 2,982,521	52.38%
Agricultural	14,720	0.26
Commercial & Industrial	2,102,581	36.93
Public Utility	4,540	0.08
Residential Non-Homestead	541,892	9.52
Seasonal/Recreational	35	<0.01
Personal Property	<u>47,518</u>	<u>0.83</u>
 Totals:	 <u><u>\$ 5,693,807</u></u>	 <u><u>100.00%</u></u>

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

Tax Capacity Rates

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

<u>Levy Year/ Collection Year</u>	<u>2020/21 Tax Capacity Rates</u>	<u>2021/22 Tax Capacity Rates</u>	<u>2022/23 Tax Capacity Rates</u>	<u>2023/24 Tax Capacity Rates</u>	<u>2024/25 Tax Capacity Rates</u>
Rock County	22.722%	23.966%	21.401%	17.519%	17.302%
City of Luverne	63.359	65.517	66.818	65.248	64.367
ISD No. 2184, Luverne	<u>17.654</u>	<u>16.249</u>	<u>16.679</u>	<u>12.520</u>	<u>11.470</u>
Totals:	<u>103.735%</u>	<u>105.732%</u>	<u>104.898%</u>	<u>95.287%</u>	<u>93.139%</u>
<i><u>Market Value Rates:</u></i>					
ISD No. 2184 (Luverne)	0.21337%	0.20893%	0.21776%	0.20168%	0.19132%

Tax Levies and Collections¹

<u>Levy/Collect</u>	<u>Net Levy</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 12/31/24</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2024/2025	\$3,567,857			In Process of Collection	
2023/2024	3,248,847	\$3,224,750	99.26%	\$3,224,750	99.26%
2022/2023	2,768,395	2,751,609	99.39	2,763,650	99.83
2021/2022	2,535,793	2,515,945	99.22	2,532,839	99.88
2020/2021	2,264,508	2,237,568	98.81	2,263,316	99.95

¹ 2024/2025 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Rock County.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit¹

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

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

2024/2025 Estimated Market Value	\$ 509,618,900
Multiplied by 3%	<u>x .03</u>

Statutory Debt Limit	<u>\$ 15,288,567</u>
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Less outstanding debt applicable to debt limit:

\$340,000 General Obligation Bonds, Series 2021A	\$ 60,000
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Total Debt applicable to debt limit:	\$ 60,000
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Legal debt margin	<u>\$ 15,228,567</u>
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¹ Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of \$1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than \$1,000,000 are not subject to the statutory debt limit.

CITY OF LUVERNE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of February 2, 2026)

Purpose:	G.O. Bonds, Series 2021A			
Dated:	04/27/21			
Original Amount:	\$340,000			
Maturity:	1-Feb	TOTAL	TOTAL	
Interest Rates:	2.00%	PRINCIPAL:	PRIN & INT:	
2026	\$0	\$0	\$600	2026
2027	30,000	30,000	30,900	2027
2028	30,000	30,000	30,300	2028
		<hr/> <u>\$60,000</u>	<hr/> <u>\$60,000</u>	<hr/> <u>\$61,800</u>
		(1) (2) (3)		

**NOTE: 100% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE
RETIRED WITHIN TEN YEARS.**

- (1) These bonds are payable solely from ad valorem taxes on all taxable property within the City and without limitation of amount.
- (2) These bonds refunded, on April 27, 2021, the 2022 through 2028 maturities of the \$4,775,000 General Obligation Bonds, Series 2012A, dated April 1, 2012.
- (3) This schedule represents a portion of the \$6,460,000 General Obligation Bonds, Series 2021A, dated April 27, 2021, consisting of \$5,045,000 backed by tax abatement levies; \$1,075,000 backed by net revenues of the municipal water and sewer utility systems; and \$340,000 backed ad valorem taxes.

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

Purpose:	G.O. Improvement Bonds Series 2023A			
Dated:	06/07/23			
Original Amount:	\$1,585,000			
Maturity:	1-Feb	TOTAL	TOTAL	
Interest Rates:	4.00-5.00%	PRINCIPAL:	PRIN & INT:	
2026	\$0	\$0	\$32,075	2026
2027	110,000	110,000	171,400	2027
2028	115,000	115,000	170,775	2028
2029	120,000	120,000	169,900	2029
2030	125,000	125,000	168,775	2030
2031	135,000	135,000	172,275	2031
2032	140,000	140,000	170,400	2032
2033	150,000	150,000	173,150	2033
2034	155,000	155,000	171,300	2034
2035	160,000	160,000	170,000	2035
2036	<u>170,000</u>	<u>170,000</u>	<u>173,400</u>	2036
	<u>\$1,380,000</u>	<u>\$1,380,000</u>	<u>\$1,743,450</u>	

NOTE: 88% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

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

Purpose:	G.O. Bonds, Series 2021A	G.O. Tax Abatement Bonds, Series 2024A			
Dated:	04/27/21	03/27/24			
Original Amount:	\$5,045,000	\$4,200,000			
Maturity:	1-Feb	1-Feb	TOTAL	TOTAL	
Interest Rates:	1.30-2.00%	4.00-5.00%	PRINCIPAL:	PRIN & INT:	
2026	\$0	\$0	\$0	\$125,655	2026
2027	230,000	210,000	440,000	683,760	2027
2028	235,000	210,000	445,000	673,610	2028
2029	240,000	210,000	450,000	663,360	2029
2030	245,000	210,000	455,000	653,868	2030
2031	245,000	210,000	455,000	640,183	2031
2032	250,000	210,000	460,000	631,215	2032
2033	255,000	210,000	465,000	621,928	2033
2034	255,000	210,000	465,000	607,475	2034
2035	260,000	210,000	470,000	598,905	2035
2036	265,000	210,000	475,000	590,775	2036
2037	270,000	210,000	480,000	582,025	2037
2038	275,000	210,000	485,000	573,175	2038
2039	280,000	210,000	490,000	564,225	2039
2040	285,000	210,000	495,000	555,318	2040
2041	290,000	210,000	500,000	546,455	2041
2042	295,000	210,000	505,000	537,350	2042
2043		210,000	210,000	231,000	2043
2044		210,000	210,000	222,600	2044
2045		210,000	210,000	214,200	2045
	\$4,175,000	\$3,990,000	\$8,165,000	\$10,517,080	
	(1) (2)	(1)			

NOTE: 50% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAX ABATEMENTS WILL BE RETIRED WITHIN TEN YEARS.

- (1) These bonds are payable primarily from annual tax abatement levy and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (2) This schedule represents a portion of the \$6,460,000 General Obligation Bonds, Series 2021A, dated April 27, 2021, consisting of \$5,045,000 backed by tax abatement levies; \$1,075,000 backed by net revenues of the municipal water and sewer utility systems; and \$340,000 backed ad valorem taxes.

CITY OF LUVERNE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of February 2, 2026, Plus This Issue)

Purpose:					This Issue	
	G.O. Sewer Revenue Bonds, Series 2019B	G.O. Water Revenue Refunding Bonds, Series 2020A	G.O. Bonds, Series 2021A	G.O. Utility Revenue Bonds, Series 2026A		
Dated:	09/24/19	11/17/20	04/27/21	03/18/26		
Original Amount:	\$7,585,000	\$2,060,000	\$1,075,000	\$2,290,000		
Maturity:	15-Dec	1-Feb	1-Feb	1-Feb		
Interest Rates:	2.00-3.00%	1.00-1.40%	2.00%		TOTAL PRINCIPAL:	TOTAL PRIN & INT:
2026	\$215,000	\$0	\$0	\$0	\$215,000	\$406,153
2027	225,000	150,000	145,000	135,000	655,000	891,963
2028	225,000	150,000	150,000	125,000	650,000	872,284
2029	230,000	150,000		130,000	510,000	719,155
2030	240,000	150,000		135,000	525,000	724,506
2031	245,000	150,000		135,000	530,000	719,445
2032	245,000	150,000		140,000	535,000	714,000
2033	255,000	150,000		145,000	550,000	718,126
2034	260,000	150,000		150,000	560,000	716,485
2035	260,000	145,000		155,000	560,000	704,269
2036	270,000			160,000	430,000	562,648
2037	275,000			165,000	440,000	561,465
2038	285,000			170,000	455,000	564,498
2039	290,000			175,000	465,000	561,960
2040	295,000			180,000	475,000	558,955
2041	300,000			190,000	490,000	559,688
2042	310,000				310,000	368,625
2043	320,000				320,000	370,875
2044	325,000				325,000	367,875
2045	335,000				335,000	369,750
2046	345,000				345,000	371,375
2047	350,000				350,000	367,750
2048	360,000				360,000	369,000
	\$6,460,000	\$1,345,000	\$295,000	\$2,290,000	\$10,390,000	\$13,140,848
	(1)	(2) (3)	(1) (2) (4) (5)	(1) (2)		

NOTE: 51% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

- (1) These bonds are payable primarily from net revenues of the municipal sewer utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (2) These bonds are payable primarily from net revenues of the municipal water utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (3) These bonds current refunded \$2,020,000 of the \$2,715,000 General Obligation Water Revenue Bonds, Series 2014A, dated April 1, 2014. Maturities 2022 through 2035, inclusive, were called for redemption on February 1, 2021, at a price of par plus accrued interest.
- (4) These bonds current refunded \$1,440,000 of the \$4,775,000 General Obligation Bonds, Series 2012A, dated April 1, 2012. Maturities 2022 through 2028, inclusive, were called for redemption on April 27, 2021, at a price of par plus accrued interest.
- (5) This schedule represents a portion of the \$6,460,000 General Obligation Bonds, Series 2021A, dated April 27, 2021, consisting of \$5,045,000 backed by tax abatement levies; \$1,075,000 backed by net revenues of the municipal water and sewer utility systems; and \$340,000 backed ad valorem taxes.

CITY OF LUVERNE, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of February 2, 2026, Plus This Issue)

Purpose:					This Issue	
	G.O. Sewer	G.O. Water	G.O.	G.O. Utility		
	Revenue	Revenue	Bonds, Series	Revenue		
Bonds, Series	Refunding Bonds, Series	2021A	Bonds, Series	2026A		
Series 2019B	Series 2020A					
Dated:	09/24/19	11/17/20	04/27/21	03/18/26		
Original Amount:	\$7,585,000	\$2,060,000	\$1,075,000	\$2,425,000		
Maturity:	15-Dec	1-Feb	1-Feb	1-Feb	TOTAL	TOTAL
Interest Rates:	2.00-3.00%	1.00-1.40%	2.00%		PRINCIPAL:	PRIN & INT:
2026	\$215,000	\$0	\$0	\$0	\$215,000	\$406,714
2027	225,000	150,000	145,000	140,000	660,000	898,483
2028	225,000	150,000	150,000	135,000	660,000	883,741
2029	230,000	150,000		140,000	520,000	730,520
2030	240,000	150,000		140,000	530,000	730,848
2031	245,000	150,000		145,000	540,000	730,728
2032	245,000	150,000		150,000	545,000	725,193
2033	255,000	150,000		155,000	560,000	729,299
2034	260,000	150,000		160,000	570,000	727,633
2035	260,000	145,000		165,000	570,000	715,309
2036	270,000			165,000	435,000	568,613
2037	275,000			175,000	450,000	572,348
2038	285,000			180,000	465,000	575,213
2039	290,000			185,000	475,000	572,503
2040	295,000			190,000	485,000	569,320
2041	300,000			200,000	500,000	569,825
2042	310,000				310,000	368,625
2043	320,000				320,000	370,875
2044	325,000				325,000	367,875
2045	335,000				335,000	369,750
2046	345,000				345,000	371,375
2047	350,000				350,000	367,750
2048	360,000				360,000	369,000
	\$6,460,000	\$1,345,000	\$295,000	\$2,425,000	<u>\$10,525,000</u>	<u>\$13,291,535</u>
	(1)	(2) (3)	(1) (2) (4) (5)	(1) (2)		

NOTE: 51% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

- (1) These bonds are payable primarily from net revenues of the municipal sewer utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (2) These bonds are payable primarily from net revenues of the municipal water utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (3) These bonds current refunded \$2,020,000 of the \$2,715,000 General Obligation Water Revenue Bonds, Series 2014A, dated April 1, 2014. Maturities 2022 through 2035, inclusive, were called for redemption on February 1, 2021, at a price of par plus accrued interest.
- (4) These bonds current refunded \$1,440,000 of the \$4,775,000 General Obligation Bonds, Series 2012A, dated April 1, 2012. Maturities 2022 through 2028, inclusive, were called for redemption on April 27, 2021, at a price of par plus accrued interest.
- (5) This schedule represents a portion of the \$6,460,000 General Obligation Bonds, Series 2021A, dated April 27, 2021, consisting of \$5,045,000 backed by tax abatement levies; \$1,075,000 backed by net revenues of the municipal water and sewer utility systems; and \$340,000 backed ad valorem taxes.

CITY OF LUVERNE, MINNESOTA
DEBT PAYABLE FROM NET REVENUES
(As of February 2, 2026)

Purpose:	Electric	Electric	TOTAL	TOTAL	
	Revenue	Revenue			
Bonds,	Bonds,				
Series	Series				
2018A	2022A				
Dated:	09/27/18	02/08/22			
Original Amount:	\$4,875,000	\$11,340,000			
Maturity:	1-Dec	1-Dec	TOTAL	TOTAL	
Interest Rates:	2.00-4.00%	3.00%	PRINCIPAL:	PRIN & INT:	
2026	\$215,000	\$265,000	\$480,000	\$925,026	2026
2027	225,000	275,000	500,000	928,476	2027
2028	235,000	285,000	520,000	931,226	2028
2029	245,000	290,000	535,000	928,276	2029
2030	255,000	300,000	555,000	929,776	2030
2031	260,000	310,000	570,000	927,170	2031
2032	270,000	320,000	590,000	929,095	2032
2033	280,000	330,000	610,000	928,695	2033
2034	290,000	340,000	630,000	927,595	2034
2035	300,000	350,000	650,000	927,100	2035
2036	315,000	360,000	675,000	930,800	2036
2037	325,000	370,000	695,000	927,400	2037
2038	340,000	380,000	720,000	928,300	2038
2039		390,000	390,000	573,300	2039
2040		405,000	405,000	576,600	2040
2041		415,000	415,000	574,450	2041
2042		430,000	430,000	577,000	2042
2043		440,000	440,000	574,100	2043
2044		455,000	455,000	575,900	2044
2045		465,000	465,000	572,250	2045
2046		480,000	480,000	573,300	2046
2047		495,000	495,000	573,900	2047
2048		510,000	510,000	574,050	2048
2049		525,000	525,000	573,750	2049
2050		540,000	540,000	573,000	2050
2051		560,000	560,000	576,800	2051
	\$3,555,000	\$10,285,000	<u>\$13,840,000</u>	<u>\$19,537,336</u>	
	(1)	(1)			

NOTE: 41% OF DEBT PAYABLE FROM ELECTRIC REVENUES WILL BE RETIRED WITHIN TEN YEARS.

= (1) These bonds are payable solely from net revenues of the City's electric utility system.

Indirect Debt*

<i>Issuer</i>	<i>2024/2025</i>		<i>2024/2025</i>		<i>Outstanding General Obligation Debt⁽²⁾</i>	<i>Taxpayers' Share of Debt</i>
	<i>Tax Capacity Value⁽¹⁾</i>	<i>Tax Capacity Value⁽¹⁾ in City⁽¹⁾</i>	<i>Percentage Applicable in City</i>	<i>Tax Capacity Value⁽¹⁾</i>		
Rock County	\$ 43,130,409	\$ 5,541,305	12.85%	\$ 5,970,000	\$ 767,145	
ISD No. 2184, Luverne	24,869,729	5,541,305	22.28	21,020,000		<u>4,683,256</u>
<i>Total Indirect Debt:</i>						<u><u>\$ 5,450,401</u></u>

(Remainder of page intentionally left blank)

* Only those taxing jurisdictions with general obligation debt outstanding are included. Debt figures do not include non-general obligation debt, short-term general obligation debt, general obligation debt payable from revenues or general obligation tax/aid anticipation certificates of indebtedness.

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

(2) As of February 2, 2026, unless noted otherwise.

General Obligation Debt

Bonds secured by water/sewer revenues (includes this Issue)	\$ 10,525,000
Bonds secured by tax increments/tax abatements	8,165,000
Bonds secured by special assessments	1,380,000
Bonds secured by tax levies	<u>60,000</u>
Subtotal	\$ 20,130,000
Less bonds secured by water/sewer revenues	(<u>10,525,000</u>)
<i>Direct General Obligation Debt</i>	9,605,000
Add taxpayers' share of indirect debt	<u>5,450,401</u>
<i>Direct and Indirect Debt</i>	<u>\$ 15,055,401</u>

Special Obligations

\$4,875,000 Electric Revenue Bonds, Series 2018A	\$ 3,555,000
\$11,340,000 Electric Revenue Bonds, Series 2022A	10,285,000

Facts for Ratio Computations

2024/2025 Economic Market Value (real and personal property)	\$523,156,861
Population (2025 City estimate)	4,929

Debt Ratios Excluding Revenue-Supported Debt

	<i>Direct Debt</i>	<i>Indirect Debt</i>	<i>Direct and Indirect Debt</i>
To Economic Market Value	1.84%	1.04%	2.88%
Per Capita	\$1,949	\$1,106	\$3,055

APPENDIX A

Proposed Form of Legal Opinion

PROPOSED FORM OF LEGAL OPINION

\$2,425,000

GENERAL OBLIGATION UTILITY REVENUE BONDS, SERIES 2026A
CITY OF LUVERNE
ROCK COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Luverne, Rock County, Minnesota (the "Issuer"), of its \$2,425,000 General Obligation Utility Revenue Bonds, Series 2026A, bearing a date of original issue of March 18, 2026 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

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

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

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

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

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

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX B

Proposed Form of Continuing Disclosure Undertaking

[Appendix ____ to Official Statement]

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Luverne, Minnesota (the "Issuer"), in connection with the issuance of its \$2,425,000 General Obligation Utility Revenue Bonds, Series 2026A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on February 17, 2025 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2025, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2026, and by December 31 of each year thereafter.

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

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

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Economic and Financial Information – "Valuations," "Tax Capacity Rates" and "Tax Levies and Collections;" and Summary of Debt and Debt Statistics.

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

Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

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

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

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

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

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

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

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

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

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

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

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

Dated: March 18, 2026.

CITY OF LUVERNE, MINNESOTA

By _____
Its Mayor

By _____
Its City Administrator

APPENDIX C

City's Financial Report

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



305 East Luverne Street, PO Box 659 Luverne, MN 56156 P 507.449.2388 F 507.449.5034 www.CityOfLuverne.org

May 11, 2025

To the Honorable Mayor, City Council and Citizens of the City of Luverne:

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Luverne (the City) for the fiscal year ended December 31, 2024.

The report consists of management's representations concerning the finances of the City of Luverne. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Abdo, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2024, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2024, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP required that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City incorporated on February 14, 1877, is located in the extreme southwestern part of the State of Minnesota, approximately 25 miles east of Sioux Falls, South Dakota and about halfway between Minneapolis-Saint Paul and Omaha, Nebraska. The City has a land area of 3.44 square miles and serves a population of 5,033. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City is governed under a home rule charter adopted September 1, 1987. Policy-making and legislative authority are vested in a City Council consisting of the Mayor and four Aldermen. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring a City Administrator. The Mayor is the presiding officer of the Council and votes only in case of a tie. The City Administrator is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the city government and for appointing the heads of the various departments. The Council is elected on a non-partisan basis. The Mayor is elected every two years and Aldermen are elected by ward and serve four-year staggered terms.

The City provides a full range of services, including fire protection, construction and maintenance of streets and infrastructure, recreational facilities and parks, storm sewer, sanitary sewer, water utilities, electric utilities, refuse and recycling collection, airport operations, planning and zoning, building inspection and general government.

The annual budget serves as the foundation for the City's financial planning and control. All departments are required to submit requests for appropriation to the City Administrator in June of each year. The City Administrator uses these requests as the starting point for developing a proposed budget. Work sessions are held with the Council covering each department budget. The City Administrator then provides a proposed budget to the Council for review prior to September 1st. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than December 31st.

The appropriated budget for the General fund is prepared by fund, function (e.g., public safety), and department (e.g., fire). The appropriated budget is prepared by fund for the Airport and Pool and Fitness special revenue funds. Transfers of appropriations between departments and funds require the approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General fund, this comparison is presented on page 46 as part of the basic financial statements for the governmental funds. For governmental funds, other than the General fund, with appropriated annual budgets, this comparison is presented in the Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual of this report which starts on page 128.

Local Economy. The City of Luverne is the county seat of Rock County in Minnesota and is located at the crossroads of Interstate Highway 90 and Highway 75. The majority of Luverne residents are employed in small businesses of ten or fewer employees. This provides a great deal of economic diversity in this rural community. The economy is not adversely affected by fluctuations of one or two significant employers and employment has been very stable. Unemployment continues to be low. In 2024, 162 building permits were issued for projects with a total valuation of \$18,404,000. Residential development in 2024 included construction of 14 single family homes. Commercial development, which had 12 permits, made up a combined \$13,570,000 of the total value in 2024.

The Luverne Economic Development Authority focuses its efforts on attracting businesses whose workforce and activities complement existing businesses and our local agricultural economy.

Long-term Financial Planning. The City issued \$4,200,000 in general obligation tax increment bonds to renovate a city owned building into a childcare center. This addition will be a massive draw to assist with bringing additional businesses to the City.

Relevant Financial Policies

The City uses a "pooled cash" concept for investing, which means that all funds with cash balances participate in an investment pool. Available cash is invested in short-term money market accounts, certificates of deposits, obligations of the U.S. Treasury and its agencies and municipal bonds. The maturities of the investments range from less than a month to ten years. Investment income includes appreciate and depreciation in the fair value of investments. Increases or decreases in the fair value during the year do not necessarily represent trends that will continue and the City typically holds investment to maturity. Cash and investments for the primary government at year end totaled \$19,273,165.

The City maintains a self-insurance program for Property/Casualty insurance and Workers Compensation insurance. The City's Property/Casualty insurance policy includes a \$25,000 deductible per occurrence with a \$50,000 annual aggregate exposure. Individual funds make small annual contributions to the Property/Casualty internal service fund to provide a source of funds for uninsured losses that may be sustained from time to time. Annual fluctuations in the cost of Workers Compensation insurance are absorbed by the Workers Compensation internal service fund.

The Finance Department engaged an actuarial study for Other Post-Employment Benefits (OPEB) in order to comply with Governmental Accounting Standards Board Pronouncement 75. The City implemented GASB 45 in the fiscal year 2018 comprehensive financial report. The OPEB liability is relatively minor and no debt will be issued to fund this liability. Additional information regarding the OPEB liability can be found in the Notes to the Financial Statements on pages 92- 94.

The Finance Department updated the Internal Control and Accounting Policies and Procedures manual in 2023. The Department identified key areas of activity and drafted controls for each of them. This document will be maintained as a continuing work in progress.

The City's accounting records are maintained on the accrual or modified accrual basis, as appropriate. Monthly financial reports with detailed budget to actual information are provided to the Department Heads. Summary budget to actual financial reports are provided to the City Council on a monthly basis.

The management philosophy used in developing the General fund budget for City Council consideration and approval includes conservative revenue estimate, realistic expenditures and a contingency amount for unexpected costs. In addition, management maintains a philosophy that amounts included in the budget are not automatically considered "approved." Capital expenditures as well as other significant expenditures are not approved by the City Administrator until it has been determined those adequate funds are available and the expenditure is still necessary.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Luverne for its annual comprehensive financial report for the fiscal year ended December 31, 2023. The City has received this prestigious award since 1994. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized annual comprehensive financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished without the professional, efficient services of many dedicated people. I would like to first express my appreciation to all members of the Fiscal & Management Services department who assisted and contributed in preparing the report. I also thank the staff of Abdo, LLP for their assistance and review of the document. Finally I acknowledge the Mayor and the members of the City Council for their responsible and progressive manner.

Respectfully submitted,

Tyler Reisch

Tyler Reisch
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

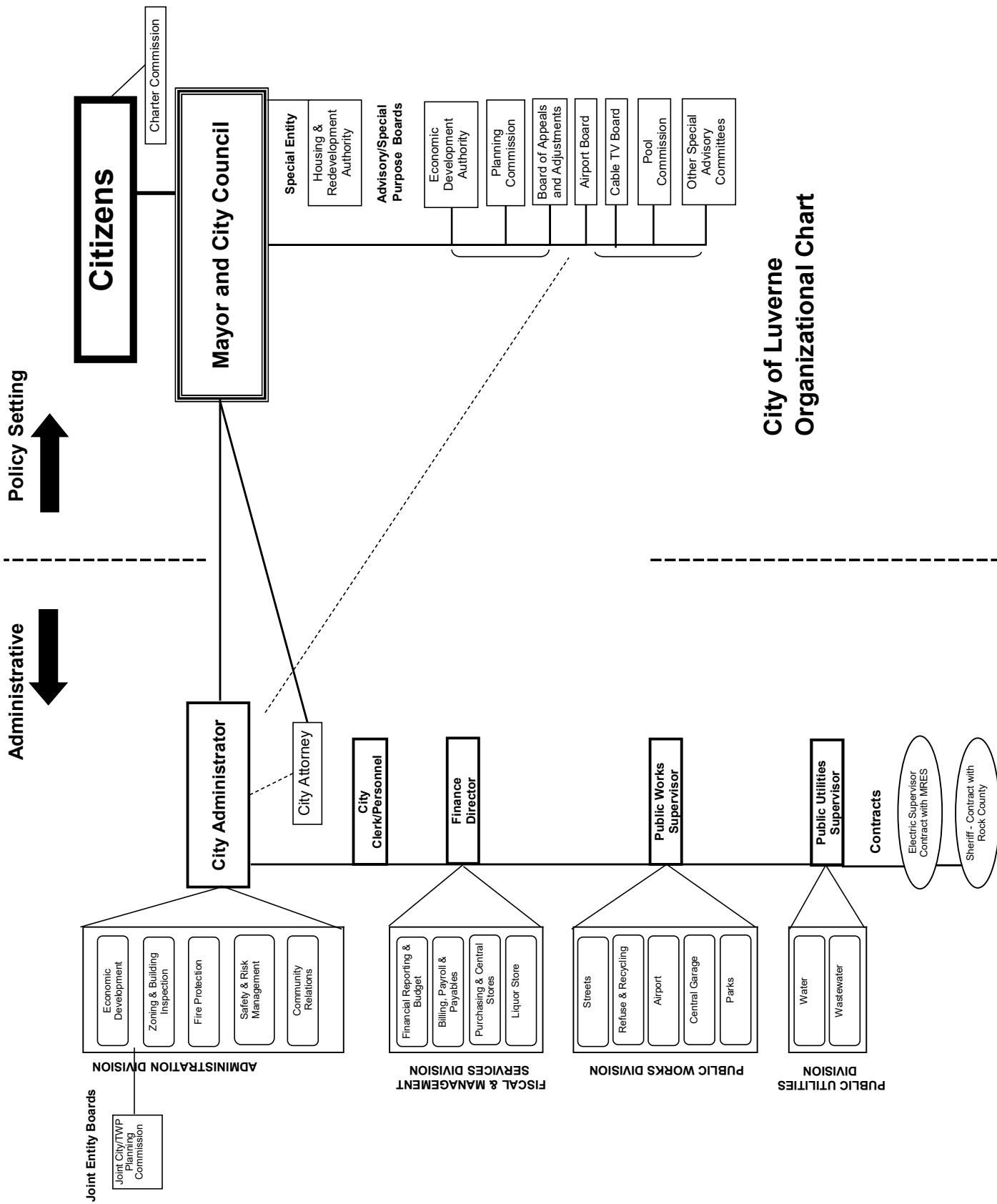
**City of Luverne
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2023

Christopher P. Morill

Executive Director/CEO



City of Luverne, Minnesota
List of Elected and Appointed Officials
For the Year Ended December 31, 2024

Mayor - City Council

Patrick T. Baustian	Mayor
Caroline Thorson	Alderman - North Ward
Scott Viessman	Alderman - South Ward
Dan Nath	Alderman - North Ward
Kevin Aaker	Alderman - South Ward

City Administrator
Jill Wolf

Finance Director
Tyler Reisch

City Clerk
Jessica Mead

FINANCIAL SECTION

CITY OF LUVERNE
LUVERNE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Luverne
Luverne, Minnesota

Report on the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City as of December 31, 2024, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund and Childcare Facility fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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.

Change in Accounting Principle

As described in Note 10 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 100, Accounting Changes and Error Corrections, for the year ended December 31, 2024. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 21 and the Schedule of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios and the Schedule of Employer's Funding Progress for Other Postemployment Benefit Plan starting on page 100 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards 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 in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement 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 May 11, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



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Mankato, Minnesota
May 11, 2025



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City of Luverne, Minnesota Management's Discussion and Analysis

As management of the City of Luverne, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 9 of this report.

Certain comparative information between the current year and the prior year is required to be presented in the Management's Discussion and Analysis.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net position table on the following pages. This change from prior year is mainly attributable to grants and donations received to recoup costs related to the Childcare Center renovation.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total of assigned and unassigned as shown in the governmental fund balance table is available for spending at the City's discretion.
- The unassigned fund balance in the General fund as shown in the financial analysis of the city's funds section increased from prior year.
- The City's total bonded debt increased during the fiscal year. The increase was a result of a substantial bond issuance related to the Childcare Center renovation project.

Overview of the Financial Statements

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

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

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

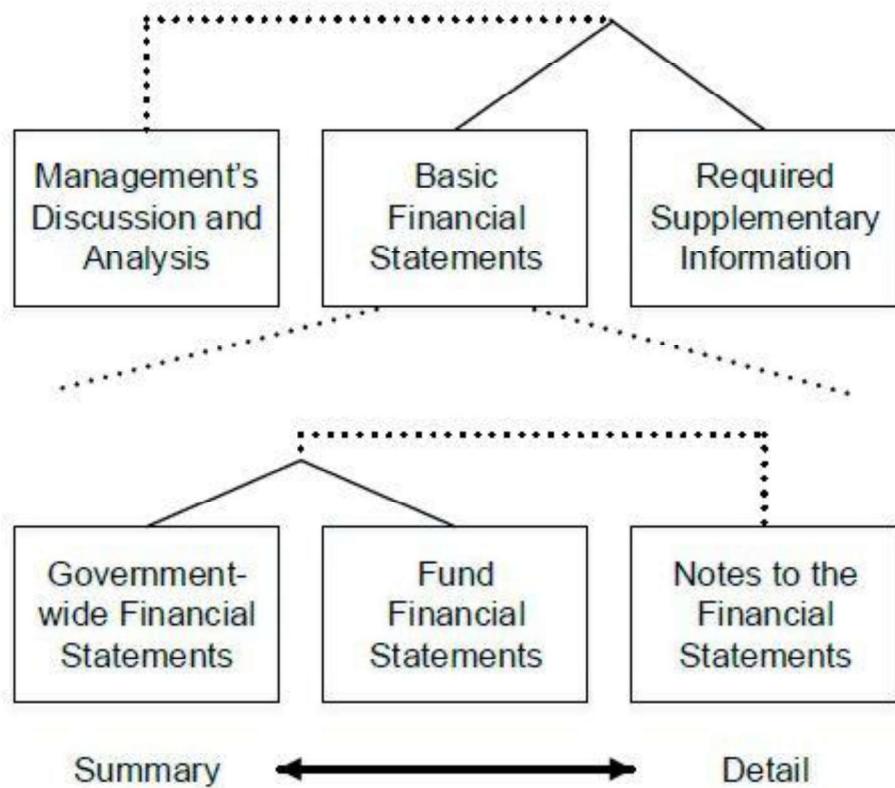


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used compensated absences).

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

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

The government-wide financial statements can be found starting on page 37 of this report.

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

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

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

The City maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Childcare Facility fund, and the Sharkee's - Merts TIF Project fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found starting on page 42 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, refuse, and storm sewer utilities as well as its liquor store operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its vehicle maintenance, central purchasing, data processing, general risk management, worker's compensation risk management and governmental payroll benefits.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and electric operations, all of which are considered to be major funds of the City. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found starting on page 48 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 54 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 57 of this report.

Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Luverne's share of net pension liabilities for defined benefit plans and schedules of contributions and schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. The required supplementary information can be found on page 100 of this report.

The combining statements referred to earlier in connection with nonmajor governmental and proprietary funds and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules can be found starting on page 108 of this report.

Government-wide Financial Analysis

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

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

City of Luverne's Summary of Net Position

	Governmental Activities			Business-type Activities			Component Unit Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Assets									
Current and other assets	\$ 8,055,759	\$ 6,232,884	\$ 1,822,875	\$ 18,408,364	\$ 17,519,961	\$ 888,403	\$ 3,036,639	\$ 3,319,620	\$ (282,981)
Capital assets	36,083,354	29,721,815	6,361,539	49,802,706	51,695,818	(1,893,112)	790,619	865,459	(74,840)
Total Assets	44,139,113	35,954,699	8,184,414	68,211,070	69,215,779	(1,004,709)	3,827,258	4,185,079	(357,821)
Deferred Outflows of Resources	210,164	487,744	(277,580)	117,912	225,889	(107,977)	8,157	16,086	(7,929)
Liabilities									
Long-term liabilities outstanding	11,966,766	7,991,396	3,975,370	24,235,971	25,817,373	(1,581,402)	16,846	15,286	1,560
Other Liabilities	1,120,103	2,405,768	(1,285,665)	1,442,367	1,831,035	(388,668)	49,348	70,554	(21,206)
Total Liabilities	13,086,869	10,397,164	2,689,705	25,678,338	27,648,408	(1,970,070)	66,194	85,840	(19,646)
Deferred Inflows of Resources	492,016	624,444	(132,428)	392,901	283,824	109,077	1,193,303	1,276,051	(82,748)
Net Position									
Net investment in capital assets	24,299,838	22,663,888	1,635,950	25,922,241	26,168,921	(246,680)	790,619	865,459	(74,840)
Restricted	1,362,196	969,189	393,007	495,000	1,125,000	(630,000)	612,078	579,517	32,561
Unrestricted	5,108,358	1,787,758	3,320,600	15,840,502	14,215,515	1,624,987	1,173,221	1,394,298	(221,077)
Total Net Position	\$ 30,770,392	\$ 25,420,835	\$ 5,349,557	\$ 42,257,743	\$ 41,509,436	\$ 748,307	\$ 2,575,918	\$ 2,839,274	\$ (263,356)
Net Position as a Percent of Total									
Net investment in capital assets	79.0 %	89.2 %		61.3 %	63.1 %				
Restricted	4.4	3.8		1.2	2.7				
Unrestricted	16.6	7.0		37.5	34.2				
Total	100.0 %	100.0 %		100.0 %	100.0 %				

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

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

Governmental Activities. Governmental activities increased the City's net position during the year as shown in the changes in net position table below. Key elements of the increases are as follows:

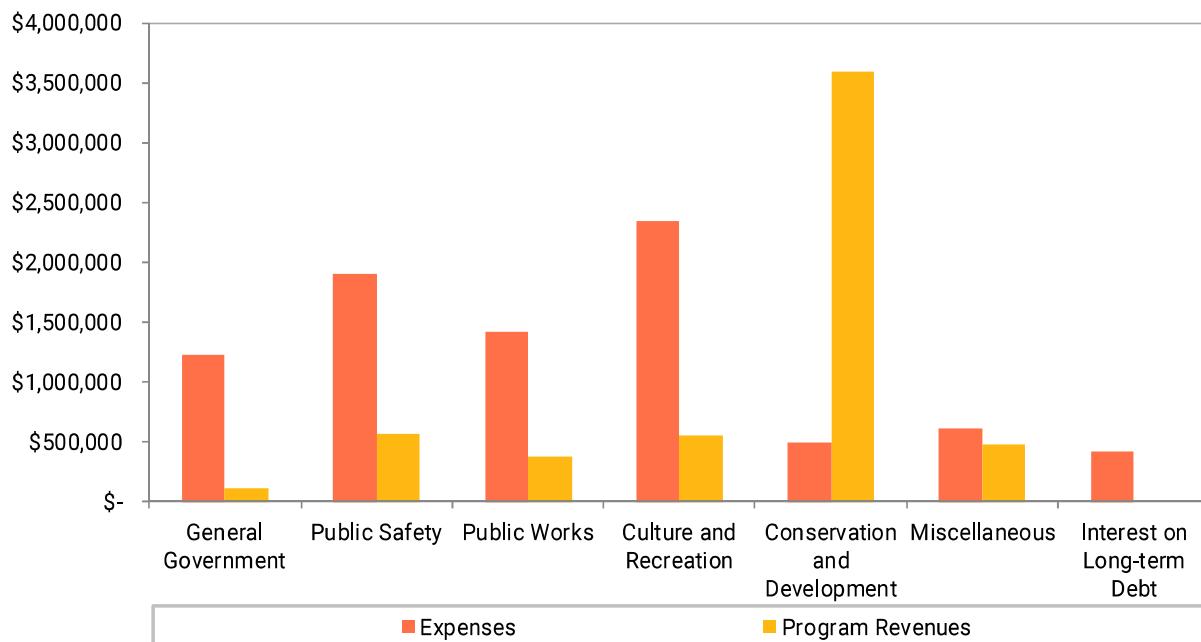
City of Luverne's Changes in Net Position

	Governmental Activities			Business-type Activities			Component Unit Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Revenues									
Program Revenues									
Charges for services	\$ 1,188,727	\$ 1,153,921	\$ 34,806	\$ 16,350,227	\$ 15,421,336	\$ 928,891	\$ 249,399	\$ 236,224	\$ 13,175
Operating grants and contributions	1,471,171	894,883	576,288	20,699	86	20,613	1,745	8	1,737
Capital grants and contributions	3,032,089	326,913	2,705,176	13,585	41,930	(28,345)	-	-	-
General Revenues									
Property taxes/tax increments	3,361,486	2,840,602	520,884	-	-	-	1,849	4,123	(2,274)
Other taxes	607,712	690,999	(83,287)	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	1,840,365	1,574,467	265,898	-	-	-	215,450	207,050	8,400
Unrestricted									
Investment earnings	430,630	318,368	112,262	597,369	427,648	169,721	71,243	50,763	20,480
Gain on sale of capital assets	157,894	131,389	26,505	31,151	164,600	(133,449)	-	-	-
Total Revenues	12,090,074	7,931,542	4,158,532	17,013,031	16,055,600	957,431	539,686	498,168	41,518
Expenses									
General government	1,226,029	1,193,242	32,787	-	-	-	-	-	-
Public safety	1,902,582	1,962,052	(59,470)	-	-	-	-	-	-
Public works	1,417,679	1,553,117	(135,438)	-	-	-	-	-	-
Culture and recreation	2,347,474	2,428,648	(81,174)	-	-	-	-	-	-
Conservation and development	500,140	263,977	236,163	-	-	-	-	-	-
Miscellaneous	615,123	609,125	5,998	-	-	-	-	-	-
Interest on long-term debt	415,820	224,326	191,494	-	-	-	-	-	-
Water	-	-	-	1,948,962	1,848,199	100,763	-	-	-
Sewer	-	-	-	2,146,566	2,149,446	(2,880)	-	-	-
Refuse and recycling	-	-	-	575,172	597,936	(22,764)	-	-	-
Electric	-	-	-	7,990,093	7,640,292	349,801	-	-	-
Storm sewer	-	-	-	196,758	169,968	26,790	-	-	-
Liquor	-	-	-	1,722,843	1,815,464	(92,621)	-	-	-
Economic development	-	-	-	-	-	-	803,042	717,640	85,402
Total Expenses	8,424,847	8,234,487	190,360	14,580,394	14,221,305	359,089	803,042	717,640	85,402
Increase (Decrease) in Net Position Before Transfers									
Transfers	3,665,227	(302,945)	3,968,172	2,432,637	1,834,295	598,342	(263,356)	(219,472)	(43,884)
Change in Net Position	1,684,330	950,210	734,120	(1,684,330)	(950,210)	(734,120)	-	-	-
	5,349,557	647,265	4,702,292	748,307	884,085	(135,778)	(263,356)	(219,472)	(43,884)
Net Position, January 1	25,420,835	24,773,570	647,265	41,509,436	40,625,351	884,085	2,839,274	3,058,746	(219,472)
Net Position, December 31	\$ 30,770,392	\$ 25,420,835	\$ 5,349,557	\$ 42,257,743	\$ 41,509,436	\$ 748,307	\$ 2,575,918	\$ 2,839,274	\$ (263,356)

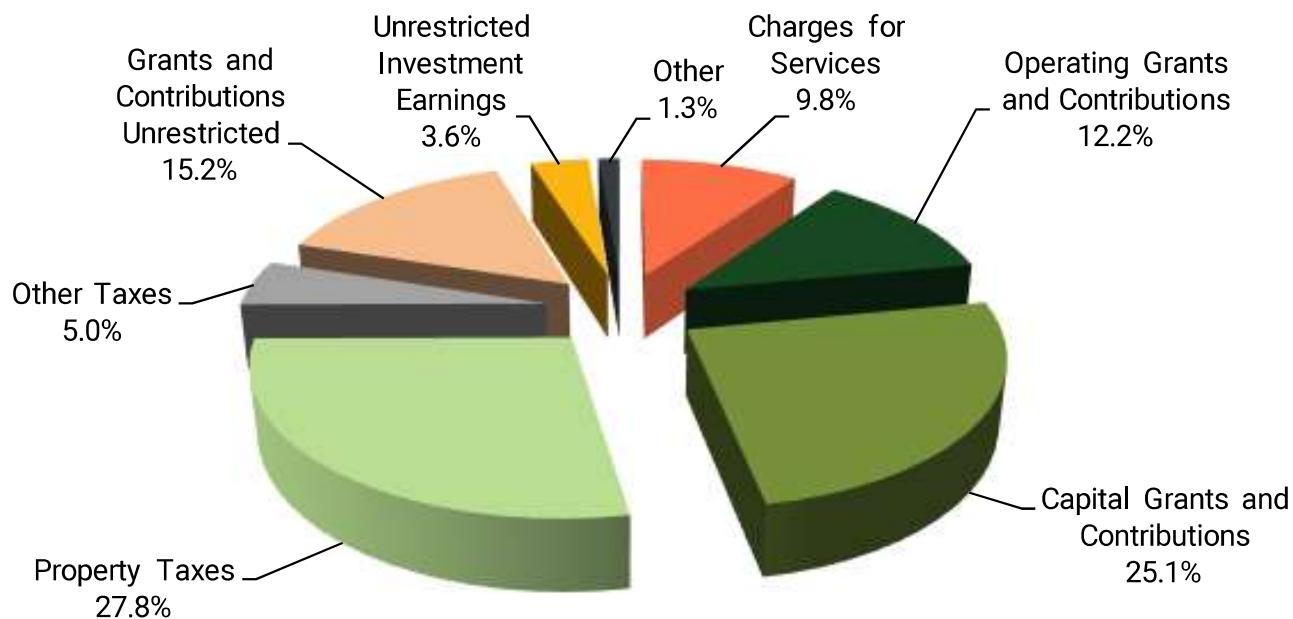
There was an increase in operating and capital grants and contributions primarily related to the Childcare Center project funding. These grants and donations offset the decrease in net position in the prior year that was caused by project costs incurred before funding was received.

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities

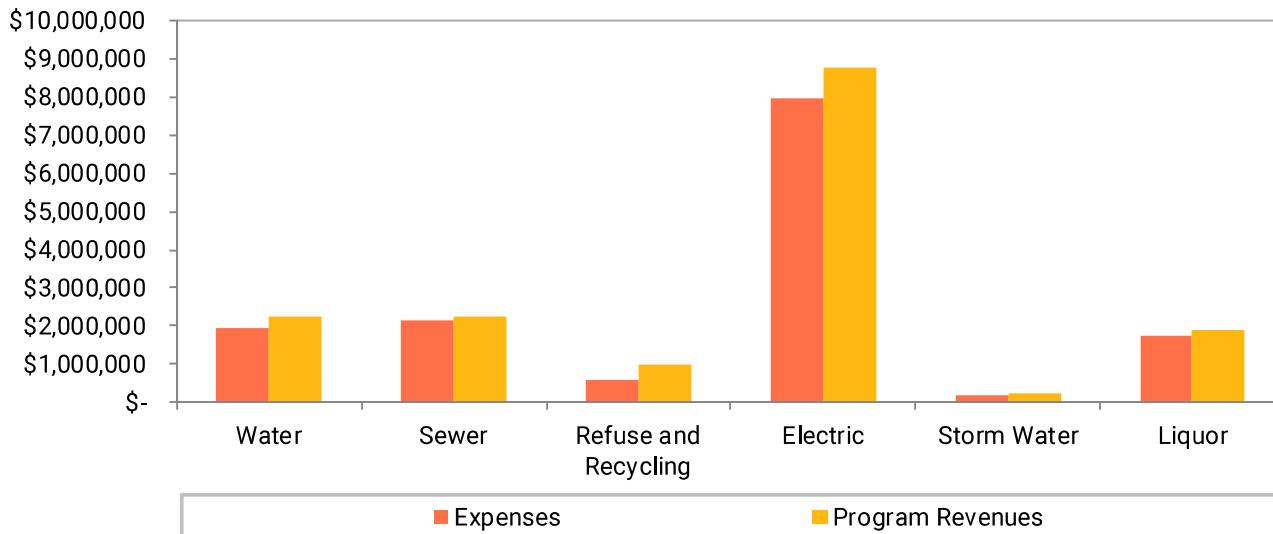


For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

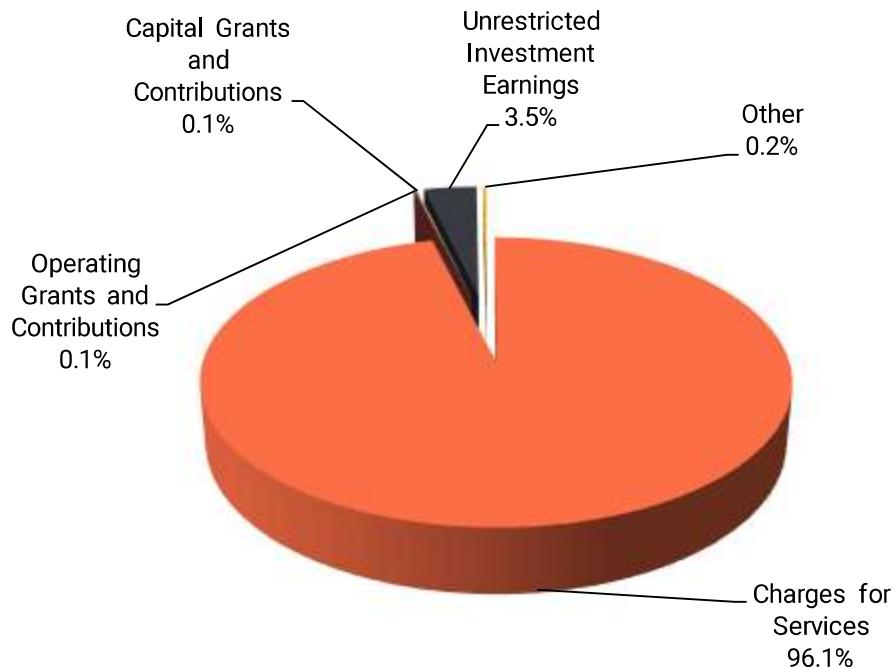
Business-type Activities. Business-type activities increased the City's net position as shown in the changes in net position table.

- Rate increases in most areas caused increased revenue collections for charges for services.
- Investment earnings increased due to changes in market values.
- Most departments expenses remained consistent with the previous year, however, the electric fund expenses did increase primarily related to increased depreciation expense.

Expenses and Program Revenues - Business-type Activities



Revenue by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

	General Fund	Childcare Facility	Sharkees - Merts TIF Project	Other Governmental Funds	Total	Prior Year Total	Increase/(Decrease)
Fund Balances							
Nonspendable	\$ 1,379,151	\$ -	\$ -	\$ 46,952	\$ 1,426,103	\$ 1,834,819	\$ (408,716)
Restricted	216,045	-	-	782,405	998,450	637,674	360,776
Committed	25,000	-	-	523,908	548,908	484,346	64,562
Assigned	987,125	-	-	2,717,516	3,704,641	3,249,814	454,827
Unassigned	735,549	(40,302)	(1,800,632)	(145,606)	(1,250,991)	(3,688,446)	2,437,455
	<u>\$ 3,342,870</u>	<u>\$ (40,302)</u>	<u>\$ (1,800,632)</u>	<u>\$ 3,925,175</u>	<u>\$ 5,427,111</u>	<u>\$ 2,518,207</u>	<u>\$ 2,908,904</u>

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

	Current Year Ending Balance	Prior Year Ending Balance	Increase/(Decrease)
General Fund Fund Balances			
Nonspendable	\$ 1,379,151	\$ 1,785,861	\$ (406,710)
Restricted	216,045	216,045	-
Committed	25,000	25,000	-
Assigned	987,125	987,125	-
Unassigned	735,549	134,907	600,642
	<u>\$ 3,342,870</u>	<u>\$ 3,148,938</u>	<u>\$ 193,932</u>
General Fund expenditures			
Unassigned as a percent of expenditures	\$ 4,822,305	\$ 4,712,676	
Total Fund Balance as a percent of expenditures	15.3%	2.9%	
	69.3%	66.8%	

The fund balance increase in the City's General fund is primarily due to increased property tax collections due to an 11.3 percent increase in the levy from the previous year.

Other major governmental fund analysis is shown below:

	December 31, 2024	December 31, 2023	Increase (Decrease)
Childcare Facility fund	\$ (40,302)	\$ (1,875,131)	\$ 1,834,829
<i>The Childcare facility fund balance increased during the year due to bonds issued to offset construction costs.</i>			
Sharkees - Merts TIF Project	(1,800,632)	(1,798,485)	(2,147)
<i>The Sharkees- Merts TIF Project fund balance decreased during the year due to miscellaneous interest expense.</i>			

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

	Ending Net Position 2024	Ending Net Position 2023	Increase/ (Decrease)
Water Utility	\$ 8,532,085	\$ 8,423,626	\$ 108,459
<i>The increase primarily is attributed to an increase of charges for services during the year due to rate increases of approximately 5.5%.</i>			
Sewer Utility	14,693,568	14,633,964	59,604
<i>The increase primarily is attributed to an increase of charges for services during the year due to rate increases of 6.7%.</i>			
Electric Utility	14,265,718	13,793,087	472,631
<i>The increase primarily is attributed to an increase of charges for services during the year due to rate increases ranging from 4.6-5.7%.</i>			

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 5,809,666	\$ -	\$ 5,809,666	\$ 6,091,278	\$ 281,612
Expenditures	4,676,766	-	4,676,766	4,822,305	(145,539)
Excess of Revenues Over Expenditures	1,132,900	-	1,132,900	1,268,973	136,073
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	56,004	56,004
Transfers in	255,000	-	255,000	305,000	50,000
Transfers out	(1,387,900)	(216,045)	(1,603,945)	(1,436,045)	167,900
Total Other Financing Sources (Uses)	(1,132,900)	(216,045)	(1,348,945)	(1,075,041)	273,904
Net Change in Fund Balances	-	(216,045)	(216,045)	193,932	409,977
Fund Balances, January 1	3,148,938	-	3,148,938	3,148,938	-
Fund Balances, December 31	\$ 3,148,938	\$ (216,045)	\$ 2,932,893	\$ 3,342,870	\$ 409,977

The City's General fund budget was amended during the year as shown above. At the close of the year, General fund total revenues came in over budget primarily due budgeting conservatively for investment income as well as FEMA grants received due to flooding. Expenditures were over budget primarily related to fire wages and benefits and unbudgeted expenditures for planning and zoning.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2024, as shown in the table below (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. The majority of the capital assets are related to the water, sewer and electric utility operations.

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

- The electric department completed transmission line upgrades totaling \$338,021.53. Additionally, they purchased a new Ford mini-dump flatbed truck and John Deere compact excavator for \$100,073.80 and \$76,042.29 respectively.
- Public Works and the Water Department completed storm sewer upgrades along Highway 75 costing \$326,919.65. This will be cost-shared with the State of Minnesota.
- The city undertook the remodeling of a city owned building into a Childcare Center. The project cost during 2024 totaled \$7,342,777.52.
- The Public Works department purchased several new pieces of equipment including the chassis of a new snowplow (\$150,020.00), two Caterpillar compact track loaders (\$136,420.18), and a Jacobson mower (\$97,749.97).
- The Parks department installed new playground equipment at two parks for a total cost of \$142,868.92.
- The Fire Department paid for the chassis of a new rural pump truck which totaled \$288,565.00. This cost will eventually be offset with fire relief contract payments from townships.
- The city owned Carnegie building had new windows installed for \$41,019.76 and chimney repair which totaled \$18,018.40.
- The city-owned Palace Theater had new exterior doors installed to protect the historic tile and ticket booth for \$23,896.00.
- The City Hall parking lot had to be replaced due to safety concerns which cost a total of \$316,285.39.
- The city owned liquor store, Blue Mound Liquor, had a small renovation to modernize the facility. It included \$21,896.18 in new shelving and \$48,837.25 in new refrigeration equipment.

City of Luverne's Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities			Primary Government Business-type Activities			Total			Component Unit Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Land	\$ 3,495,249	\$ 3,495,249	\$ -	\$ 869,648	\$ 869,648	\$ -	\$ 4,364,897	\$ 4,364,897	\$ -	\$ 20,680	\$ 20,680	\$ -
Buildings	6,306,723	6,642,389	(335,666)	805,571	880,098	(74,527)	7,112,294	7,522,487	(410,193)	769,939	844,779	(74,840)
Improvements	16,813,758	17,228,367	(414,609)	43,918,544	37,105,689	6,812,855	60,732,302	54,334,056	6,398,246	-	-	-
Machinery and												
Equipment												
Construction												
In Progress	1,731,847	1,700,118	31,729	3,977,333	4,077,239	(99,906)	5,709,180	5,777,357	(68,177)	-	-	-
	<u>7,735,777</u>	<u>655,692</u>	<u>7,080,085</u>	<u>231,610</u>	<u>8,763,144</u>	<u>(8,531,534)</u>	<u>7,967,387</u>	<u>9,418,836</u>	<u>(1,451,449)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 36,083,354</u>	<u>\$ 29,721,815</u>	<u>\$ 6,361,539</u>	<u>\$ 49,802,706</u>	<u>\$ 51,695,818</u>	<u>\$ (1,893,112)</u>	<u>\$ 85,886,060</u>	<u>\$ 81,417,633</u>	<u>\$ 4,468,427</u>	<u>\$ 790,619</u>	<u>\$ 865,459</u>	<u>\$ (74,840)</u>
Percent increase (Decrease)			21.4%			-3.7%			5.5%			-8.6%

Additional information on the City's capital assets can be found in Note 3G starting on page 73 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding as shown in the table below. This entire amount is debt backed by the full faith and credit of the City even though certain bonds have specified revenue sources.

City of Luverne's Outstanding Debt

	Governmental Activities			Business-type Activities					
	2024		2023	Increase (Decrease)	2024		2023	Increase (Decrease)	
General Obligation									
Bonds	\$ 8,940,000	\$ 4,985,000	\$ 3,955,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
G.O. Improvement									
Bonds	1,585,000	1,585,000	-	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	14,310,000	14,760,000	-	(450,000)	
General Obligation									
Revenue Bonds	-	-	-	-	8,885,000	10,010,000	-	(1,125,000)	
Total	<u>\$ 10,525,000</u>	<u>\$ 6,570,000</u>	<u>\$ 3,955,000</u>	<u>\$ 23,195,000</u>	<u>\$ 24,770,000</u>	<u>\$ (1,575,000)</u>			
Percent increase (decrease)			60.2%						-6.4%

The City's total debt increased during the year due to bond issuances related to the Childcare Facility project.

Minnesota statutes limit the amount of net general obligation debt a city may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$12,596,772. The current legal debt margin is \$3,225,270 which is in net of the City's outstanding general obligation debt of \$9,371,502.

Additional information on the City's long-term debt can be found in Note 3I starting on page 77 of this report

Economic Factors and Next Year's Budgets and Rates

- The City continues to budget revenue conservatively and continues to budget expenditures appropriately. The purchasing of new equipment and technology will continue to increase the city's efficiency for the services they provide.
- An electric rate study was conducted in 2023 and the approved rate increases include a 6.0 percent annual increase for 2024 - 2026.
- The rate study for water includes an annual rate increase of 0 percent for 2024 – 2025 and an annual sewer rate increase of 5.0 percent for 2024 - 2025.
- Due to unexpected market interest rate increases the city continues to have a decreased value in its investment portfolio. However, the decreased value will continue to shrink as the current CD's mature and interest rates fall. Additionally, the city was able to negotiate an interest with our local bank that will allow us to remain liquid instead of purchasing CD's.
- New residential and commercial construction continues in the city with the construction of 14 single family homes and 12 commercial buildings. This is included in the 162 building permits that were issued in 2024 for a total value of \$18,404,000.
- State Highway 75 will be resurfaced during 2025 which is the main road running through the city. During this project the city will complete utility work with a current cost projection of \$1,950,000.

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

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Luverne, PO Box 659, Luverne, MN 56156.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LUVERNE
LUVERNE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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City of Luverne, Minnesota
Statement of Net Position
December 31, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and temporary investments	\$ 6,724,747	\$ 12,548,418	\$ 19,273,165	\$ 1,282,820
Receivables (net of allowance for uncollectibles)				
Accrued interest	12,117	13,398	25,515	1,519
Delinquent taxes	33,295	2,273	35,568	-
Accounts, net	50,540	668,763	719,303	-
Loans/contracts	10,906	578,855	589,761	112,258
Leases	143,259	-	143,259	1,206,247
Special assessments	4,246	162,980	167,226	-
Intergovernmental	1,010,928	425	1,011,353	-
Internal balances	(1,929,299)	1,929,299	-	-
Due from component unit	-	3,068	3,068	
Due from primary government	-	-	-	181
Inventories	48,975	1,333,841	1,382,816	-
Prepaid items	665	105,869	106,534	-
Restricted assets				
Temporarily restricted				
Cash and cash equivalents	-	1,061,175	1,061,175	6,758
Net pension asset	566,730	-	566,730	-
Assets held for resale	1,378,650	-	1,378,650	426,856
Capital assets				
Nondepreciable assets	11,231,026	1,101,258	12,332,284	20,680
Depreciable assets, net of accumulated depreciation	24,852,328	48,701,448	73,553,776	769,939
Total Assets	<u>44,139,113</u>	<u>68,211,070</u>	<u>112,350,183</u>	<u>3,827,258</u>
Deferred Outflows of Resources				
Deferred pension resources	208,638	116,020	324,658	7,990
Deferred other postemployment benefits	1,526	1,892	3,418	167
Total Deferred Outflows of Resources	<u>210,164</u>	<u>117,912</u>	<u>328,076</u>	<u>8,157</u>
Liabilities				
Accounts payable	839,656	633,354	1,473,010	738
Due to primary government	-	-	-	3,068
Due to component unit	181	-	181	-
Due to other governments	10,447	60,966	71,413	-
Accrued interest payable	205,019	57,993	263,012	-
Wages and related benefits payable	59,072	59,560	118,632	3,825
Deposits payable	-	38,182	38,182	-
Unearned revenue	3,288	-	3,288	-
Noncurrent liabilities				
Due within one year				
Long-term liabilities	447,625	1,081,942	1,529,567	10,271
Other postemployment benefits liability - current	2,440	3,023	5,463	268
Due in more than one year				
Long-term liabilities	11,000,140	23,154,029	34,154,169	6,575
Net pension liability	487,383	550,102	1,037,485	37,980
Other postemployment benefits liability	31,618	39,187	70,805	3,469
Total Liabilities	<u>13,086,869</u>	<u>25,678,338</u>	<u>38,765,207</u>	<u>66,194</u>
Deferred Inflows of Resources				
Deferred lease resources	142,761	-	142,761	1,166,185
Deferred pension resources	349,255	392,901	742,156	27,118
Total Deferred Inflows of Resources	<u>492,016</u>	<u>392,901</u>	<u>884,917</u>	<u>1,193,303</u>
Net Position				
Net investment in capital assets	24,299,838	25,922,241	50,222,079	790,619
Restricted				
Debt service	564,264	495,000	1,059,264	-
Economic development	-	-	-	612,078
Net pension asset	566,730	-	566,730	-
Tax increment financing	15,157	-	15,157	-
Public safety	216,045	-	216,045	-
Unrestricted	<u>5,108,358</u>	<u>15,840,502</u>	<u>20,948,860</u>	<u>1,173,221</u>
Total Net Position	<u><u>\$ 30,770,392</u></u>	<u><u>\$ 42,257,743</u></u>	<u><u>\$ 73,028,135</u></u>	<u><u>\$ 2,575,918</u></u>

City of Luverne, Minnesota
Statement of Activities
For the Year Ended December 31, 2024

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,226,029	\$ 86,467	\$ 25,296	\$ -
Public safety	1,902,582	381,820	185,940	-
Public works	1,417,679	102,959	209,959	67,041
Culture and recreation	2,347,474	327,279	225,284	-
Conservation and development	500,140	-	810,325	2,784,986
Miscellaneous	615,123	290,202	14,367	180,062
Interest and other costs	415,820	-	-	-
Total Governmental Activities	8,424,847	1,188,727	1,471,171	3,032,089
Business-type Activities				
Water	1,948,962	2,224,862	7,282	4,951
Sewer	2,146,566	2,245,231	3,641	6,468
Refuse and recycling	575,172	968,879	2,304	2,132
Electric	7,990,093	8,790,470	4,024	-
Storm sewer	196,758	230,831	104	34
Liquor	1,722,843	1,889,954	3,344	-
Total Business-type Activities	14,580,394	16,350,227	20,699	13,585
Total Primary Government	\$ 23,005,241	\$ 17,538,954	\$ 1,491,870	\$ 3,045,674
Component Unit				
Luverne Economic Development Authority	\$ 803,042	\$ 249,399	\$ 1,745	\$ -

General Revenues

Property taxes, levied for general purposes
Property taxes, levied for debt service
Tax increments
Franchise and other taxes
Grants and contributions not restricted to programs
Unrestricted investment earnings
Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

Net Revenue (Expense) and
Changes in Net Position

Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Economic Development Authority	
\$ (1,114,266)	\$ -	\$ (1,114,266)	\$ -	
(1,334,822)	-	(1,334,822)	-	
(1,037,720)	-	(1,037,720)	-	
(1,794,911)	-	(1,794,911)	-	
3,095,171	-	3,095,171	-	
(130,492)	-	(130,492)	-	
(415,820)	-	(415,820)	-	
<u>(2,732,860)</u>	<u>-</u>	<u>(2,732,860)</u>	<u>-</u>	
288,133	288,133		-	
108,774	108,774		-	
398,143	398,143		-	
804,401	804,401		-	
34,211	34,211		-	
170,455	170,455		-	
<u>1,804,117</u>	<u>1,804,117</u>		<u>-</u>	
<u>(2,732,860)</u>	<u>1,804,117</u>	<u>(928,743)</u>	<u>-</u>	
			(551,898)	
2,806,787	-	2,806,787	4	
437,443	-	437,443	-	
117,256	-	117,256	1,845	
607,712	-	607,712	-	
1,840,365	-	1,840,365	215,450	
430,630	597,369	1,027,999	71,243	
157,894	31,151	189,045	-	
1,684,330	(1,684,330)	-	-	
<u>8,082,417</u>	<u>(1,055,810)</u>	<u>7,026,607</u>	<u>288,542</u>	
5,349,557	748,307	6,097,864	(263,356)	
<u>25,420,835</u>	<u>41,509,436</u>	<u>66,930,271</u>	<u>2,839,274</u>	
<u>\$ 30,770,392</u>	<u>\$ 42,257,743</u>	<u>\$ 73,028,135</u>	<u>\$ 2,575,918</u>	

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

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FUND FINANCIAL STATEMENTS

CITY OF LUVERNE
LUVERNE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Luverne, Minnesota

Balance Sheet

Governmental Funds

December 31, 2024

	101	208	444	Other Governmental Funds		Total
	General	Childcare Facility	Sharkees - Merts TIF Project			
Assets						
Cash and temporary investments	\$ 1,934,404	\$ 56,582	\$ 2,621	\$ 4,097,859	\$ 6,091,466	
Receivables (net of allowance for uncollectibles)						
Accrued interest	6,477	265	-	4,850	11,592	
Delinquent taxes	31,260	-	-	2,035	33,295	
Accounts, net	35,689	-	-	14,851	50,540	
Loans/contracts	10,906	-	-	-	10,906	
Special assessments	4,246	-	-	-	4,246	
Intergovernmental	203,272	574,382	-	233,274	1,010,928	
Due from other funds	203,249	-	-	-	203,249	
Lease receivable	93,211	-	-	50,048	143,259	
Inventories	2,688	-	-	46,287	48,975	
Prepaid items	-	-	-	665	665	
Assets held for resale	<u>1,158,591</u>	<u>-</u>	<u>220,059</u>	<u>-</u>	<u>-</u>	<u>1,378,650</u>
Total Assets	<u><u>\$ 3,683,993</u></u>	<u><u>\$ 631,229</u></u>	<u><u>\$ 222,680</u></u>	<u><u>\$ 4,449,869</u></u>	<u><u>\$ 8,987,771</u></u>	
Liabilities						
Accounts payable	\$ 107,942	\$ 671,531	\$ 12,312	\$ 40,740	\$ 832,525	
Due to other governments	9,163	-	-	1,284	10,447	
Wages and related benefits payable	38,460	-	-	16,302	54,762	
Due to other funds	60,558	-	2,011,000	203,249	2,274,807	
Unearned revenue	-	-	-	3,288	3,288	
Total Liabilities	<u><u>216,123</u></u>	<u><u>671,531</u></u>	<u><u>2,023,312</u></u>	<u><u>264,863</u></u>	<u><u>3,175,829</u></u>	
Deferred Inflows of Resources						
Deferred lease resources	89,494	-	-	53,267	142,761	
Unavailable revenue						
Taxes	31,260	-	-	2,035	33,295	
Special assessments	4,246	-	-	-	4,246	
Intergovernmental	-	-	-	204,529	204,529	
Total Deferred Inflows of Resources	<u><u>125,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>259,831</u></u>	<u><u>384,831</u></u>	
Fund Balances						
Nonspendable	1,379,151	-	-	46,952	1,426,103	
Restricted	216,045	-	-	782,405	998,450	
Committed	25,000	-	-	523,908	548,908	
Assigned	987,125	-	-	2,717,516	3,704,641	
Unassigned	735,549	(40,302)	(1,800,632)	(145,606)	(1,250,991)	
Total Fund Balances	<u><u>3,342,870</u></u>	<u><u>(40,302)</u></u>	<u><u>(1,800,632)</u></u>	<u><u>3,925,175</u></u>	<u><u>5,427,111</u></u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 3,683,993</u></u>	<u><u>\$ 631,229</u></u>	<u><u>\$ 222,680</u></u>	<u><u>\$ 4,449,869</u></u>	<u><u>\$ 8,987,771</u></u>	

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

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

Amounts reported for governmental activities in the statement of net position are different because

Total Fund Balances - Governmental Funds	\$ 5,427,111
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	35,262,768
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	
Net pension asset	566,730
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Other postemployment benefits liability	(29,761)
Net pension liability	(445,128)
Bonds payable	(10,525,000)
Unamortized bond discounts (premiums)	(566,753)
Long-term assets are not available to pay current-period expenditures and therefore are unavailable in the funds.	
Delinquent property taxes receivable	33,295
Special assessments receivable	4,246
Intergovernmental	204,529
Governmental funds do not report a liability for accrued interest until due and payable.	(205,019)
Governmental funds do not report long-term amounts related to pensions and postemployment benefits.	
Deferred outflows of pension resources	199,738
Deferred inflows of pension resources	(319,080)
Deferred outflows of other postemployment benefits	1,334
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	<u>1,161,382</u>
Total Net Position - Governmental Activities	<u>\$ 30,770,392</u>

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

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

	101	208	429	444	Other Governmental Funds	Total
	General	Childcare Facility	Formerly Major Lopau Lot	Sharkees - Merts TIF Project		
Revenues						
Property and other taxes	\$ 3,404,155	\$ -	\$ -	\$ -	\$ 436,962	\$ 3,841,117
Tax increments	-	-	-	-	117,266	117,266
Licenses and permits	82,537	-	-	-	-	82,537
Intergovernmental	2,029,366	2,528,861	-	-	485,132	5,043,359
Charges for services	345,475	-	-	-	612,670	958,145
Fines and forfeits	26,852	-	-	-	-	26,852
Special assessments	1,831	-	-	-	-	1,831
Investment income	184,469	11,525	-	-	211,301	407,295
Miscellaneous	16,593	526,125	-	-	652,644	1,195,362
Total Revenues	6,091,278	3,066,511	-	-	2,515,975	11,673,764
Expenditures						
Current						
General government	1,010,139	-	-	-	-	1,010,139
Public safety	1,759,130	-	-	-	-	1,759,130
Public works	1,006,349	-	-	-	-	1,006,349
Culture and recreation	841,574	-	-	947	821,688	1,664,209
Conservation and development	192,113	123,182	-	-	-	315,295
Miscellaneous	-	-	-	-	261,511	261,511
Capital outlay						
General government	-	-	-	-	438,530	438,530
Public safety	-	-	-	-	292,198	292,198
Public works	13,000	-	-	-	159,847	172,847
Culture and recreation	-	-	-	-	355,339	355,339
Conservation and development	-	7,166,824	-	-	5,978	7,172,802
Miscellaneous	-	-	-	-	33,101	33,101
Debt service						
Principal	-	-	-	-	245,000	245,000
Interest and other costs	-	-	-	1,200	212,325	213,525
Bond issuance costs	-	106,662	-	-	-	106,662
Total Expenditures	4,822,305	7,396,668	-	2,147	2,825,517	15,046,637
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,268,973	(4,330,157)	-	(2,147)	(309,542)	(3,372,873)
Other Financing Sources (Uses)						
Sale of capital assets	56,004	-	-	-	-	56,004
Transfers in	305,000	1,781,370	-	-	2,584,005	4,670,375
Bonds issued	-	4,042,173	-	-	157,827	4,200,000
Premiums on bonds issued	-	341,443	-	-	-	341,443
Transfers out	(1,436,045)	-	-	-	(1,550,000)	(2,986,045)
Total Other Financing Sources (Uses)	(1,075,041)	6,164,986	-	-	1,191,832	6,281,777
Net Change in Fund Balances	193,932	1,834,829	-	(2,147)	882,290	2,908,904
Fund Balances, January 1, as previously reported	3,148,938	(1,875,131)	307,824	(1,798,485)	2,735,061	2,518,207
Change to the financial reporting entity (Note 10)						
Change from major to nonmajor	-	-	(307,824)	-	307,824	-
Fund Balances, January 1, as Adjusted	3,148,938	(1,875,131)	-	(1,798,485)	3,042,885	2,518,207
Fund Balances, December 31	\$ 3,342,870	\$ (40,302)	\$ -	\$ (1,800,632)	\$ 3,925,175	\$ 5,427,111

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

Amounts reported for governmental activities in the statement of activities are different because

Net Change in Fund Balances - Governmental Funds \$ 2,908,904

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Capital outlay	8,430,466
Depreciation expense	(2,095,274)

The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.

Book value of disposed of capital assets	161,000
Gain (loss) on trade in of capital assets	(67,774)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments	245,000
Debt issued or incurred	(4,200,000)
Premiums on bonds issued	(341,443)
Net amortization of bond premiums/discounts	31,023

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

(126,656)

Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

Property taxes	10,815
Special assessments	(1,136)
Intergovernmental	204,529

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

Other postemployment benefits expenses	(11,315)
--	----------

Long-term pension activity is not reported in governmental funds.

Pension expense	173,336
Pension revenue from state contributions	21,296

Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds are reported with governmental activities.

6,786

Change in Net Position - Governmental Activities

\$ 5,349,557

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

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

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final	Amounts	
Revenues				
Taxes	\$ 3,383,300	\$ 3,383,300	\$ 3,404,155	\$ 20,855
Licenses and permits	96,640	96,640	82,537	(14,103)
Intergovernmental	1,878,777	1,878,777	2,029,366	150,589
Charges for services	351,234	351,234	345,475	(5,759)
Fines and forfeits	10,000	10,000	26,852	16,852
Special assessments	-	-	1,831	1,831
Investment income	83,315	83,315	184,469	101,154
Miscellaneous	6,400	6,400	16,593	10,193
Total Revenues	5,809,666	5,809,666	6,091,278	281,612
Other Financing Sources				
Sale of capital assets	-	-	56,004	56,004
Transfers in	255,000	255,000	305,000	50,000
Total Other Financing Sources	255,000	255,000	361,004	106,004
Total Revenues and Other Financing Sources	6,064,666	6,064,666	6,452,282	387,616
Expenditures				
General government	992,648	992,648	1,010,139	(17,491)
Public safety	1,617,080	1,617,080	1,759,130	(142,050)
Public works	1,041,800	1,041,800	1,019,349	22,451
Culture and recreation	804,325	804,325	841,574	(37,249)
Conservation and development	192,525	192,525	192,113	412
Miscellaneous	28,388	28,388	-	28,388
Total Expenditures	4,676,766	4,676,766	4,822,305	(145,539)
Other Financing Uses				
Transfers out	1,387,900	1,603,945	1,436,045	167,900
Total Expenditures and Other Financing Uses	6,064,666	6,280,711	6,258,350	22,361
Net Change in Fund Balances	-	(216,045)	193,932	409,977
Fund Balances, January 1	3,148,938	3,148,938	3,148,938	-
Fund Balances, December 31	\$ 3,148,938	\$ 2,932,893	\$ 3,342,870	\$ 409,977

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

City of Luverne, Minnesota
Childcare Facility Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
For the Year Ended December 31, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental				
Federal	\$ 2,908,000	\$ 2,908,000	\$ 2,278,861	\$ (629,139)
State	-	-	250,000	250,000
Investment income	-	-	11,525	11,525
Miscellaneous	<u>1,000,000</u>	<u>1,000,000</u>	<u>526,125</u>	<u>(473,875)</u>
Total Revenues	<u>3,908,000</u>	<u>3,908,000</u>	<u>3,066,511</u>	<u>(841,489)</u>
Other Financing Sources				
Transfers in	551,370	551,370	1,781,370	1,230,000
Bonds issued	4,200,000	4,200,000	4,042,173	(157,827)
Premiums on bonds issued	-	-	341,443	341,443
Total other financing sources	<u>4,751,370</u>	<u>4,751,370</u>	<u>6,164,986</u>	<u>1,413,616</u>
Total Revenues and Other Financing Sources	<u>8,659,370</u>	<u>8,659,370</u>	<u>9,231,497</u>	<u>572,127</u>
Expenditures				
Current				
Conservation and development				
Supplies	-	-	9,104	(9,104)
Other services and charges	-	-	114,078	(114,078)
Capital outlay				
Conservation and development	8,508,000	8,508,000	7,166,824	1,341,176
Debt service				
Bond issuance costs	-	-	106,662	(106,662)
Total Expenditures	<u>8,508,000</u>	<u>8,508,000</u>	<u>7,396,668</u>	<u>1,111,332</u>
Net Change in Fund Balances	151,370	151,370	1,834,829	1,683,459
Fund Balances, January 1	<u>(1,875,131)</u>	<u>(1,875,131)</u>	<u>(1,875,131)</u>	<u>-</u>
Fund Balances, December 31	<u>\$ (1,723,761)</u>	<u>\$ (1,723,761)</u>	<u>\$ (40,302)</u>	<u>\$ 1,683,459</u>

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

City of Luverne, Minnesota
Statement of Net Position (Continued on the Following Page)
Proprietary Funds
December 31, 2024

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	601 Water	602 Sewer	604 Electric	Other Proprietary Funds	Total	
Assets						
Current Assets						
Cash and temporary investments	\$ 3,356,745	\$ 2,375,633	\$ 4,527,791	\$ 1,914,121	\$ 12,174,290	\$ 1,007,409
Restricted assets						
Cash and temporary investments	223,629	302,013	530,954	4,579	1,061,175	-
Receivables (net of allowance for uncollectibles)						
Accrued interest	3,302	2,131	5,033	1,806	12,272	1,651
Delinquent taxes	1,014	1,259	-	-	2,273	-
Accounts, net	105,735	135,562	336,373	86,135	663,805	4,958
Loans	-	-	2,843	-	2,843	-
Current special assessments	7,623	10,019	-	-	17,642	-
Delinquent special assessments	-	-	-	282	282	-
Intergovernmental	-	425	-	-	425	-
Due from other funds	-	-	3,003,903	-	3,003,903	60,558
Inventories	39,645	39,645	992,522	262,029	1,333,841	-
Prepaid items	-	-	-	-	-	105,869
Total Current Assets	3,737,693	2,866,687	9,399,419	2,268,952	18,272,751	1,180,445
Noncurrent Assets						
Special assessments receivable						
Noncurrent	62,682	82,374	-	-	145,056	-
Loans receivable - noncurrent	-	26,012	550,000	-	576,012	-
Capital assets						
Land	102,967	218,528	369,325	178,828	869,648	-
Construction in progress	123,308	108,302	-	-	231,610	-
Buildings	973,702	598,905	1,635,389	326,929	3,534,925	323,346
Improvements and infrastructure	13,977,704	28,079,339	31,446,452	3,597,100	77,100,595	853,637
Machinery and equipment	515,059	680,316	4,508,977	1,014,239	6,718,591	653,198
Total capital assets	15,692,740	29,685,390	37,960,143	5,117,096	88,455,369	1,830,181
Less accumulated depreciation	(8,598,936)	(9,635,445)	(17,976,740)	(2,497,891)	(38,709,012)	(953,246)
Total Capital Assets (Net Of Accumulated Depreciation)	7,093,804	20,049,945	19,983,403	2,619,205	49,746,357	876,935
Total Noncurrent Assets	7,156,486	20,158,331	20,533,403	2,619,205	50,467,425	876,935
Total Assets	10,894,179	23,025,018	29,932,822	4,888,157	68,740,176	2,057,380
Deferred Outflows of Resources						
Deferred pension resources	32,655	17,631	18,522	26,416	95,224	29,696
Deferred other postemployment benefits	595	280	302	473	1,650	434
Total Deferred Outflows of Resources	33,250	17,911	18,824	26,889	96,874	30,130

City of Luverne, Minnesota
Statement of Net Position (Continued)
Proprietary Funds
December 31, 2024

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	601 Water	602 Sewer	604 Electric	Other Proprietary Funds	Total	
Liabilities						
Current Liabilities						
Accounts payable	\$ 55,103	\$ 25,603	\$ 505,285	\$ 32,661	\$ 618,652	\$ 21,833
Due to other funds	-	992,903	-	-	992,903	-
Due to other governments	4,025	-	32,050	24,891	60,966	-
Accrued interest payable	9,888	9,669	38,436	-	57,993	-
Wages and related benefits payable	17,653	8,639	9,921	13,174	49,387	14,483
Customer deposits payable	5,741	5,344	22,518	4,579	38,182	-
Compensated absences payable - current	34,902	20,033	21,767	23,371	100,073	114,494
Other postemployment benefits liability - current	952	447	482	756	2,637	694
Bonds payable - current	208,000	287,000	470,000	-	965,000	-
Total Current Liabilities	<u>336,264</u>	<u>1,349,638</u>	<u>1,100,459</u>	<u>99,432</u>	<u>2,885,793</u>	<u>151,504</u>
Noncurrent Liabilities						
Compensated absences payable - noncurrent	63,980	42,525	39,320	41,051	186,876	310,075
Bonds payable - noncurrent	1,712,856	6,813,078	14,389,531	-	22,915,465	-
Net pension liability	157,586	80,548	87,714	125,310	451,158	141,199
Other postemployment benefits liability	12,332	5,789	6,248	9,814	34,183	8,993
Total Noncurrent Liabilities	<u>1,946,754</u>	<u>6,941,940</u>	<u>14,522,813</u>	<u>176,175</u>	<u>23,587,682</u>	<u>460,267</u>
Total Liabilities	<u>2,283,018</u>	<u>8,291,578</u>	<u>15,623,272</u>	<u>275,607</u>	<u>26,473,475</u>	<u>611,771</u>
Deferred Inflows of Resources						
Deferred pension resources	112,326	57,783	62,656	89,495	322,260	100,816
Net Position						
Net investment in capital assets	5,172,948	12,949,867	5,123,872	2,619,205	25,865,892	876,935
Restricted for debt service	208,000	287,000	-	-	495,000	-
Unrestricted	3,151,137	1,456,701	9,141,846	1,930,739	15,680,423	497,988
Total Net Position	<u>\$ 8,532,085</u>	<u>\$ 14,693,568</u>	<u>\$ 14,265,718</u>	<u>\$ 4,549,944</u>	<u>42,041,315</u>	<u>\$ 1,374,923</u>
Adjustments to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds						
					216,428	
					<u>Net Position of Business-type Activities</u>	<u>\$ 42,257,743</u>

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

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	601 Water	602 Sewer	604 Electric	Other Proprietary Funds	Total	
Operating Revenues						
Charges for services/sales	\$ 2,202,849	\$ 2,207,271	\$ 8,105,152	\$ 3,068,537	\$ 15,583,809	\$ 978,475
Cost of sales	-	-	-	(1,356,394)	(1,356,394)	-
Service income	17,211	38,001	583,455	7,744	646,411	-
Other income	12,084	3,600	105,887	19,135	140,706	300,093
Total Operating Revenues	2,232,144	2,248,872	8,794,494	1,739,022	15,014,532	1,278,568
Operating Expenses						
Personal services	529,701	258,660	287,599	424,632	1,500,592	463,571
Supplies	172,335	188,999	396,953	118,395	876,682	75,699
Other services and charges	704,537	341,292	1,772,181	354,353	3,172,363	723,173
Power purchased/delivered	-	-	3,639,955	-	3,639,955	-
Depreciation	448,980	1,102,514	1,325,469	214,915	3,091,878	103,378
Total Operating Expenses	1,855,553	1,891,465	7,422,157	1,112,295	12,281,470	1,365,821
Operating Income	376,591	357,407	1,372,337	626,727	2,733,062	(87,253)
Nonoperating Revenues (Expenses)						
Investment income	143,982	92,956	225,061	78,835	540,834	79,447
Gain on disposition of assets	-	-	31,151	-	31,151	-
Interest and other costs	(26,796)	(190,004)	(475,792)	-	(692,592)	-
Amortization revenue	4,731	7,777	24,204	-	36,712	-
Contributions to component unit	(60,000)	(60,000)	(80,000)	(15,450)	(215,450)	-
Total Nonoperating Revenues (Expenses)	61,917	(149,271)	(275,376)	63,385	(299,345)	79,447
Income Before Capital Contributions and Transfers	438,508	208,136	1,096,961	690,112	2,433,717	(7,806)
Transfers Out	(335,000)	(155,000)	(624,330)	(420,000)	(1,534,330)	(150,000)
Special assessments	4,951	6,468	-	2,166	13,585	-
Change in Net Position	108,459	59,604	472,631	272,278	912,972	(157,806)
Net Position, January 1	8,423,626	14,633,964	13,793,087	4,277,666	41,128,343	1,532,729
Net Position, December 31	\$ 8,532,085	\$ 14,693,568	\$ 14,265,718	\$ 4,549,944	\$ 42,041,315	\$ 1,374,923
Changes in Net Position as Shown Above					\$ 912,972	
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds					(164,665)	
Changes in Net Position and Business-type Activities					\$ 748,307	

City of Luverne, Minnesota
Statement of Cash Flows (Continued on the Following Page)
Proprietary Funds
For the Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	601 Water	602 Sewer	604 Electric	Other Proprietary Funds	Total	
Cash Flows from Operating Activities						
Cash receipts from customers	\$ 2,218,338	\$ 2,239,638	\$ 8,708,855	\$ 3,076,873	\$ 16,243,704	\$ 988,207
Cash paid to suppliers	(875,532)	(548,109)	(6,006,050)	(1,877,509)	(9,307,200)	(919,641)
Cash paid to and on behalf of employees	(530,449)	(264,126)	(287,452)	(417,200)	(1,499,227)	(451,609)
Other receipts	12,084	-	101,863	13,383	127,330	293,606
Net Cash Provided (Used) by Operating Activities	824,441	1,427,403	2,517,216	795,547	5,564,607	(89,437)
Cash Flows from Noncapital Financing Activities						
Transfers to other funds	(335,000)	(155,000)	(624,330)	(420,000)	(1,534,330)	(150,000)
Payment to component unit	(60,000)	(60,000)	(80,000)	(15,450)	(215,450)	-
Loans made	-	(28,710)	(3,872)	-	(32,582)	-
Loan/note payments received	11,033	15,098	12,122	23,764	62,017	-
(Increase) decrease in due from other funds	-	-	122,673	-	122,673	649
Increase (decrease) in due to other funds	-	(121,350)	-	-	(121,350)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(383,967)	(349,962)	(573,407)	(411,686)	(1,719,022)	(149,351)
Cash Flows from Capital and Related Financing Activities						
Acquisition of capital assets	(104,040)	(152,410)	(611,592)	(417,792)	(1,285,834)	-
Payment from developers	-	650,000	-	-	650,000	-
Proceeds from sale of capital assets	-	-	47,000	-	47,000	-
Payments received on special assessments	11,979	15,732	-	2,166	29,877	-
Principal paid on long-term borrowings	(203,000)	(922,000)	(450,000)	-	(1,575,000)	-
Interest and fiscal charges paid on long-term borrowings	(27,904)	(191,406)	(476,867)	-	(696,177)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(322,965)	(600,084)	(1,491,459)	(415,626)	(2,830,134)	-
Cash Flows from Investing Activities						
Interest received	144,968	93,596	226,560	79,390	544,514	79,952
Net Increase (Decrease) in Cash and Cash Equivalents	262,477	570,953	678,910	47,625	1,559,965	(158,836)
Cash and Cash Equivalents, January 1	3,317,897	2,106,693	4,379,835	1,871,075	11,675,500	1,166,245
Cash and Cash Equivalents, December 31	\$ 3,580,374	\$ 2,677,646	\$ 5,058,745	\$ 1,918,700	\$ 13,235,465	\$ 1,007,409
Cash and Cash Equivalents are Comprised of						
Cash and temporary investments	\$ 3,356,745	\$ 2,375,633	\$ 4,527,791	\$ 1,914,121	\$ 12,174,290	\$ 1,007,409
Restricted assets	223,629	302,013	530,954	4,579	1,061,175	-
Total Cash and Cash Equivalents	\$ 3,580,374	\$ 2,677,646	\$ 5,058,745	\$ 1,918,700	\$ 13,235,465	\$ 1,007,409

City of Luverne, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2024

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	601 Water	602 Sewer	604 Electric	Other Proprietary Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income	\$ 376,591	\$ 357,407	\$ 1,372,337	\$ 626,727	\$ 2,733,062	\$ (87,253)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	448,980	1,102,514	1,325,469	214,915	3,091,878	103,378
(Increase) decrease in assets						
Accounts receivable	(2,527)	(7,145)	21,872	(212)	11,988	14,334
Special assessments receivable	1,167	1,827	-	568	3,562	-
Due from other governments	-	(6)	-	-	(6)	-
Inventories	(5,190)	(5,190)	(205,055)	25,091	(190,344)	-
Prepaid items	-	-	-	-	-	(99,156)
(Increase) decrease in deferred outflows of resources						
Deferred pension resources	30,189	16,993	18,088	25,023	90,293	25,980
Deferred other postemployment benefit resources	293	158	143	51	645	270
Increase (decrease) in liabilities						
Accounts payable	6,061	(12,628)	5,932	(74,770)	(75,405)	(21,613)
Due to other governments	469	-	2,162	1,312	3,943	-
Wages and related benefits payable	4,450	1,866	3,186	4,009	13,511	1,941
Deposits payable	(362)	(269)	(1,624)	236	(2,019)	-
Compensated absences payable	5,934	2,667	5,012	9,622	23,235	6,394
Other postemployment benefits liability	4,527	1,919	2,339	5,400	14,185	2,501
Net pension liability	(78,516)	(46,482)	(48,740)	(66,499)	(240,237)	(66,217)
Increase (decrease) in deferred inflows of resources						
Deferred pension resources	32,375	13,772	16,095	24,074	86,316	30,004
Total Adjustments	<u>\$ 447,850</u>	<u>1,069,996</u>	<u>1,144,879</u>	<u>168,820</u>	<u>2,831,545</u>	<u>(2,184)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 824,441</u></u>	<u><u>\$ 1,427,403</u></u>	<u><u>\$ 2,517,216</u></u>	<u><u>\$ 795,547</u></u>	<u><u>\$ 5,564,607</u></u>	<u><u>\$ (89,437)</u></u>
Schedule of Noncash Investing, Capital and Financing Activities						
Book value of disposed/traded of capital assets	\$ -	\$ -	\$ 15,849	\$ -	\$ 15,849	\$ -
Amortization of bond (premium) discount	<u><u>\$ (4,731)</u></u>	<u><u>\$ (7,777)</u></u>	<u><u>\$ (24,204)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (36,712)</u></u>	<u><u>\$ -</u></u>

City of Luverne, Minnesota
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2024

	<u>Custodial</u>
	<u>Lewis and</u>
	<u>Clark</u>
Assets	
Cash and investments	\$ 598
Receivables	
Accrued interest	<u>1</u>
Total Assets	<u>599</u>
Net Position	
Restricted for Capital Projects	<u>\$ 599</u>

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

City of Luverne, Minnesota
Statement of Changes Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2024

	<u>Custodial</u>
	<u>Lewis and</u>
	<u>Clark</u>
Additions	
Investment earnings	
Increase (decrease) in fair value of investments	\$ 16
Interest, dividends and other	13
Total Additions	<u>29</u>
Net Position, January 1	<u>570</u>
Net Position, December 31	<u><u>\$ 599</u></u>

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

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Luverne, Minnesota (the City) was incorporated in 1877. The City operates under a Home Rule Charter as defined by Minnesota statutes which provides for a Mayor-Council form of government. The Council appoints the City Administrator who is responsible for the proper administration of all affairs relating to the operation of the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The discretely presented component unit is reported in a separate column in the government-wide (see note below for description) financial statements to emphasize it is legally separate from the City. The discretely presented component unit has a December 31 year end.

Discretely Presented Component Unit. The Economic Development Authority (EDA) was created to carry out housing and economic development activities within the City. The governing board is appointed by the City Council. The EDA's operations are partially funded by a transfer from the City's General fund. Various city employees, such as the City Administrator and Community/Economic Development Director perform key management functions for the EDA. In accordance with GASB Statement No. 61, this entity is presented as a discretely presented component unit comprised of governmental (Special Revenue and Debt Service and Capital Projects funds), and proprietary (Enterprise) fund types and is reported separately on the general purpose financial statements as such. The EDA has a December 31 year end. The EDA is presented as a discretely presented component unit as the Board makeup of the entity is not substantially the same as the City Council.

Related Organization. The Luverne Volunteer Firemen's Relief Association is organized as a nonprofit organization, legally separate from the City, to provide pension benefits to its members in accordance with Minnesota statutes. Its board of directors includes the Mayor, Clerk, Fire Chief and six members appointed by the membership of the organization. All funding is conducted in accordance with Minnesota statutes, whereby state aids flow to the association, tax levies are determined by the association and the association pays benefits directly to its members. The City's portion of the costs of the association's pension benefits are included in the General fund.

The City officials are also responsible for appointing the members of the board of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The Mayor appoints the board members of the Housing and Redevelopment Authority of Luverne.

B. Government-wide and Fund Financial Statements

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

The *Childcare Facility fund* accounts for the activities of the government's childcare facility.

The *Sharkees - Merts TIF Project fund* accounts for expenditures related to the elimination of blight on two parcels on Hwy 75. Future tax increments will be used to reimburse the City for land acquisition and demolition costs.

The City reports the following major proprietary funds:

The *Water fund* accounts for the activities of the government's water production and distribution system.

The *Sewer fund* accounts for the activities of the government's sewer collection and treatment operations.

The *Electric fund* accounts for the activities of the government's electric distribution operations.

Additionally, the City reports the following fund types:

Internal service funds account for data processing, central inventory, central garage maintenance, partial self-insurance for property casualty and workers compensation insurance and sick and vacation accrued benefits, on a cost reimbursement basis.

Fiduciary funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The City's Custodial fund accounts for activities of the Lewis and Clark Rural Water System.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

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

Cash balances from all funds and the discretely presented component units are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to respective funds on the basis of average month-end cash and investment balances.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to the statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

- Brokered certificates of deposits of \$13,378,714 are valued using a matrix pricing model (Level 2 inputs)

Investment Policy

The City's investment policy follows Minnesota statutes, which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Custodial Credit Risk* - For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the government would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2024 all investments were insured or registered, or securities were held by the City or its agent in the City's name.
- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The City's investment policy does not further limit the ratings of their investments.
- *Concentration Risk* - At year end, more than 5 percent of the City's investment portfolio included securities held with RBC Wealth Management.
- *Interest Rate Risk* - In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Rock County for collection in 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 January 1 of the following year, and are recorded as receivables by the City at that date. Revenues from property taxes are accrued and recognized in the year collectible, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of January, June and December.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted Cash

The City has assets restricted for specific purposes set aside for payment of bond principal due in the next year, utility deposits and related interest payable to utility customers. The City's component unit has restricted assets for replacement reserves. Restricted assets are as follows:

Restricted Purpose	Primary Government				Component Unit	
	Water	Sewer	Electric	Other Proprietary Funds	Total	EDA
Accrued Interest Payable	\$ 9,888	\$ 9,669	\$ 38,436	\$ -	\$ 57,993	\$ -
Current Portion of Bonds/Notes Payable	208,000	287,000	470,000	-	965,000	-
Customer Deposits Payable	5,741	5,344	22,518	4,579	38,182	-
Other	-	-	-	-	-	6,758
Total	\$ 223,629	\$ 302,013	\$ 530,954	\$ 4,579	\$ 1,061,175	\$ 6,758

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled enterprise fund receivables are also included for services provided in 2024. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts at December 31, 2024 are shown in the table below.

	Enterprise Funds	Swimming Pool	Total
Allowance for uncollectible accounts	\$ 21,000	\$ 300	\$ 21,300

Special Assessments

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

Interfund Receivables and Payables

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Inventories are valued at cost utilizing the following methods of valuation:

Governmental funds - weighted average cost except for the Airport fund which uses first-in, first-out based on purchases. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current costs.

Business-type funds - weighted average costs except for the Liquor fund which uses first-in, first-out based on purchases.

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

Land Held for Resale

Land is acquired by the City for subsequent resale for development purposes. Land held for resale is reported as an asset at fair value in the fund that acquired it.

Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Therefore, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the city chose to include all such items regardless of their acquisition date or amount. As the city constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at acquisition value at the date of donation. Infrastructure assets are reported on a network and subsystem basis.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the estimated useful lives. Capitalized leased assets are being amortized on a straight line basis over the estimated useful life of the equipment. The estimated useful lives are as follows:

Assets	Years
Buildings	20 to 50
Other Improvements	15 to 30
System Improvements/Infrastructure	30 to 50
Machinery and Equipment	3 to 50
Vehicles	3 to 10
Capitalized Leased Assets	2 to 10

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statements of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay may be earned at a rate from six to twenty days a year, according to length of employment, and is charged to expenses or expenditures in the year earned. Employees may retain a maximum of one year accrual plus five days earned vacation time every year. Vacation pay earned is accrued in the proprietary funds and recorded in the governmental funds as a current liability payable from net current assets. Sick leave is accumulated at a rate of one (1) working day per month up to a maximum of one hundred thirty-two (132) days. Sick leave is charged to expenses or expenditures in the year earned, subject to the maximum accrual.

Employees receive severance pay upon termination in good standing, or retirement, including all earned vacation and accumulated sick leave at their current rate of pay. The value of accumulated sick leave must be deposited in the employees Health Care Savings Plan account administered by the Minnesota State Retirement System at the time of termination or retirement. The balance of earned vacation and accumulated sick leave for governmental funds is reconciled and transferred at the end of each year to the Vacation/Sick internal service fund. The balance of earned vacation and accumulated sick leave for enterprise funds is accrued in the appropriate fund. The General fund is typically used to liquidate governmental compensated absences payable.

The retired employee may continue participation in the City's group health insurance plan as if the retired employee were a City employee. The normal monthly premium must be paid each month in advance of the month of coverage.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Pensions

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

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by the Luverne Volunteer Firemen's Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value.

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

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total
	GERP	DCP		
Primary Government				
City's proportionate share	\$ 65,152	\$ 2,350	\$ (35,059)	\$ 32,443
Proportionate share of State's contribution	720	-	-	720
Component Unit				
LEDA's proportionate share	2,385	-	-	2,385
Proportionate share of State's contribution	26	-	-	26
Total pension expense	\$ 68,283	\$ 2,350	\$ (35,059)	\$ 35,574

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at December 31, 2023. The General fund is typically used to liquidate governmental other postemployment benefits payable.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

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

The City has two additional items which qualifies for reporting in this category. Deferred lease resources result from net present valuations of lease receivables and are amortized over the life of the lease. Deferred pension resources are reported only in the statements of net position and results from actuarial calculations.

Fund Balance

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

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items, inventories, due from component units and other funds, and long term loans and contracts.

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

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

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

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 35 to 50 percent of budgeted operating expenditures for cash-flow timing needs.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

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

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

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

Note 2: Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. In June of each year, all department of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review. The Council holds a public hearing and a final budget is prepared and adopted prior to the end of December.

Annual appropriated budgets are legally adopted by Council resolution for the General fund, the Airport, Swimming Pool, Community Development and Childcare Facility special revenue funds, six debt service funds, and five capital projects funds. Formal budgetary integration is not employed for the Economic Development Revolving Loan fund as the fund is not legally obligated to complete a budget. Formal budgetary integration is not employed for Debt Service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for the capital projects funds is based on a project completion time cycle rather than an annual basis, therefore budgetary comparisons on an annual basis would not present meaningful information. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

The appropriated budget for the General fund is prepared by fund and function (e.g., public safety). The appropriated budgets are prepared by fund for the Childcare Facility, Airport, Swimming Pool and Community Development special revenue funds. Transfers of appropriations between departments and funds require the approval of the City Council. The City amended its General fund budget during the year resulting in increasing expenditures by \$216,045 to reflect additional transfers out.

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

Note 2: Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2024, excess expenditures over appropriations are as follows:

Fund/Department	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 4,676,766	\$ 4,822,305	\$ 145,539

Excess expenditures in the General fund were funded by revenues in excess of budgeted amounts.

C. Deficit Fund Equity

For the year ended December 31, 2024 the following funds had fund equity deficits as follows:

Fund	Amount
Major	
Childcare Facility	\$ 40,302
Sharkees - Merts TIF Projects	1,800,632
Nonmajor	
Capital projects	
Ramage Sasker TIF Project	145,606

The deficit in the Sharkees - Merts TIF Project, the Barck Avenue TIF Project and the Ramage Sasker TIF Project funds will be funded with future tax increments. The deficit in the Childcare Facility will be funded by future charges for services.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds or irrevocable standby letters of credit from Federal Home Loan Banks.

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

Note 3: Detailed Notes on All Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$7,446,951, including \$598 reported in fiduciary funds. The bank balance was \$7,690,256. There were no bank balances in excess of those covered by federal depository insurance. The primary government and component unit's deposits and investments are pooled.

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds totals \$2,800.

Investments

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
RBC Wealth Management MM	N/A	under 6 months	\$ 796,051			
Non-Pooled Investments at Fair Value						
Brokered Certificates of Deposit	N/A	under 1 year	3,471,740	\$ -	\$ 3,471,740	\$ -
Brokered Certificates of Deposit	N/A	1 to 5 years	9,906,974	-	9,906,974	-
Total Non-Pooled Investments at Fair Value			13,378,714	-	13,378,714	-
Total Investments			\$ 14,174,765	\$ -	\$ 13,378,714	\$ -

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

N/A indicates not applicable or available. NR indicates not rated.

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

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

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of cash and investments as shown on the statement of net position for the City including the component unit follows:

	Primary Government	Component Unit - EDA	Fiduciary Funds	Total
Deposits	\$ 6,156,775	\$ 1,289,578	\$ 598	\$ 7,446,951
Cash on Hand	2,800	-	-	2,800
Investments	<u>14,174,765</u>	<u>-</u>	<u>-</u>	<u>14,174,765</u>
Total	<u>\$ 20,334,340</u>	<u>\$ 1,289,578</u>	<u>\$ 598</u>	<u>\$ 21,624,516</u>
 Cash and Temporary Investments	 \$ 19,273,165	 \$ 1,282,820	 \$ 598	 \$ 20,556,583
Restricted Assets	1,061,175	6,758	-	1,067,933
 Total	 <u>\$ 20,334,340</u>	 <u>\$ 1,289,578</u>	 <u>\$ 598</u>	 <u>\$ 21,624,516</u>

B. Receivables

Receivables as of year-end for the City's individual major funds, nonmajor funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Childcare Facility	Sharkees - Merts TIF Project	Nonmajor Governmental	Water
	Sewer	Electric	Nonmajor Enterprise	Internal Service	Total
Receivables					
Interest	\$ 6,477	\$ 265	\$ -	\$ 4,850	\$ 3,302
Taxes	31,260	-	-	2,035	1,014
Accounts	35,689	-	-	14,851	106,735
Loans/contracts	10,906	-	-	-	-
Special assessments	4,246	-	-	-	70,305
Intergovernmental	203,272	574,382	-	233,274	-
Gross receivables	<u>291,850</u>	<u>574,647</u>	<u>-</u>	<u>255,010</u>	<u>181,356</u>
Less: allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>
 Net Total Receivables	 <u>\$ 291,850</u>	 <u>\$ 574,647</u>	 <u>\$ -</u>	 <u>\$ 255,010</u>	 <u>\$ 180,356</u>
 Receivables					
Interest	\$ 2,131	\$ 5,033	\$ 1,806	\$ 1,651	\$ 25,515
Taxes	1,259	-	-	-	35,568
Accounts	136,562	354,373	87,135	4,958	740,303
Loans/contracts	-	578,855	-	-	589,761
Special assessments	92,393	-	282	-	167,226
Intergovernmental	425	-	-	-	1,011,353
Gross receivables	232,770	938,261	89,223	6,609	2,569,726
Less allowance for uncollectibles	<u>(1,000)</u>	<u>(18,000)</u>	<u>(1,000)</u>	<u>-</u>	<u>(21,000)</u>
 Net Total Receivables	 <u>\$ 231,770</u>	 <u>\$ 920,261</u>	 <u>\$ 88,223</u>	 <u>\$ 6,609</u>	 <u>\$ 2,548,726</u>

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

Note 3: Detailed Notes on All Funds (Continued)

D. Loans Receivable

Loans receivable balances as of December 31, 2024 is as follows:

Primary Government

Sewer repair loans, 0.0% interest, payable over a thirty-six month period of time.	\$ 26,012
Deferred loan, 2.00% interest rate will accrue beginning from the tenth anniversary of the loan closing date (October, 2021). Monthly payments of principal and interest will the amount of \$5,060.74 shall commence on the tenth anniversary of the closing date and continue for 120 months.	550,000
PC loans for the purchase of equipment and software, 0.0% interest, payable over a twelve or thirty-six month period of time, depending on the value of the original note.	2,843
The City General fund made a loan to the Blue Mound Area Theatre on September 24, 2012 in the amount of \$52,000 at a 3.00 percent interest rate for improvements to the Shaw Drug building. Monthly payments in the amount of \$366.06 are due monthly beginning December 13, 2012 with final payment due on July 13, 2027.	<u>10,906</u>
	<u>\$ 589,761</u>

Component Unit

Gap loans issued to multiple business, 2.0% interest rates, monthly payments for a period of ten years.	\$ 58,062
Loan issued to Prairie Water Solutions, 4.0% interest rate, monthly payments for a period of seven years.	17,880
Rural Business Assistance Loan issued to multiple businesses, 0.0% interest rate, monthly payments for a period of 60 months.	4,084
Historic façade improvement loan, 2.0% interest rate, monthly payments for a period of seven years.	14,899
Loans issued to three businesses for \$5,000, 0.0% interest rate, due in monthly installments for 60 months.	7,333
The Economic Development Authority made a loan on November 21, 2008 to Rock Manor Limited Partnership in the amount of \$10,000 at zero percent interest to assist in the financing of a major renovation of the Rock Manor Townhouse project. The payment of this loan is due on November 21, 2038.	<u>10,000</u>
	<u>\$ 112,258</u>

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

Note 3: Detailed Notes on All Funds (Continued)

E. Interfund Receivables, Payables and Transfers

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

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	\$ 203,249
Enterprise Electric	Sharkees - Merts TIF Project Sewer	2,011,000 992,903
Internal Service Data Processing	General	<u>60,558</u>
Total		<u>\$ 3,267,710</u>

Of the General fund outstanding balance, a loan from General to the Ramage/Sasker TIF fund 445 of \$150,000 is for blight removal and redevelopment that will be repaid with future tax increment revenue. The remaining balance relates to eliminating cash deficits in other funds. The Electric fund has loaned \$2,011,000 to the Sharkees - Merts TIF project to cover costs associated with property acquisition and blight removal and will be repaid with future tax increment revenue. The Electric fund also loaned \$992,903 to the Sewer fund to cover change orders made to two sewer improvement projects. This loan will be paid back over 10 years at a rate of 0.5%. The Data Processing fund loan to the General fund for the acquisition of PEG access channel equipment had a balance at year-end of \$60,558.

The following transfers were made in 2024:

Fund	Transfers in			
	General	Childcare Facility	Nonmajor Governmental	Total
Transfers Out				
General	\$ -	\$ 158,000	\$ 1,278,045	\$ 1,436,045
Nonmajor governmental	- -	1,530,000	20,000	1,550,000
Water enterprise	55,000	-	280,000	335,000
Sewer enterprise	55,000	-	100,000	155,000
Electric enterprise	95,000	43,370	485,960	624,330
Nonmajor enterprise	100,000	-	320,000	420,000
Internal service	- -	50,000	100,000	150,000
Total Transfers Out	\$ 305,000	\$ 1,781,370	\$ 2,584,005	\$ 4,670,375

All 2024 transfers were budgeted with the exception of one. There was one unbudgeted transfer to move funds out of a capital project fund and into the Childcare Facility fund, where project expenditures are captured.

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

Note 3: Detailed Notes on All Funds (Continued)

F. Restricted Assets

The composition of restricted assets of enterprise funds at December 31, 2024 are cash and investments offset by the following liability accounts:

Customer Deposits - Water Fund	\$ 5,741
Customer Deposits - Sewer Fund	5,344
Customer Deposits - Electric Fund	22,518
Customer Deposits - Other Proprietary Funds	4,579
Accrued Interest Payable - Water Fund	9,888
Accrued Interest Payable - Sewer Fund	9,669
Accrued Interest Payable - Electric Fund	38,436
Current Portion of Bonds - Water Fund	208,000
Current Portion of Bonds - Sewer Fund	287,000
Current Portion of Bonds - Electric Fund	470,000
Total Primary Government	1,061,175
EDA - Replacement Reserves	6,758
Total Restricted Assets	<u>\$ 1,067,933</u>

G. Capital Assets

Primary Government

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 3,495,249	\$ -	\$ -	\$ 3,495,249
Construction in Progress	655,692	7,804,318	(724,233)	7,735,777
Total Capital Assets not Being Depreciated	4,150,941	7,804,318	(724,233)	11,231,026
Capital Assets Being Depreciated				
Buildings	13,057,426	114,743	-	13,172,169
Improvements and Infrastructure	31,416,321	664,611	-	32,080,932
Machinery and Equipment	7,369,055	732,027	(237,432)	7,863,650
Total Capital Assets Being Depreciated	51,842,802	1,511,381	(237,432)	53,116,751
Less Accumulated Depreciation for				
Buildings	(6,415,037)	(450,409)	-	(6,865,446)
Improvements and Infrastructure	(14,187,954)	(1,079,220)	-	(15,267,174)
Machinery and Equipment	(5,668,937)	(632,524)	169,658	(6,131,803)
Total Accumulated Depreciation	(26,271,928)	(2,162,153)	169,658	(28,264,423)
Total Capital Assets Being Depreciated, Net	25,570,874	(650,772)	(67,774)	24,852,328
Government Activities				
Capital Assets, Net	\$ 29,721,815	\$ 7,153,546	\$ (792,007)	\$ 36,083,354

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

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 869,648	\$ -	\$ -	\$ 869,648
Construction in Progress	8,763,144	427,718	(8,959,252)	231,610
Total Capital Assets not Being Depreciated	9,632,792	427,718	(8,959,252)	1,101,258
Capital Assets Being Depreciated				
Buildings	3,594,625	-	-	3,594,625
Improvements and Infrastructure	67,766,416	9,442,185	-	77,208,601
Machinery and Equipment	6,947,197	340,463	(50,050)	7,237,610
Total Capital Assets Being Depreciated	78,308,238	9,782,648	(50,050)	88,040,836
Less Accumulated Depreciation for				
Buildings	(2,714,527)	(74,527)	-	(2,789,054)
Improvements and Infrastructure	(30,660,727)	(2,629,330)	-	(33,290,057)
Machinery and Equipment	(2,869,958)	(424,520)	34,201	(3,260,277)
Total Accumulated Depreciation	(36,245,212)	(3,128,377)	34,201	(39,339,388)
Total Capital Assets Being Depreciated, Net	42,063,026	6,654,271	(15,849)	48,701,448
Business-type Activities				
Capital Assets, Net	\$ 51,695,818	\$ 7,081,989	\$ (8,975,101)	\$ 49,802,706

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

Governmental Activities				
General Government			\$ 189,379	
Public Safety			248,713	
Public Works, Including Depreciation of General Infrastructure Assets			419,583	
Culture and Recreation			708,142	
Conservation and Development			177,322	
Miscellaneous - airport			352,135	
Central Garage Internal Service			66,879	
Total Depreciation Expense - Governmental Activities			\$ 2,162,153	
Business-type Activities				
Water			\$ 448,980	
Sewer			1,102,514	
Refuse and Recycling			42,147	
Electric			1,325,469	
Storm Sewer			164,373	
Liquor			8,395	
Data Processing Internal Service			36,499	
Total Depreciation Expense - Business-type Activities			\$ 3,128,377	

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

Note 3: Detailed Notes on All Funds (Continued)

Construction Commitments

The City has multiple active construction project as of December 31, 2024. Remaining commitments for ongoing projects are as follows:

Project	Spent-to-Date	Remaining Commitment
Childcare Facility Renovation	\$ 6,025,314	\$ 1,203,521
2025 WST Dump Truck Down payment	<u>150,020</u>	<u>150,020</u>
Total	<u>\$ 6,175,334</u>	<u>\$ 1,353,541</u>

Discretely Presented Component Units

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 20,680	\$ -	\$ -	\$ 20,680
Capital Assets Being Depreciated				
Buildings	2,524,456	-	-	2,524,456
Machinery and Equipment	5,835	-	-	5,835
Total Capital Assets Being Depreciated	<u>2,530,291</u>	<u>-</u>	<u>-</u>	<u>2,530,291</u>
Less Accumulated Depreciation for				
Buildings	(1,679,677)	(74,840)	-	(1,754,517)
Machinery and Equipment	(5,835)	-	-	(5,835)
Total Accumulated Depreciation	<u>(1,685,512)</u>	<u>(74,840)</u>	<u>-</u>	<u>(1,760,352)</u>
Total Capital Assets Being Depreciated, Net	<u>844,779</u>	<u>(74,840)</u>	<u>-</u>	<u>769,939</u>
EDA Capital Assets, Net	<u><u>\$ 865,459</u></u>	<u><u>\$ (74,840)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 790,619</u></u>

Depreciation expense was charged to functions/programs of the component unit as follows:

Component Unit Activities			
Economic Development			<u>\$ 74,840</u>

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

Note 3: Detailed Notes on All Funds (Continued)

H. Lease Receivable

The City leases buildings and farm land. These agreements contain various renewal and extension options. The latest maturity date is projected to be in 2037, however, the City anticipates new or revised leasing arrangements to occur in the future.

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

Description	Issue Date	Discount Rate	Current Year Inflow of Resources		Balance at Year End	
Governmental						
Carnegie Cultural Center	3/1/2016	0.60	%	\$ 3,600	\$ 4,184	
Airport FBO	05/01/21	0.60		3,200	8,760	
Van Santen 117 Acres Land	03/01/23	3.82		42,705	41,288	
Minnesota West	06/01/19	0.60		60,060	89,027	
Component Unit						
CWG/Berkley Insurance	1/1/2023	4.12		120,000	<u>1,206,247</u>	
					<u>\$ 1,349,506</u>	

The annual receipts for governmental and component unit activities to maturity for lease receivables are as follows:

Year Ending December 31	Lease Receivables		
	Governmental		
	Principal	Interest	Total
2025	\$ 113,822	\$ 1,833	\$ 115,655
2026	29,437	43	29,480
Total	\$ 143,259	\$ 1,876	\$ 145,135
Year Ending December 31	Lease Receivables		
	Component Unit		
	Principal	Interest	Total
2025	\$ 71,645	\$ 48,355	\$ 120,000
2026	74,654	45,346	120,000
2027	77,788	42,212	120,000
2028	81,054	38,946	120,000
2029	84,457	35,543	120,000
2030 - 2034	478,552	121,448	600,000
2035 - 2037	338,097	21,903	360,000
Total	\$ 1,206,247	\$ 353,753	\$ 1,560,000

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

Note 3: Detailed Notes on All Funds (Continued)

I. Long-term Debt

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

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

Primary Government Debt

General Obligation Bonds

The following bonds were issued to provide funding for construction projects. Revenue to retire this bond issue comes from ad valorem tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2021A (Refunding 2012A City Reroof)	\$ 210,000	2.00 %	04/27/21	02/01/28	\$ 120,000
G.O. Improvement Bonds of 2021A (Pool Project)	5,045,000	1.30 - 2.00	04/27/21	02/01/42	4,620,000
G.O. Improvement Bonds of 2024A (Childcare Facility Project)	4,200,000	4.00 - 5.00	03/27/24	02/01/45	4,200,000
Total General Obligation Bonds					<u>\$ 8,940,000</u>

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

Year Ending December 31	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2025	\$ 250,000	\$ 253,377	\$ 503,377
2026	465,000	183,150	648,150
2027	470,000	172,050	642,050
2028	475,000	160,950	635,950
2029	450,000	150,150	600,150
2030 - 2034	2,300,000	593,250	2,893,250
2035 - 2039	2,400,000	357,000	2,757,000
2040 - 2044	1,920,000	147,000	2,067,000
2045	210,000	4,200	214,200
Total	<u>\$ 8,940,000</u>	<u>\$ 2,021,127</u>	<u>\$ 10,961,127</u>

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

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Improvement Bonds

The following bonds were issued to provide funding for construction projects. Revenue to retire this bond issue comes from ad valorem tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Total G.O. Special Assessment Bonds	\$ 1,585,000	3.50 %	06/07/23	02/01/36	\$ 1,585,000

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

Year Ending December 31	G.O. Improvement Bonds Governmental Activities		
	Principal	Interest	Total
2025	\$ 100,000	\$ 74,400	\$ 174,400
2026	105,000	69,400	174,400
2027	110,000	64,150	174,150
2028	115,000	58,650	173,650
2029	120,000	52,900	172,900
2030 - 2034	705,000	167,750	872,750
2035 - 2036	330,000	20,000	350,000
Total	\$ 1,585,000	\$ 507,250	\$ 2,092,250

General Obligation Revenue Bonds

The following revenue bonds were issued to finance capital improvements to the water and sewer utilities. The bonds are payable from future revenues pledged from the Water and Sewer utility funds and are backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2021A (Refunding - Water & Sewer)	\$ 2,035,000	0.35 - 2.40 %	04/01/12	02/01/28	\$ 575,000
G.O. Sewer Revenue Bonds of 2019B	7,585,000	2.05 - 3.00	09/24/19	12/15/48	6,670,000
G.O. Water Revenue Bonds of 2020A (Refunding - Water)	2,060,000	1.00 - 1.40	11/17/20	02/01/35	1,640,000
Total G.O. Revenue Bonds					\$ 8,885,000

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

Note 3: Detailed Notes on All Funds (Continued)

Annual revenues from charges for services, principal and interest payments and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Sewer	Electric
Revenues	\$ 2,232,144	\$ 2,248,872	\$ 8,794,494
Principal and Interest	230,904	1,113,406	926,867
Percentage of Revenues	10.3%	49.5%	10.5%

Annual debt service requirements to maturity for all G.O. revenue bonds are as follows:

Year Ending December 31	G.O. Revenue Bonds		
	Business-type Activities		
	Principal	Interest	Total
2025	\$ 495,000	\$ 187,955	\$ 682,955
2026	505,000	177,380	682,380
2027	520,000	166,580	686,580
2028	525,000	155,380	680,380
2029	380,000	145,630	525,630
2030 - 2034	1,995,000	630,910	2,625,910
2035 - 2039	1,525,000	462,353	1,987,353
2040 - 2044	1,550,000	292,000	1,842,000
2045 - 2048	<u>1,390,000</u>	<u>87,875</u>	<u>1,477,875</u>
Total	<u>\$ 8,885,000</u>	<u>\$ 2,306,063</u>	<u>\$ 11,191,063</u>

Revenue Bonds

The following revenue bonds were issued to finance capital improvements to the electric utilities. They will be retired from net revenues of this fund.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Electric Revenue Bonds of 2018A	\$ 4,875,000	2.00 - 4.00 %	09/27/18	12/01/38	\$ 3,765,000
G.O. Electric Revenue Bonds of 2022A	11,340,000	3.00	02/08/22	12/01/51	<u>10,545,000</u>
Total Revenue Bonds					<u>\$ 14,310,000</u>

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

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31	Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2025	\$ 470,000	\$ 461,226	\$ 931,226
2026	480,000	445,026	925,026
2027	500,000	428,476	928,476
2028	520,000	411,226	931,226
2029	535,000	393,276	928,276
2030 - 2034	2,955,000	1,687,333	4,642,333
2035 - 2039	3,130,000	1,156,900	4,286,900
2040 - 2044	2,145,000	733,050	2,878,050
2045 - 2049	2,475,000	392,250	2,867,250
2050 - 2051	1,100,000	49,800	1,149,800
Total	\$ 14,310,000	\$ 6,158,563	\$ 20,468,563

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
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 4,985,000	\$ 4,200,000	\$ (245,000)	\$ 8,940,000	\$ 250,000
General obligation improvement bonds	1,585,000	-	-	1,585,000	100,000
Bond premiums	256,333	341,443	(31,023)	566,753	-
Total Bonds Payable	6,826,333	4,541,443	(276,023)	11,091,753	350,000
Compensated Absences Payable*	356,693	-	(681)	356,012	97,625
Governmental Activity Long-term Liabilities	\$ 7,183,026	\$ 4,541,443	\$ (276,704)	\$ 11,447,765	\$ 447,625
Business-type Activities					
Bonds Payable					
Revenue bonds	\$ 14,760,000	\$ -	\$ (450,000)	\$ 14,310,000	\$ 470,000
General obligation revenue bonds	10,010,000	-	(1,125,000)	8,885,000	495,000
Bond premium	722,177	-	(36,712)	685,465	-
Total Bonds Payable	25,492,177	-	(1,611,712)	23,880,465	965,000
Compensated Absences Payable*	325,196	30,310	-	355,506	116,942
Business-type Activity Long-term Liabilities	\$ 25,817,373	\$ 30,310	\$ (1,611,712)	\$ 24,235,971	\$ 1,081,942
Component Unit					
Economic Development Authority					
Compensated Absences Payable*	\$ 15,286	\$ 1,560	\$ -	\$ 16,846	\$ 10,271

*The change in compensated absences liability is presented as a net change.

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

Note 3: Detailed Notes on All Funds (Continued)

J. Components of Fund Balance

At December 31, 2024, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Childcare Facility	Sharkees - Merts TIF Project	Other Governmental Funds	Total
Nonspendable					
Loans/contracts	\$ 10,906	\$ -	\$ -	\$ -	\$ 10,906
Leases	3,717	-	-	-	3,717
Due from other funds	203,249	-	-	-	203,249
Inventories	2,688	-	-	46,287	48,975
Prepaid items	-	-	-	665	665
Assets held for resale	1,158,591	-	-	-	1,158,591
Total Nonspendable	\$ 1,379,151	\$ -	\$ -	\$ 46,952	\$ 1,426,103
Restricted					
Debt service	\$ -	\$ -	\$ -	\$ 767,248	\$ 767,248
Tax increment financing	-	-	-	15,157	15,157
Public safety	216,045	-	-	-	216,045
Total restricted	\$ 216,045	\$ -	\$ -	\$ 782,405	\$ 998,450
Committed					
Historical society	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Airport operations	-	-	-	210,785	210,785
Swimming pool	-	-	-	88,509	88,509
Community development	-	-	-	224,614	224,614
Total Committed	\$ 25,000	\$ -	\$ -	\$ 523,908	\$ 548,908
Assigned					
LEC contract	\$ 937,125	\$ -	\$ -	\$ -	\$ 937,125
Fire pension contract	50,000	-	-	-	50,000
Capital improvements	-	-	-	2,717,516	2,717,516
Total Assigned	\$ 987,125	\$ -	\$ -	\$ 2,717,516	\$ 3,704,641
Unassigned	\$ 735,549	\$ (40,302)	\$ (1,800,632)	\$ (145,606)	\$ (1,250,991)

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

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan (General Plan)

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

B. Benefits Provided

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

General Employee Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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

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

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

C. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2024, 2023 and 2022, were \$192,986, \$182,479 and \$168,998, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$1,037,485 for its proportionate share of the General Employees Fund's net pension liability, and the LEDA's portion was calculated at \$37,980. 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 \$26,827, of which the LEDA's portion was calculated at \$982.

	Primary Government	Component Unit
City's Proportionate Share of the Net Pension Liability	\$ 1,037,485	\$ 37,980
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	26,827	982
Total	\$ 1,064,312	\$ 38,962

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.001 percent at the end of the measurement period and 0.001 percent for the beginning of the period. The LEDA's proportionate share was calculated at 3.5 percent of the City's activity at both June 30, 2024 and June 30, 2023.

For the year ended December 31, 2024, the City recognized pension expense of \$67,537 for its proportionate share of the General Employees Plan's pension expense, of which the LEDA's portion was calculated at \$2,385. In addition, the City recognized an additional \$746 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, of which the LEDA's portion was calculated at \$26.

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

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

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 \$49,481 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 98,432	\$ -	\$ 3,603	\$ -
Changes in Actuarial Assumptions	4,784	401,501	523	14,836
Net Difference Between Projected and Actual Investment Earnings	-	310,989	-	11,385
Changes in Proportion	11,460	24,523	420	898
Contributions Paid to PERA Subsequent to the Measurement Date	<u>94,062</u>	<u>-</u>	<u>3,443</u>	<u>-</u>
Total	\$ 208,738	\$ 737,013	\$ 7,989	\$ 27,119

The \$97,505 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Primary Government	Component Unit
2025	\$ (342,744)	\$ (12,547)
2026	(71,695)	(2,625)
2027	(128,179)	(4,692)
2028	(79,719)	(2,709)

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

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

E. Long-term Expected Return on Investment

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

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

F. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. 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. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

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.

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

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

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.

G. Discount Rate

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

H. Pension Liability Sensitivity

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

	Primary Government Proportionate Share of NPL		
	1 Percent		
	Decrease (6.0%)	Current (7.0%)	Increase (8.0%)
General Employees Fund	\$ 2,266,035	\$ 1,037,485	\$ 26,892
Component Unit Proportionate Share of NPL			
	1 Percent		
	Decrease (6.0%)	Current (7.0%)	Increase (8.0%)
	\$ 82,954	\$ 37,980	\$ 984

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

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

I. Pension Plan Fiduciary Net Position

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

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

Note 5: Public Employees Defined Contribution Plan (Defined Contribution Plan)

There are five council members of the City of Luverne that are covered by the Defined Contribution Plan (DCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. Minnesota statutes, chapter 353d.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

The City's contributions to the PEDCP for the years ended December 31, 2024, 2023 and 2022 were \$2,350, \$2,350 and \$2,350, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statutes.

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 2,350	\$ 2,350	5.00%	5.00%	5.00%

Note 6: Defined Benefit Pension Plans - Luverne Volunteer Firemen's Relief Association

A. Plan Description

All volunteer firefighters of the City are members of the Luverne Volunteer Firemen's Relief Association (the Association), a single-employer defined benefit pension plan for the City's firefighters. This City contribution is provided through an annual levy for pension contributions in accordance with Minnesota statutes. This contribution does not relate to the City's payroll.

B. Benefits Provided

Volunteer firefighters of the City are members of the Association. Benefit provisions and all other requirements are consistent with enabling statutes. Provisions of the plan are as follows:

- a. Full retirement benefits are available to members at age 50 plus twenty years of service in lump sum equal to the sum of \$2,200 for each full year of active service as an active firefighter, not to exceed 30 years.
- b. Partial retirement benefits are available for members who have served for more than 10 years but less than 20 at age 50 in lump sum equal to the sum of \$2,750 for each full year of active service less four percent for each full year of service less than 20 years.

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

Note 6: Defined Benefit Pension Plans - Luverne Volunteer Firemen's Relief Association (Continued)

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$50,281 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2023, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2023 were \$65,134. The City's contributions were equal to the required contributions as set by state statute. The City made also voluntary contributioned \$7,500 to the plan. The City levies property taxes at the direction of and for the benefit of the Fire Relief Association and passes through state aids allocated to the plan, all in accordance with enabling Minnesota statutes. Furthermore, the firefighter has no obligation to contribute to the plan.

The Association is comprised of volunteers and therefore there are no payroll expenditures (i.e., there are no covered payroll percentage calculations).

D. Pension Costs

At December 31, 2024, the City reported a net pension asset of \$566,730 for the plan. The net pension asset was measured as of December 31, 2023. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by an actuarial formula to specific census data certified by the Department as of December 31, 2023. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2024	\$ 868,762	\$ 1,278,046	\$ (409,284)
Changes for the Year			
Service Cost	34,169	-	34,169
Interest on Pension Liability (Asset)	44,122	-	44,122
Interest on Fiduciary Net Position	-	64,785	(64,785)
Contributions (City)	-	20,000	(20,000)
Contributions (State)	-	56,308	(56,308)
Net Investment Income	-	94,644	(94,644)
Benefit Payments	(41,000)	(41,000)	-
Total Net Changes	37,291	194,737	(157,446)
Ending Balance December 31, 2024	\$ 906,053	\$ 1,472,783	\$ (566,730)

For the year ended December 31, 2024 the City recognized negative pension expense of \$35,059.

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

Note 6: Defined Benefit Pension Plans - Luverne Volunteer Firemen's Relief Association (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 18,627	\$ 4,898
Changes in Actuarial Assumptions	5,694	244
Net Difference Between Projected and Actual Earnings on Plan Investments	18,966	-
Contributions to Plan Subsequent to the Measurement Date	<u>72,634</u>	<u>-</u>
Total	<u>\$ 115,921</u>	<u>\$ 5,142</u>

Deferred outflows of resources totaling \$72,634 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2025	\$ 2,572
2026	16,651
2027	34,014
2028	(13,602)
2029	(745)
Thereafter	(745)

E. Actuarial Assumptions

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

Retirement Eligibility at the Later of age 53 and 20 Years of Service	
Salary Increases	N/A
Cost of Living Increases	N/A
Investment Rate of Return	5.00%

Changes since prior valuation: The lump sum benefit was changed to \$2,750 per year of service.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

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

Note 6: Defined Benefit Pension Plans - Luverne Volunteer Firemen's Relief Association (Continued)

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
Equities	57.0 %	8.0 %
Fixed Income	24.0	4.0
Cash	17.0	2.0
Other	2.0	6.5
Total	100.0 %	

F. Discount Rate

The discount rate used to measure the total pension liability was 5.0 percent. The single discount rate method used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	1 Percent Decrease (4.0%)	Current (5.0%)	1 Percent Increase (6.0%)
Defined Benefit Plan	\$ (519,666)	\$ (566,730)	\$ (611,224)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Luverne Volunteer Firemen's Relief Association, 1137 Spruce Avenue, Luverne, MN 56156.

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

Note 7: Postemployment Benefits Other Than Pensions

A. Plan Description

The City operates a single-employer retiree benefit plan that provides health, life and dental insurance to eligible employees and their families through the City's health insurance plan. The full cost of the benefits is covered by the plan. Benefit and eligibility provisions are established through negotiations between the City and various unions representing City employees and are renegotiated each bargaining period. The EDA is included in the City's plan. The retiree health plan does not issue a publicly available financial report and is not administered through a trust or equivalent arrangement and thus there are no assets accumulated in a GASB-compliant trust.

At December 31, 2024, the following employees were covered by the benefit terms:

	<u>Primary Government</u>	<u>Component Unit</u>
Active Plan Members	<u>30</u>	<u>1</u>

B. Funding Policy

Contribution requirements are also negotiated between the City and union representatives. The City contributes a predetermined portion of the cost of current-year premiums for eligible retired plan members and their spouses based on the employment contract in effect at the time of retirement.

For the year ended December 31, 2024, the City's average contribution rate was 3.83 percent of covered-employee payroll. For the fiscal year 2024, the City did not directly contribute to the plan. The General fund is typically used to liquidate the governmental portion of the net OPEB obligation.

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$80,005 was measured as of December 31, 2023, and the OPEB liability was determined by an actuarial valuation as of December 31, 2023. The LEDA's proportionate share of the OPEB liability was \$3,737.

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.77%
Expected Long-Term Investment Return	N/A
20-Year Municipal Bond Yield	3.77%
Inflation Rate	2.50%
Salary Increases	Based on years of service from 3.00% to 3.25%
Medical Trend Rate	6.9% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2075 and later years.

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

Note 7: Postemployment Benefits Other Than Pensions (Continued)

Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

Mortality rates were based on the Pub-2010 General Employee Mortality Table adjusted for mortality improvements using projection scale MP-2021, and other adjustments.

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

D. Changes in the Total OPEB Liability

	Primary Government	Component Unit
	Total OPEB Liability	Total OPEB Liability
Balances at December 31, 2023	\$ 48,612	\$ 2,339
Changes for the Year		
Service Costs	2,599	127
Interest Costs	1,972	97
Assumption Changes	4,383	258
Differences between expected and actual experience	23,628	1,157
Benefit Payment	(4,926)	(241)
Net Changes	<u>27,656</u>	<u>1,398</u>
Balances at December 31, 2024	<u><u>\$ 76,268</u></u>	<u><u>\$ 3,737</u></u>

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 4.05% to 3.77% based on updated 20-year municipal bond rates. Health care trend rates were reset to reflect updated cost increase expectations.
- The healthcare trend rates were reset to reflect updated cost increase expectations.
- The medical per capita claims costs were updated to reflect recent experience.
- The mortality rates were updated from the rates used in the 7/1/2021 PERA General Employees Plan valuation to the rates used in the 7/1/2023 valuation.
- The inflation assumption was changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The wage inflation and payroll growth assumption was changed from 3.00% to 3.25% based on an updated analysis of historical rates and forward-looking market expectations and the 7/1/2023 PERA valuations, adjusted for inflation.

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

Note 7: Postemployment Benefits Other Than Pensions (Continued)

Since the prior measurement date, the following plan provisions changed:

- None

Since the prior measurement date, the following benefit terms changed:

- Retiree premiums were updated to current levels.

E. Sensitivity of the Net OPEB Liability

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

	1 Percent Decrease 2.77%	Discount Rate Current 3.77%	1 Percent Increase 4.77%
Primary Government Component Unit	\$ 81,737 4,004	\$ 76,268 3,737	\$ 71,218 3,489

The following presents the City's net OPEB liability, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1 Percent Decrease 5.9% Decreasing to 2.9%	Healthcare Cost Trend Rates 6.9% Decreasing to 3.9%	1 Percent Increase 7.9% Decreasing to 4.9%
Primary Government Component Unit	\$ 69,596 3,409	\$ 76,268 3,737	\$ 84,161 4,123

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2024, the City Recognized OPEB expense of \$30,636. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Paid to OPEB Subsequent to the Measurement Date	\$ 3,418	\$ -	\$ 167	\$ -

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

Note 8: Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance is purchased by the City and the Economic Development Authority (a discretely presented component unit) to provide coverage for any losses that may occur. As a method to reduce insurance costs, the City uses a \$25,000 deductible per occurrence with an annual aggregate of \$50,000. This affects all of the City's insurance except for airport liability, liquor liability, boiler and machinery, worker's compensation and employee health, life and disability insurance.

The City established an Internal Service fund, called Property/Casualty Insurance fund. This fund was set up to account for and finance the City's uninsured risk of loss and to establish a reserve for uninsured losses. That initial reserve was \$200,000. This fund fronts the cost of the League of Minnesota Cities Insurance Trust insurance premium. Upon receipt of the required information, the costs, based on a premium with a \$1,000 deductible, are charged to appropriate funds/departments. There was no claim liability reported at December 31, 2024 or December 31, 2023 as there were no losses known or unpaid at those times.

Year	January 1 Claims Liability	Current Year		Current Year Claim Payments	December 31 Claims Liability
		Claims and Changes in Estimates	Payments		
2024	\$ -	\$ 1,092	\$ (1,092)	\$ -	-
2023	-	4,249	(4,249)	-	-
2022	-	21,965	(21,965)	-	-

The League of Minnesota Cities Insurance Trust provides a Group Self-Insured Workers' Compensation Plan to provide workers compensation insurance for member cities of the League of Minnesota Cities and the City of Luverne purchases worker's compensation coverage through this plan. This plan is administered by Berkley Administrators, a member of the Berkley Risk Management Service Group. The City of Luverne has selected a regular premium option for determining the premium charged to the City.

The City has established an Internal Service fund, called Worker's Compensation Insurance fund. This fund was set up to account for and finance the City's additional premium costs or return premium. The City uses the regular premium option and uses the fund to account for any additional premiums and premium refunds.

The Economic Development Authority (a discretely presented component unit) has insurance coverage under the City policy with the League of Minnesota Cities Insurance Trust. The EDA purchases worker's compensation insurance from the League of Minnesota Cities along with the City. There have been no claims in excess of insurance coverage in any of the past three years.

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

Note 8: Other Information (Continued)

B. Commitments and Contingencies

The City of Luverne is under contract with Missouri Basin Municipal Power Agency (MBMPA), whereby the City has agreed to purchase and receive from the agency supplemental electrical power and energy to provide electrical service to the community. This contract was amended on 1-26-2016 to provide power until 1-1-2057.

The City of Luverne is under contract with Western Area Power Administration (WAPA) for firm electric service from the United States Department of Energy, Western Area Power Administration (about 60 percent of total needs). This contract was amended on 5-28-2013 to provide power until 12-31-2050.

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

The City of Luverne is a participant in the Lewis & Clark Regional Water System. This system sells water to its members based on an allocation commitment made by each member. There are 20 members. The commitment allocation for the City of Luverne is 821,000 gallons per day. The project is primarily funded by the Federal Government, the States of Minnesota, Iowa and South Dakota as well as members, based on their proportionate commitment. The City prepaid the first half of their commitment in May 2008 (\$734,008). The second prepaid amount of the commitment was made in April 2009 (\$836,473). Federal funding is uncertain due to the current economic conditions. The Minnesota State Legislature approved legislation to provide a \$22,000,000 grant to Lewis & Clark Joint Powers to bring Lewis & Clark water to Luverne. The water distribution connection to Luverne was completed at the end of 2015 and now provides the majority of water to the City of Luverne Water Utility customers.

C. Legal Debt Margin

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

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota via the Local Government Aid (LGA) program. The amount received in 2024 was \$1,740,365 respectively which accounted for 28.6 percent of General fund revenues.

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

Note 9: Tax Abatements

As of December 31, 2024, the City has two agreements entered into by the City listed below that abate City property taxes. Below is information specific to each agreement:

The City entered into a tax abatement agreement on May 12, 1997 with a developer in which the developer incurred costs for construction of subdivision to induce the expansion of affordable housing in the community. In return, the City will reimburse the developer for some costs as the City collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$300,000 over the life of the agreement plus non-compounded interest at 6 percent. The agreement was negotiated under state law (Minnesota Statute 469.174-469.176) and has an expiration date of December 31, 2022. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax abatement agreement on November 5, 2013 with a developer in which the developer incurred costs for construction of an approximately 13,000 square foot building. In return, the City will reimburse the developer for some costs as the City collects future increment for the increased property value and tax capacity related to the economic development. The agreement has a maximum return to the developer of \$400,000 over the life of the agreement plus non-compounded interest at 3 percent. The agreement was negotiated under state law (Minnesota Statute 469.174, Subd. 10) and has an expiration date of December 31, 2041. The calculation of taxes abated during the fiscal year is noted in the chart below.

Lost revenue as it relates to tax abatements for the year ended December 31, 2024 was as follows:

	City Tax Rate (Year of Establishment)	District Tax Capacity	Amount of Taxes Abated This Fiscal Year
Tax Increment Districts (PAYGO)			
TIF 21 - Ford	63.367%	\$ 28,345	\$ 17,961
TIF 18 - Luverne Family Housing	24.261%	9,298	<u>2,256</u>
Total			<u>\$ 20,217</u>

Note 10: Adjustments to and Restatements of Beginning Balances

Change within Major and Nonmajor Fund Reporting

During fiscal year 2024, the Lopau Lot fund was determined to be nonmajor. The effects of the changes within the financial statements.

PROPOSAL FORM

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

Sale Date: February 17, 2026

For all or none of the \$2,425,000* General Obligation Utility Revenue Bonds, Series 2026A, in accordance with the Notice of Sale, we will pay you \$ _____, (not less than \$2,392,262.50) plus accrued interest, if any, to date of delivery (estimated to be March 18, 2026) for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

Year	Interest		Year	Interest		Year	Interest	
	Rate	%		Yield	%		Rate	%
2028			2033			2038		
2029			2034			2039		
2030			2035			2040		
2031			2036			2041		
2032			2037					

True interest percentage: _____ %

Net interest cost: \$ _____

Term Bond Option: Bonds maturing in the years:

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

To be accumulated into a Term Bond maturing in year:

_____.
_____.
_____.
_____.
_____.

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

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

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

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

Account Members:

Account Manager: _____ By: _____

The foregoing proposal is hereby duly accepted by and on behalf of the City of Luverne, Minnesota at 5:00 PM on February 17, 2026.

Finance Director

Mayor

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