

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 13, 2026

**NEW ISSUE
NOT BANK QUALIFIED**

**BOOK ENTRY ONLY
S&P GLOBAL RATINGS' RATING "AA"**

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.

**NORTH MANKATO PORT AUTHORITY COMMISSION, MINNESOTA
\$27,000,000*
General Obligation Bonds, Series 2026A**

Dated Date: Date of Delivery (Estimated to be May 19, 2026)

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

<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Maturity*</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
2/1/2028	\$695,000	___ %	___ %	___	2/1/2041	\$1,055,000	___ %	___ %	___
2/1/2029	710,000	___	___	___	2/1/2042	1,100,000	___	___	___
2/1/2030	730,000	___	___	___	2/1/2043	1,145,000	___	___	___
2/1/2031	750,000	___	___	___	2/1/2044	1,195,000	___	___	___
2/1/2032	775,000	___	___	___	2/1/2045	1,245,000	___	___	___
2/1/2033	795,000	___	___	___	2/1/2046	1,300,000	___	___	___
2/1/2034	820,000	___	___	___	2/1/2047	1,355,000	___	___	___
2/1/2035	850,000	___	___	___	2/1/2048	1,415,000	___	___	___
2/1/2036	880,000	___	___	___	2/1/2049	1,480,000	___	___	___
2/1/2037	910,000	___	___	___	2/1/2050	1,550,000	___	___	___
2/1/2038	940,000	___	___	___	2/1/2051	1,620,000	___	___	___
2/1/2039	975,000	___	___	___	2/1/2052	1,695,000	___	___	___
2/1/2040	1,015,000	___	___	___					

The General Obligation Bonds, Series 2026A (the "Bonds" or the "Issue") are being issued by the North Mankato Port Authority Commission, Minnesota (the "Port Authority" or the "Issuer") pursuant to Minnesota Statutes, Chapter 475 and Section 469.060, as amended. Proceeds of the Bonds will be used to finance the construction of a public works facility required for the Port Authority's program of economic development and redevelopment, within the Timm Road South Development District, 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 of North Mankato (the "City") and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See *Security/Sources and Uses of Funds* herein for additional information.

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

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

Proposals: Monday, April 20, 2026 10:30 A.M., Central Time

Award: Monday, April 20, 2026 6:30 P.M., Central Time

Bids may contain a maturity schedule providing for any combination of serial or term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest. Bids must be for not less than \$26,595,000 (98.50%) 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 \$500,000, in the form of a federal wire transfer payable to the order of the Port Authority, will only be required from the apparent winning bidder, and must be received within two hours after the receipt of bids. See Notice of Sale for additional details. Award of the Bonds will be on the basis of True Interest Cost (TIC).

* Preliminary, subject to change.



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APPENDIX A – FORM OF LEGAL OPINION

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The Bonds are offered, subject to prior sale when, as and if accepted by the underwriter(s) named on the front cover of this official statement and subject to an opinion as to validity of the Bonds by Bond Counsel. Subject to applicable securities laws and prevailing market conditions, the underwriter(s) intends, but is not obligated, to effect secondary market trading for the Bonds. Closing Date is estimated to be May 19, 2026.

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

SUMMARY OF OFFERING

North Mankato Port Authority Commission, Minnesota
\$27,000,000 *
General Obligation Bonds, Series 2026A
(Book-Entry Only)

AMOUNT -	\$27,000,000*																																																								
ISSUER -	North Mankato Port Authority Commission, Minnesota (the “Port Authority” or the “Issuer”)																																																								
AWARD DATE -	April 20, 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 Bonds, Series 2026A (the “Bonds” or the “Issue”)																																																								
AUTHORITY, PURPOSE & SECURITY -	The General Obligation Bonds, Series 2026A (the “Bonds”) are being issued by the North Mankato Port Authority Commission, Minnesota (the “Port Authority”) pursuant to Minnesota Statutes, Chapter 475 and Section 469.060, as amended. Proceeds of the Bonds will be used to finance the construction of a public works facility required for the Port Authority’s program of economic development and redevelopment, within the Timm Road South Development District, and to pay costs associated with issuance of the Bonds. The Bonds are valid and binding general obligations of the City of North Mankato (the “City”) and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount. See <i>Authority and Purpose</i> as well as <i>Security/Sources and Uses of Funds</i> herein for additional information.																																																								
DATE OF ISSUE -	Date of Delivery (Estimated to be May 19, 2026)																																																								
INTEREST PAID -	Semiannually on each February 1 and August 1, commencing February 1, 2027, to registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such interest payment date (the “Record Date”).																																																								
MATURITIES* -																																																									
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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 -	U.S. Bank Trust Company, National Association, St. Paul, Minnesota																																																								
TAX DESIGNATIONS -	<u>NOT Private Activity Bonds</u> - The Bonds are not “private activity bonds” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”). <u>Not Bank Qualified Tax-Exempt Obligations</u> - The Port Authority will not designate the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.																																																								
LEGAL OPINION -	Taft Stettinius & Hollister LLP, Minneapolis, Minnesota (“Bond Counsel”)																																																								
BOND RATING -	The Port Authority received an underlying rating of “AA” from S&P Global Ratings (“S&P”). See <i>Bond Rating</i> herein for additional information.																																																								
CLOSING -	Estimated to be May 19, 2026																																																								
PRIMARY CONTACTS -	Kevin McCann, Executive Vice President, North Mankato Port Authority Commission, Minnesota 507-625-4141 Tammy Omdal, Managing Director, Northland Securities, Inc., 612-851-4964																																																								

* Preliminary, subject to change.

NORTH MANKATO PORT AUTHORITY COMMISSION, MINNESOTA

PRINCIPAL CITY OFFICIALS

Elected Officials

City Council

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Scott Carlson	Mayor	12/31/26
Sandra Oachs	Council Member	12/31/26
Matt Peterson	Council Member	12/31/26
James Whitlock	Council Member	12/31/28
Billy Steiner	Council Member	12/31/28

PORT AUTHORITY OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Scott Carlson	Member	12/31/26
Sandra Oachs	Member	12/31/26
Matt Peterson	Member	12/31/26
James Whitlock	Member	12/31/28
Billy Steiner	Member	12/31/28
Duane Olenius	Member	12/31/26
Doug Fahrforth	Member	12/31/28

Primary Contacts

Kevin McCann	City Administrator
Jessica Ryan	Finance Director
April Van Genderen	City Clerk

BOND COUNSEL

Taft Stettinius & Hollister LLP
Minneapolis, Minnesota

MUNICIPAL ADVISOR

Northland Securities, Inc.
Minneapolis, Minnesota

NOTICE OF SALE

\$27,000,000*

GENERAL OBLIGATION BONDS, SERIES 2026A

NORTH MANKATO PORT AUTHORITY COMMISSION, 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 Commission’s Executive Vice President, or designee, on Monday, April 20, 2026, at 10:30 A.M., CT, at the offices of Northland Securities, Inc. (the Commission’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 Port Authority Commission Board at its meeting at the City Offices beginning Monday, April 20, 2026 at 6:30 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) emailed to PublicSale@northlandsecurities.com
- c) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-5915, or
- d) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:30 A.M., CT, on Monday, April 20, 2026. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:30 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the Commission 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 Commission 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 Commission 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 Commission through U.S. Bank Trust Company National Association, St. Paul, 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 Commission 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 May 19, 2026)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 469.060. Proceeds will be used to finance the construction of a public works facility required for the Port Authority’s program of economic development and redevelopment, within the Timm Road South Development District, and to and to pay costs of associated with the issuance of the Bonds. The Bonds are payable from ad valorem taxes on all taxable property within the City of North Mankato (the “City”). The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each February 1 and August 1, commencing 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 preceding such interest payment date.

MATURITIES

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

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2028	\$695,000	2035	\$850,000	2042	\$1,100,000	2048	\$1,415,000
2029	710,000	2036	880,000	2043	1,145,000	2049	1,480,000
2030	730,000	2037	910,000	2044	1,195,000	2050	1,550,000
2031	750,000	2038	940,000	2045	1,245,000	2051	1,620,000
2032	775,000	2039	975,000	2046	1,230,000	2052	1,695,000
2033	795,000	2040	1,015,000	2047	1,355,000		
2034	820,000	2041	1,055,000				

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 Commission in establishing the issue price of the Bonds and shall execute and deliver to the Commission 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 Commission and Bond Counsel. All actions to be taken by the Commission under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Commission by the Commission’s Municipal Advisor and any notice or report to be provided to the Commission may be provided to the Commission’s Municipal Advisor.

The Commission 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 Commission 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 Commission 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 Commission 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 Commission shall promptly so advise the winning bidder. The Commission 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 Commission 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 Commission acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the Hold-the-Offering-Price Rule, 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 Hold-the-Offering-Price Rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail 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 Hold-the-Offering-Price Rule, as set forth in the retail distribution agreement and the related pricing wires. The Commission further acknowledges that each underwriter shall be solely liable

for its failure to comply with its agreement regarding the Hold-the-Offering-Price Rule 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 retail distribution agreement to comply with its corresponding agreement regarding the Hold-the-Offering-Price Rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail 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 retail distribution agreement, as applicable, 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 and as set forth in the related pricing wires, and (ii) any agreement among underwriters 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 that is a party to a retail 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 such 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 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 Commission (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 retail 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 (i) at least 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), (ii) 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 (iii) 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 Commission to the winning bidder.*

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The Commission 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 Commission and shall be at the sole discretion of the Commission. The successful bidder may not withdraw or modify its Proposal once submitted to the Commission 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 2052 are subject to redemption and prepayment at the option of the Commission 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 Commission 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 Commission 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 \$26,595,000 (98.50%) and accrued interest on the principal sum of \$27,000,000 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:

Kevin McCann, Executive Vice President
1001 Belgrade Avenue
North Mankato, Minnesota 56002

A good faith deposit (the "Deposit") in the amount of \$500,000 in the form of a federal wire transfer (payable to the order of the Commission) 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 Commission 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 Commission 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 Commission. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the Commission 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 Commission'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 Commission 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 Commission 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 Commission 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 Commission 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.

NO BANK QUALIFICATION

The Commission will not 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 Commission has requested and received a rating on the Bonds from a rating agency, the Commission 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 Commission reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: January 5, 2026

BY ORDER OF THE BOARD OF THE NORTH MANKATO PORT
AUTHORITY COMMISSION

/s/ Kevin McCann
Executive Vice President

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 Bonds, Series 2026A (the "Bonds") of the North Mankato Port Authority, 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: May 19, 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 Bonds, Series 2026A (the "Bonds") of the North Mankato Port Authority, Minnesota (the "Issuer").

Initial Offering Price of the Bonds.

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.

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.

Defined Terms.

"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.

"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 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: May 19, 2026

AUTHORITY AND PURPOSE

The General Obligation Bonds, Series 2026A (the “Bonds” or the “Issue”) are being issued by the North Mankato Port Authority Commission, Minnesota (the “Port Authority”) pursuant to Minnesota Statutes, Chapter 475 and Section 469.060, as amended. Proceeds from issuance of the Bonds will be used to finance the construction of a public works facility required for the Port Authority’s program of economic development and redevelopment, within the Timm Road South Development District, 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 of North Mankato (the “City”) and are payable from ad valorem taxes. The full faith and credit of the City is also pledged to their payment. In the event of any deficiency in the Debt Service Account established for this Issue, the City has validly obligated itself to levy additional ad valorem taxes upon all of the taxable property within the City, without limitation of amount.

Sources and Uses of Funds

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

Sources of Funds

Par Amount of Bonds	<u>\$ 27,000,000*</u>
Total Sources of Funds:	<u>\$ 27,000,000</u>

Uses of Funds

Deposit to Project Fund	\$ 25,555,000
Deposit to Capitalized Interest Fund	892,259
Costs of Issuance/Underwriter’s Discount	550,750
Rounding Amount	<u>1,991</u>
Total Uses of Funds:	<u>\$ 27,000,000</u>

BONDHOLDERS’ RISKS

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

Secondary Market

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

Ratings Loss

S&P Global Ratings has assigned a rating of “AA” to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no

* Preliminary, subject to change.

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 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.

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 May 19, 2026), and will be issued as fully registered Bonds in the denominations of \$5,000 or any integral multiple thereof. Principal, including mandatory redemptions on the Bonds, if applicable, will be payable annually February 1, commencing February 1, 2028. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing February 1, 2027. The Bonds when issued, will be registered in the name of Cede & Co. (the "Registered Holder"), as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial custodian for the Bonds, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the Registered Holder of the Bonds. See "Book-Entry System" in *Description of the Bonds* herein for additional information. So long as the Book-Entry Only System is used, individual purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof ("Authorized Denominations"). Individual purchasers ("Beneficial Owners") of the Bonds will not receive physical delivery of bond certificates, and registration, exchange, transfer, tender and redemption of the Bonds with respect to Beneficial Owners shall be governed by the Book-Entry Only System.

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

Registration, Transfer and Exchange

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

Optional Redemption

The Bonds maturing on February 1, 2035 and thereafter are subject to redemption, in whole or in part, on February 1, 2034 and on any date thereafter at a price of par plus accrued interest. If redemption is in part, the selection of the amounts and maturities of the Bonds to be prepaid shall be at the discretion of the Port Authority. 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 Port Authority 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 Port Authority 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 Port Authority, 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 Port Authority 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 Port Authority 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 Port Authority 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 Port Authority believes to be reliable, but the North Mankato Port Authority Commission 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 Port Authority on or before Bond closing, the Port Authority 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. Prior continuing disclosure agreements of the City required the City to file its Annual Report "as soon as available," but not later than December 31 of the following fiscal year. The City has always provided its Annual Report, consisting of Financial and Operating Data and its Audited Financial Statements, prior to the December 31 deadline, although certain portions of the Annual Report information may have been available earlier. Several debt ratios were also not included in certain reports, although the statistics required to compute the ratios were provided in the report. 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 Certificate* 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 Port Authority 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 Port Authority 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 Port Authority and the City do not anticipate the need to issue any additional general obligation debt within the next three months.

BOND RATING

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

LITIGATION

As of the date of this Official Statement, the Port Authority is not aware of any threatened or pending litigation that questions the organization or boundaries of the Port Authority 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 Port Authority 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 Port Authority 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.

Not Qualified Tax-Exempt Obligations

The Port Authority will not 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.

NORTH MANKATO PORT AUTHORITY COMMISSION, MINNESOTA

GENERAL INFORMATION

Location/Access/Transportation

North Mankato, situated in Nicollet County and Blue Earth County, is located in the south central portion of Minnesota. The City is located to the northwest of the City of Mankato and approximately 80 miles southwest of the Twin Cities metropolitan area on the Minnesota River. Access is provided via U.S. Highways 14 and 169, State Highways 22, 60, 66 and 68, and Interstate I-35 and I-90 are located within 40 and 50 miles of the City, respectively. The Dakota Minnesota and Eastern Railroad Co. and Union Pacific Railroad provide daily freight rail service to the City. The Mankato regional airport can accommodate charter, commercial freight and jet planes with a 6,600-foot paved, lighted runway.

Area

2,555 Acres
(4 Square Miles)

Population

2000 Census	11,798	2020 Census	14,275
2010 Census	13,394	2025 Estimate†	14,490

Labor Force Data¹

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

	2025		2024	
	<i>Civilian Labor Force</i>	<i>Unemployment Rate</i>	<i>Civilian Labor Force</i>	<i>Unemployment Rate</i>
Nicollet County	20,215	3.2%	19,984	2.6%
Mankato Metro SA	61,331	3.3	60,454	2.6
Minnesota	3,171,537	3.9	3,129,802	3.0

Income Data²

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

	<u>North Mankato</u>	<u>State of Minnesota</u>	<u>United States</u>
Median Family Income	\$106,823	\$113,993	\$99,999
Per Capita Income	51,604	47,926	44,673

City Government

North Mankato was established in 1898 and has been a Statutory City since 1974. The City operates under the Optional Plan A form of government consisting of an elected mayor and four council members. The Mayor is elected at large for a two-year term and Council members are elected to overlapping four-year terms. The

† Source: City of North Mankato.

¹ Source: Minnesota Department of Employment and Economic Development

² Source: 2020-2024 American Community Survey, U.S. Census Bureau.

professional staff is appointed and consists of a city administrator, finance director, clerk, engineer and consulting attorney.

The City also operates the following business-type activities: electric, water, sewer, and storm sewer utilities.

Bargaining Units/Labor Contracts

The labor unions representing certain City employee groups are shown below.

<u>Employee Group</u>	<u>Contract Expiration Date</u>
Law Enforcement Labor Services – Patrol	December 31, 2025*
Law Enforcement Labor Services – Lieutenants	December 31, 2025*
Law Enforcement Labor Services – Police Secretary	December 31, 2025*

*Currently in negotiations

Employee Pension Programs

The City employs 74 people, 62 full-time and 12 part-time. The pension plan covers all eligible full and part-time employees.

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

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

The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Coordinated Plan members were required to contribute 6.50% of their annual covered salary in 2024. PEPFF members were required to contribute 11.8% of their annual covered salary in 2024. State statute requires the City to contribute the following percentages of 17.70% for PEPFF members and 7.5% for Coordinated Plan members.

Audited City contributions to GERF and PEPFF for the past five years have been as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2024	\$574,646	2021	\$443,490
2023	519,296	2020	447,069
2022	472,730		

Volunteer firefighters of the City are eligible for pension benefits through membership in the North Mankato Firefighters’ 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.

Other Postemployment Benefits (OPEB)

Plan Description

The City operates a single-employer retiree benefit plan that provides health 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. There are currently 58 active plan members and 2 current beneficiaries.

Changes in Total OPEB Liability

Balance on December 31, 2023	\$497,176
Changes From Prior Year	
Service Cost	31,980
Interest Cost	20,732
Benefits Payments	<u>(21,944)</u>
Net Change	<u>30,768</u>
Balance on December 31, 2024	<u>\$527,944</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.

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

Fund

General Fund	\$ 6,186,971
Special Revenue Funds	5,990,882
Debt Service Funds	2,717,390
Capital Projects Funds	5,199,206
Enterprise Funds	4,334,768
Trust and Agency Funds	<u>87,704</u>
Total Estimated Cash and Investment Balances	<u>\$24,516,921</u>

General Fund Budget Summary

	<u>2025 Budget</u>	<u>2026 Budget</u>
Revenues:		
Property Taxes	\$6,089,801	\$6,402,391
Licenses and Permits	698,550	602,775
Intergovernmental Revenue	2,634,741	2,712,542
Charges for Services	123,680	79,990
Fines and Forfeits	35,500	39,000
Franchise Fees	501,801	492,000
Miscellaneous	290,045	292,126
Transfers In	<u>308,750</u>	<u>308,750</u>
Total Revenues	\$10,682,868	\$10,929,574
Expenditures:		
General Government	\$1,556,925	\$1,709,186
Community Development	673,309	699,205
Public Safety	3,886,624	4,018,459
Recreation	1,918,048	1,982,647
Public Works	2,492,918	2,397,254
Transfers Out	<u>152,700</u>	<u>120,000</u>
Total Expenditures	\$10,680,524	\$10,926,751
Revenues Over (Under) Expenditures	2,344	2,823

Residential Development

There are approximately 4,366 single-family homes and 2,099 multi-family units located within the City. In addition, there have been 10 single-family homes constructed within the past twelve months. Subdivisions planned or constructed from 2022 to 2025 are as follows:

<i>Subdivision Name</i>	<i>Total Number of Lots/Units</i>	<i>Number of Lots/Units Completed</i>	<i>Remaining Lots/Units Available</i>
The Landing North #1	54	52	2
North Gate #3	27	4	23
Trails West Estates	30	19	11
The Landing North #3 & #4	32	25	7
The Waters North #1	47	12	35
The Waters North #2	13	4	9
Burnett's Ravine Ridge #7	15	11	4
Maple Tree Estes	225	0	225
Burnett's Ravine Ridge #8	24	0	24

The City is currently reviewing plans for the build-out of the Maple Tree Estates Subdivision which consists of a combination of single-family homes, patio homes and townhomes totaling 225 units. Also, the City is reviewing plans for Burnett's Ravine Ridge No. 8 which consists of 24 lots for future single-family residential development. Additionally, the City recently issued a building permit for construction of a new 60 unit market rate apartment building. The former Norwood Inn Hotel was recently converted into 62 units of market rate apartments.

Industrial Park

The Northport Industrial Park now occupies 300 acres. In 2024, the Port Authority purchased 60 acres of land for expansion of the Park. Currently, the Port Authority has 90 acres of land available for immediate development. 700 acres of land owned by others is available for development as well. Some of the enterprises occupying the park include Gordini, Timpte, Peterbilt, Minnesota Truck and Tractor, Howard Drive LLC, LJP Enterprises, Ziegler Caterpillar, Precision Press, Kato Engineering Company, UPS, Fun.com, South Central Service Co-op, D&K Powder Coating, Capstone Press, Creative Companies, North Central Utility, Palmer Bus Service, and Building Fasteners. Recently Gordini completed a new 120,000 sq. ft. warehouse and distribution facility. Volk Transfer constructed a new 60,000 sq. ft. addition in 2023, In 2024, D&K Powder Coating constructed a new 20,000 sq. ft. facility, RDO completed a 17,500 sq. ft. addition and Timpte completed a 6,600 sq. ft. addition. In 2025, Amazon will begin construction of a new 60,000 sq. ft. distribution center.

Other Development

The Forde, formally the Norwood Inn, began a redevelopment project consisting of the conversion of the hotel into apartments. Additionally, another 30,000 sq. ft. of new commercial buildings, including Benedicts Restaurant, will be constructed over a 2-year period. In 2023, Starbucks and Chipotle constructed new restaurants on Lor Ray Drive. In 2025, Birchwood Cottages, an assisted living facility, construction began of a second building to include 24 additional rooms. In 2025, construction of a new 90-unit hotel is expected to begin.

Commercial/Industrial Development

Building construction and commercial/industrial development completed from 2022 to 2025 have been as follows:

<u>Name</u>	<u>Product/Service</u>	<u>Description of Construction</u>
Kwik Trip	Convenience Store	Addition
Starr Cycle	Commercial	Addition
Gillette Pepsi	Commercial	Addition
Caswell Park	Splashpad and Shelter	New Building
Peterbilt	Truck Facility	Addition
Volk Transfer	Truck Facility	Addition
LJP Waste & Recycling	Truck Facility	New Building
D&K Powder Coating	Powder Coating	Addition
Starbucks	Restaurant	New Building
Chipotle	Restaurant	New Building
RDO Equipment	Commercial	Addition
235 Belgrade Avenue	Commercial/Residential	New Building
Gordini	Commercial	New Building
United Team Elite	Commercial	Addition
The Forde	Apartment Complex	New Building/Remodel
Timpte	Commercial	Addition
Birchwood Cottages	Assisted Living Facility	New Building
Amazon	Warehouse	New Building

Building Permits

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

<u>Year</u>	<u>Commercial/ Industrial Number of Permits</u>	<u>Residential Number of Units</u>	<u>Total Number of Permits</u>	<u>Total Permit Valuation</u>
2025 (as of 11/25)	120	11	1,628	\$44,361,127
2024	146	82	1,424	36,670,564
2023	138	17	1,609	48,902,116
2022	97	103	1,620	45,924,213
2021	131	91	1,625	37,466,546
2020	77	64	1,471	31,439,564

Education

Independent School District No. 77, Mankato serves the City. Private schools located within City boundaries include Loyola Catholic School, Grace Christian School, Immanuel Lutheran School, Good Shepherd, Mt. Olive, Risen Savior and All Saints.

Banking/Financial Institutions

Banking and financial services provided within the City include the following: Frandsen Bank & Trust, and Pioneer Bank.

Major/Leading Employers¹

Following are some of the major/leading employers within and in close proximity to the City.

<u>Employer</u>	<u>Product/ Service</u>	<u>Number of Employees²</u>
Taylor Corporation (various subsidiaries)	Printing	2,539
Mayo Clinic Health System	Medical Care Services	1,871
Minnesota State University, Mankato	Post-secondary Education	1,600
St. Peter Regional Treatment Center	Medical Care Services	1,500
ISD No. 77, Mankato	Public Education	1,150
Mankato Clinic	Medical Care Services	751
Gustavus Adolphus College	Post-secondary Education	580
Walmart Distribution Center	Warehousing	545
Blue Earth County	Government	475
Kato Engineering	Motors/Generators/Control Panels	434

¹ Sources: The City and Data Axle Reference Solutions.

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

Largest Taxpayers¹

Following are ten of the largest taxpayers within the Port Authority:

<u>Name</u>	<u>Classification</u>	<u>2025/2026 Tax Capacity</u>	<u>Percent of Total Tax Capacity (\$21,276,795)²</u>
Theuninck Properties	Multi-Unit Residential	\$230,042	1.08%
Blue Star Power Systems LLC	Commercial	214,862	1.01
G2 Realty LLC	Commercial	177,844	0.84
Volk Investments Company LLC	Commercial	176,830	0.83
Kato Engineering	Agricultural/Commercial	169,954	0.80
Minnegasco, Inc.	Utility	163,442	0.77
Costumes Galore	Commercial	154,374	0.73
Taylor Corporation	Commercial	149,914	0.70
ABDA Holdings LLC	Residential	130,816	0.61
E2 Investments Mankato LLC	Multi-Unit Residential	<u>127,465</u>	<u>0.60</u>
		<u>\$ 1,855,817</u>	<u>7.97%</u>

(Remainder of page intentionally left blank)

¹ As reported by Nicollet and Blue Earth counties.

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

[†] Subject to the state general property tax.

* Exempt from referendum market value-based taxes.

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

NORTH MANKATO PORT AUTHORITY COMMISSION, MINNESOTA

ECONOMIC AND FINANCIAL INFORMATION¹

Valuations

	<i>Estimated Market Value <u>2025/2026</u></i>	<i>Net Tax Capacity <u>2025/2026</u></i>
Real Property		
Nicollet County	\$1,977,955,200	\$ 21,068,700
Blue Earth County	<u>728,900</u>	<u>8,083</u>
	\$ 1,978,684,100	\$ 21,076,783
Personal Property		
Nicollet County	10,038,100	200,012
Blue Earth County	<u>0</u>	<u>0</u>
	<u>10,038,100</u>	200,012
Less: Tax Increment Deduction		
Nicollet County		(505,667)
Blue Earth County		<u>(0)</u>
		<u>(505,667)</u>
 Total Valuation	 <u>\$ 1,988,722,200</u>	 <u>\$ 20,771,128</u>

Valuation Trends (Real and Personal Property)

<i>Levy Year/ Collection Year</i>	<i>Economic Market Value</i>	<i>Sales Ratio</i>	<i>Estimated Market Value</i>	<i>Taxable Market Value</i>	<i>Tax Capacity Before Tax Increments</i>	<i>Tax Capacity After Tax Increments</i>
2025/2026	N/A	N/A	\$1,988,722,200	\$1,796,746,976	\$21,276,795	\$20,771,128
2024/2025	\$1,926,130,021	96.18%	1,988,682,800	1,761,526,719	20,792,289	20,396,286
2023/2024	1,834,495,547	94.64	1,870,065,700	1,671,071,600	19,661,154	19,103,197
2022/2023	1,752,425,298	91.77	1,608,600,100	1,540,774,200	18,096,201	17,601,565
2021/2022	1,520,823,036	89.44	1,369,890,000	1,293,543,100	15,283,319	14,890,646

Breakdown of Valuations

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

Residential Homestead	\$ 12,287,641	57.75%
Agricultural	87,094	0.41
Commercial & Industrial	5,569,830	26.18
Public Utility	19,884	0.09
Residential Non-Homestead	3,112,334	14.63
Personal Property	<u>200,012</u>	<u>0.94</u>
 Totals:	 <u>\$ 21,276,795</u>	 <u>100.00%</u>

¹ Property valuations, tax rates, and tax levies and collections are provided by Nicollet and Blue Earth counties. Economic market value and sales ratio are provided by the Minnesota Department of Revenue. The 2025/2026 economic market value and sales ratio are not yet available.

Tax Capacity Rates

Tax capacity rates for a Port Authority resident within Nicollet County, for the past five-assessable/collection years have been as follows:

<i>Levy Year/ Collection Year</i>	<i>2021/22 Tax Capacity Rates</i>	<i>2022/23 Tax Capacity Rates</i>	<i>2023/24 Tax Capacity Rates</i>	<i>2024/25 Tax Capacity Rates</i>	<i>2025/26 Tax Capacity Rates</i>
Nicollet County	56.197%	48.128%	44.314%	44.293%	46.462%
City of North Mankato	47.832	44.028	45.816	46.984	49.235
ISD No. 77, Mankato	22.333	19.714	22.703	22.442	25.572
Region Nine	0.169	0.149	0.141	0.125	0.139
Housing Redevelopment Authority	<u>0.262</u>	<u>0.220</u>	<u>0.199</u>	<u>0.000</u>	<u>0.000</u>
Totals:	<u>126.793%</u>	<u>112.239%</u>	<u>113.173%</u>	<u>113.844%</u>	<u>121.408%</u>

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 3/30/26</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2025/2025	\$10,226,665		In Process of Collection		
2024/2025	9,582,962	\$9,513,013	99.27%	\$9,531,362	99.46%
2023/2024	8,751,834	8,702,797	99.44	8,740,831	99.87
2022/2023	7,749,733	7,677,193	99.06	7,741,446	99.89
2021/2022	7,122,149	7,075,617	99.35	7,115,842	99.91

¹ 2025/2026 property taxes are currently in the process of collection/reporting and updated figures are not yet available from Nicollet and Blue Earth counties.

SUMMARY OF DEBT AND DEBT STATISTICS

Statutory Debt Limit^{1 2}

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

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

2025/2026 Estimated Market Value	\$ 1,988,722,200
Multiplied by 3%	<u> x .03</u>
Statutory Debt Limit	<u>\$ 59,661,666</u>
Less outstanding debt applicable to debt limit:	
\$3,065,000 G.O. Bonds, Series 2019A	\$ 90,000
\$11,355,000 G.O. Bonds, Series 2021A	1,410,000
\$2,260,000 G.O. Equipment Certificates of Indebtedness, Series 2024B	<u>2,155,000</u>
Total Debt applicable to debt limit:	\$ 3,655,000
Legal debt margin	<u>\$ 56,006,666</u>

¹ Effective June 2, 1997 and pursuant to Minnesota Statutes 465.71, any lease revenue or public project revenue bond issues/agreements of \$1,000,000 or more are subject to the statutory debt limit. Lease revenue or public project revenue bond issues/agreements less than \$1,000,000 are not subject to the statutory debt limit.

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

CITY OF NORTH MANKATO, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAXES
(As of April 2, 2026)

Purpose:	G.O. Equipment			TOTAL	TOTAL	
	G.O. Bonds, Series 2019A	G.O. Bonds, Series 2021A	Certificates of Indebtedness, Series 2024B			
Dated:	10/30/19	08/17/21	06/12/24			
Original Amount:	\$265,000	\$1,780,000	\$2,260,000			
Maturity:	1-Feb	1-Feb	1-Feb			
Interest Rates:	2.00%	2.00-4.00%	4.00-5.00%	PRINCIPAL:	PRIN & INT:	
2026	\$0	\$0	\$0	\$0	\$70,275	2026
2027	30,000	110,000	110,000	250,000	385,300	2027
2028	30,000	115,000	115,000	260,000	384,575	2028
2029	30,000	115,000	120,000	265,000	378,500	2029
2030	0	120,000	130,000	250,000	352,250	2030
2031	0	125,000	135,000	260,000	351,350	2031
2032	0	130,000	140,000	270,000	351,300	2032
2033	0	135,000	150,000	285,000	356,400	2033
2034	0	135,000	155,000	290,000	351,075	2034
2035	0	140,000	165,000	305,000	355,325	2035
2036	0	140,000	170,000	310,000	349,150	2036
2037	0	145,000	180,000	325,000	353,450	2037
2038	0	0	185,000	185,000	204,700	2038
2039	0	0	195,000	195,000	207,100	2039
2040	0	0	205,000	205,000	209,100	2040
	\$90,000	\$1,410,000	\$2,155,000	<u>\$3,655,000</u>	<u>\$4,659,850</u>	
	(1)	(2)	(3)			

NOTE: 67% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$3,065,000 General Obligation Bonds, Series 2019A, consisting of \$1,530,000 backed by special assessments, \$1,270,000 backed by utility revenues, and \$265,000 backed by taxes.
- (2) This schedule represents a portion of the \$11,355,000 General Obligation Bonds, Series 2021A, consisting of \$1,780,000 backed by taxes, \$9,150,000 backed by sales tax revenues, and \$425,000 backed by tax increments.
- (3) This schedule represents the City of North Mankato's portion of the City of Mankato's General Obligation Equipment Certificates of Indebtedness, Series 2024B.

CITY OF NORTH MANKATO, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS
(As of April 2, 2026)

Purpose:	G.O. Bonds, Series 2015A	G.O. Bonds, Series 2016A	G.O. Bonds, Series 2018A	G.O. Bonds, Series 2019A	G.O. Improvement Bonds, Series 2020B	
Dated:	09/01/15	08/15/16	12/20/18	10/30/19	09/08/20	
Original Amount:	\$1,480,000	\$915,000	\$470,000	\$1,530,000	\$3,400,000	
Maturity:	1-Dec	1-Feb	1-Feb	1-Feb	1-Feb	
Interest Rates:	2.00-2.80%	2.00-2.30%	3.00-3.375%	2.00%	1.00-2.00%	
	2026	\$135,000	\$0	\$0	\$0	2026
	2027	140,000	65,000	30,000	100,000	220,000
	2028	145,000	65,000	30,000	100,000	225,000
	2029	150,000	65,000	35,000	105,000	225,000
	2030	155,000	65,000	35,000	105,000	225,000
	2031	0	70,000	35,000	110,000	230,000
	2032	0	70,000	35,000	110,000	235,000
	2033	0	0	40,000	115,000	235,000
	2034	0	0	40,000	115,000	240,000
	2035	0	0	0	0	245,000
	2036	0	0	0	0	250,000
	2037	0	0	0	0	0
	2038	0	0	0	0	0
	2039	0	0	0	0	0
	2040	0	0	0	0	0
	2041	0	0	0	0	0
		\$725,000	\$400,000	\$280,000	\$860,000	\$2,330,000
		(1)	(2)	(3)	(4)	

Continued

Purpose:	G.O. Refunding Bonds, Series 2021C	G.O. Improvement Bonds, Series 2022A	G.O. Bonds, Series 2024A	G.O. Improvement Bonds, Series 2025A				
Dated:	12/09/21	08/16/22	08/13/24	06/26/25				
Original Amount:	\$990,000	\$3,925,000	\$2,260,000	\$4,085,000				
Maturity:	1-Dec	1-Feb	1-Feb	1-Feb	TOTAL	TOTAL		
Interest Rates:	4.00%	3.00-5.00%	4.00-5.00%	4.00-5.00%	PRINCIPAL: PRIN & INT:			
	2026	\$175,000	\$0	\$0	\$0	\$310,000	\$576,991	2026
	2027	175,000	220,000	115,000	190,000	1,255,000	1,728,149	2027
	2028	0	235,000	120,000	200,000	1,120,000	1,546,999	2028
	2029	0	245,000	125,000	215,000	1,165,000	1,551,924	2029
	2030	0	260,000	130,000	225,000	1,200,000	1,546,184	2030
	2031	0	270,000	140,000	235,000	1,090,000	1,396,081	2031
	2032	0	280,000	145,000	245,000	1,120,000	1,391,499	2032
	2033	0	290,000	155,000	260,000	1,095,000	1,331,105	2033
	2034	0	295,000	160,000	275,000	1,125,000	1,325,522	2034
	2035	0	305,000	165,000	280,000	995,000	1,162,309	2035
	2036	0	315,000	175,000	295,000	1,035,000	1,170,591	2036
	2037	0	325,000	180,000	310,000	815,000	919,241	2037
	2038	0	340,000	185,000	320,000	845,000	918,280	2038
	2039	0	0	195,000	335,000	530,000	576,800	2039
	2040	0	0	205,000	345,000	550,000	575,200	2040
	2041	0	0	0	355,000	355,000	362,100	2041
		\$350,000	\$3,380,000	\$2,195,000	\$4,085,000	\$14,605,000	\$18,078,975	
		(5)		(6)				

NOTE: 72% OF GENERAL OBLIGATION DEBT PAYABLE FROM SPECIAL ASSESSMENTS WILL BE RETIRED WITHIN TEN YEARS.

- (1) This schedule represents a portion of the \$2,060,000 General Obligation Bonds, Series 2015A, dated September 1, 2015, consisting of \$1,480,000 backed by special assessments, and \$580,000 backed by tax abatements.
- (2) This schedule represents a portion of the \$1,800,000 General Obligation Bonds, Series 2016A, consisting of \$420,000 backed by net revenues of the municipal water and sanitary sewer utility systems, \$915,000 backed by special assessments, and \$465,000 backed by taxes.
- (3) This schedule represents a portion of the \$4,670,000 General Obligation Bonds, Series 2018A, consisting of \$470,000 backed by special assessments, and \$4,200,000 backed by tax abatements.
- (4) This schedule represents a portion of the \$3,065,000 General Obligation Bonds, Series 2019A, consisting of \$1,530,000 backed by special assessments, \$1,270,000 backed by utility revenues, and \$265,000 backed by taxes.
- (5) This schedule represents a portion of the \$2,360,000 General Obligation Refunding Bonds, Series 2021C, consisting of \$990,000 backed by special assessments, \$900,000 backed by utility revenues, and \$470,000 backed by tax
- (6) This schedule represents a portion of the \$2,745,000 General Obligation Bonds, Series 2024A, consisting of \$2,260,000 backed by special assessments, and \$485,000 backed by utility revenues.

CITY OF NORTH MANKATO, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES
(As of April 2, 2026)

Purpose:	G.O. Drinking Water SRF Loan of 2015	G.O. Refunding Bonds, Series 2015B	G.O. Drinking Water SRF Loan of 2016	G.O. Bonds, Series 2016A		
Dated:	01/09/15	09/15/15	04/27/16	08/15/16		
Original Amount:	\$1,631,793	\$3,180,000	\$121,833	\$420,000		
Maturity:	20-Aug	1-Dec	20-Aug	1-Feb		
Interest Rates:	1.00%	2.00-3.00%	1.00%	2.00-2.30%		
	2026	\$87,000	\$190,000	\$7,000	\$0	2026
	2027	87,000	200,000	7,000	30,000	2027
	2028	88,000	205,000	7,000	30,000	2028
	2029	89,000	0	7,000	30,000	2029
	2030	90,000	0	7,000	35,000	2030
	2031	91,000	0	7,000	35,000	2031
	2032	92,000	0	7,000	35,000	2032
	2033	93,000	0	7,000	0	2033
	2034	94,000	0	7,000	0	2034
	2035	0	0	0	0	2035
	2036	0	0	0	0	2036
	2037	0	0	0	0	2037
	2038	0	0	0	0	2038
	2039	0	0	0	0	2039
	2040	0	0	0	0	2040
	\$811,000	\$595,000	\$63,000	\$195,000		
	(1) (1) (2) (3) (5) (6)		(1)	(1) (2) (7)		

Continued

Purpose:	G.O.				TOTAL	TOTAL		
	G.O. Bonds, Series 2019A	G.O. Bonds, Series 2021A	Refunding Bonds, Series 2021C	G.O. Bonds, Series 2024A				
Dated:	10/30/19	08/17/21	12/09/21	08/13/24				
Original Amount:	\$1,270,000	\$9,150,000	\$900,000	\$485,000				
Maturity:	1-Feb	1-Feb	1-Dec	1-Feb				
Interest Rates:	2.00%	2.00-4.00%	4.00%	4.00-5.00%	PRINCIPAL:	PRIN & INT:		
	2026	\$0	\$0	\$105,000	\$0	\$389,000	\$552,240	2026
	2027	85,000	300,000	105,000	25,000	839,000	1,107,438	2027
	2028	85,000	445,000	105,000	25,000	990,000	1,229,848	2028
	2029	85,000	460,000	115,000	25,000	811,000	1,018,395	2029
	2030	90,000	490,000	0	30,000	742,000	921,028	2030
	2031	90,000	530,000	0	30,000	783,000	939,238	2031
	2032	90,000	640,000	0	30,000	894,000	1,030,803	2032
	2033	95,000	650,000	0	35,000	880,000	999,035	2033
	2034	95,000	690,000	0	35,000	921,000	1,022,160	2034
	2035	0	700,000	0	35,000	735,000	818,900	2035
	2036	0	745,000	0	35,000	780,000	848,050	2036
	2037	0	820,000	0	40,000	860,000	910,900	2037
	2038	0	890,000	0	40,000	930,000	962,200	2038
	2039	0	955,000	0	40,000	995,000	1,007,150	2039
	2040	0	0	0	45,000	45,000	45,900	2040
		\$715,000	\$8,315,000	\$430,000	\$470,000	<u>\$11,594,000</u>	<u>\$8,820,183</u>	
		(2) (3) (8)	(4) (9)	(1) (2) (10)	(2) (11)			

NOTE: 69% OF GENERAL OBLIGATION DEBT PAYABLE FROM REVENUES WILL BE RETIRED WITHIN TEN YEARS.

- (1) These bonds are payable 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.
- (2) These bonds are payable from net revenues of the municipal sanitary sewer utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (3) These bonds are payable from net revenues of the municipal storm sewer utility system and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (4) These bonds are payable from a one-half of one percent sales and use tax under Minnesota Statutes, Section 297A.99. The bonds are not subject to the statutory debt limit.
- (5) The bonds refunded, on September 1, 2015, the remaining maturities of the \$2,495,000 General Obligation Capital Project Bonds, Series 2005A. The bonds also refunded, on February 1, 2016, the remaining maturities of the of the \$1,600,000 General Obligation Utility Revenue Bonds, Series 2006B. In addition, the bonds refunded, on February 1, 2018, the remaining maturities of the \$890,000 General Obligation Utility Revenue Bonds, Series 2007B. Further, the bonds refunded, on February 1, 2018, the remaining maturities of the \$2,295,000 General Obligation Water Utility Revenue Bonds, Series 2008B.
- (6) This schedule represents a portion of the \$5,795,000 General Obligation Refunding Bonds, Series 2015B, dated September 15, 2015, consisting of \$3,180,000 backed by net revenues of the municipal water and sanitary sewer utility systems, \$555,000 backed by special assessments, and \$1,835,000 backed by state-aid.
- (7) This schedule represents a portion of the \$1,800,000 General Obligation Bonds, Series 2016A, consisting of \$420,000 backed by net revenues of the municipal water and sanitary sewer utility systems, \$915,000 backed by special assessments, and \$465,000 backed by net revenues of the municipal water and sanitary sewer utility systems.
- (8) This schedule represents a portion of the \$3,065,000 General Obligation Bonds, Series 2019A, consisting of \$1,530,000 backed by special assessments, \$1,270,000 backed by utility revenues, and \$265,000 backed by taxes.
- (9) This schedule represents a portion of the \$11,355,000 General Obligation Bonds, Series 2021A, consisting of \$1,780,000 backed by taxes, \$9,150,000 backed by sales tax revenues, and \$425,000 backed by tax increments.
- (10) This schedule represents a portion of the \$2,360,000 General Obligation Refunding Bonds, Series 2021C, consisting of \$990,000 backed by special assessments, \$900,000 backed by utility revenues, and \$470,000 backed by tax abatements.
- (11) This schedule represents a portion of the \$2,745,000 General Obligation Bonds, Series 2024A, consisting of \$2,260,000 backed by special assessments, and \$485,000 backed by utility revenues.

CITY OF NORTH MANKATO, MINNESOTA
GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS/TAX ABATEMENTS
(As of April 2, 2026)

Purpose:	G.O. Bonds, Series 2015A	G.O. Bonds, Series 2018A	G.O. Bonds, Series 2021A	G.O. Refunding Bonds, Series 2021C			
Dated:	09/01/15	12/20/18	08/17/21	12/09/21			
Original Amount:	\$580,000	\$4,200,000	\$425,000	\$470,000			
Maturity:	1-Dec	1-Feb	1-Feb	1-Dec	TOTAL	TOTAL	
Interest Rates:	2.00-2.80%	3.00-3.375%	2.00-4.00%	4.00%	PRINCIPAL:	PRIN & INT:	
	2026	2027	2028	2029	2030	2031	2032
	2033	2034	2035	2036	2037		
	\$40,000	\$0	\$0	\$60,000	\$100,000	\$158,904	2026
	40,000	280,000	25,000	65,000	410,000	503,864	2027
	45,000	285,000	25,000	65,000	420,000	500,789	2028
	45,000	295,000	30,000	65,000	435,000	502,196	2029
	45,000	305,000	30,000	0	380,000	433,204	2030
	0	315,000	30,000	0	345,000	386,594	2031
	0	325,000	30,000	0	355,000	386,041	2032
	0	335,000	30,000	0	365,000	384,919	2033
	0	340,000	30,000	0	370,000	378,138	2034
	0	0	35,000	0	35,000	36,750	2035
	0	0	35,000	0	35,000	36,050	2036
	0	0	35,000	0	35,000	35,350	2037
	\$215,000	\$2,480,000	\$335,000	\$255,000	\$3,285,000	\$3,742,798	
	(3)	(2) (4)	(1) (5)	(2) (6)			

NOTE: 98% OF GENERAL OBLIGATION DEBT PAYABLE FROM TAX INCREMENTS/TAX ABATEMENTS WILL BE RETIRED WITHIN TEN YEARS.

- (1) These bonds are payable primarily from tax increments resulting from increases in the taxable value of real property within various tax increment financing districts of the City and additionally secured by ad valorem taxes on all taxable property within the City and
- (2) These bonds are payable from tax abatements and additionally secured by ad valorem taxes on all taxable property within the City and without limitation of amount.
- (3) This schedule represents a portion of the \$2,060,000 General Obligation Bonds, Series 2015A, dated September 1, 2015, consisting of \$1,480,000 backed by special assessments, and \$580,000 backed by tax abatements.
- (4) This schedule represents a portion of the \$4,670,000 General Obligation Bonds, Series 2018A, consisting of \$470,000 backed by special assessments, and \$4,200,000 backed by tax abatements.
- (5) This schedule represents a portion of the \$11,355,000 General Obligation Bonds, Series 2021A, consisting of \$1,780,000 backed by taxes, \$9,150,000 backed by sales tax revenues, and \$425,000 backed by tax increments.
- (6) This schedule represents a portion of the \$2,360,000 General Obligation Refunding Bonds, Series 2021C, consisting of \$990,000 backed by special assessments, \$900,000 backed by utility revenues, and \$470,000 backed by tax abatements.

NORTH MANKATO PORT AUTHORITY COMMISSION, MINNESOTA
GENERAL OBLIGATION DEBT
(As of April 2, 2026, Plus This Issue)

Purpose:	This Issue				TOTAL PRINCIPAL:	TOTAL PRIN & INT:	
	Taxable G.O. Tax Increment Revenue Bonds, Series 2011B	G.O. Refunding Bonds, Series 2020A	Taxable G.O. Bonds, Series 2024A	G.O. Bonds, Series 2026A			
Dated:	12/01/11	03/24/20	10/15/24	05/19/26			
Original Amount:	\$455,000	\$2,410,000	\$2,312,000	\$27,000,000			
Maturity:	1-Feb	1-Feb	1-Feb	1-Feb			
Interest Rates:	3.00-5.00%	2.00%	5.00-5.15%				
2026	\$0	\$165,000	\$0	\$0	\$165,000	\$635,064	2026
2027	20,000	170,000	196,000	0	386,000	1,554,830	2027
2028	25,000	170,000	205,000	695,000	1,095,000	2,239,785	2028
2029	25,000	175,000	216,000	710,000	1,126,000	2,236,263	2029
2030	25,000	180,000	227,000	730,000	1,162,000	2,236,593	2030
2031	30,000	185,000	238,000	750,000	1,203,000	2,240,421	2031
2032	30,000	185,000	250,000	775,000	1,240,000	2,238,305	2032
2033	35,000	190,000	262,000	795,000	1,282,000	2,238,955	2033
2034	35,000	190,000	275,000	820,000	1,320,000	2,233,299	2034
2035	40,000	0	289,000	850,000	1,179,000	2,047,930	2035
2036	0	0	0	880,000	880,000	1,712,121	2036
2037	0	0	0	910,000	910,000	1,711,285	2037
2038	0	0	0	940,000	940,000	1,708,173	2038
2039	0	0	0	975,000	975,000	1,707,850	2039
2040	0	0	0	1,015,000	1,015,000	1,709,993	2040
2041	0	0	0	1,055,000	1,055,000	1,709,423	2041
2042	0	0	0	1,100,000	1,100,000	1,711,488	2042
2043	0	0	0	1,145,000	1,145,000	1,711,301	2043
2044	0	0	0	1,195,000	1,195,000	1,713,720	2044
2045	0	0	0	1,245,000	1,245,000	1,713,595	2045
2046	0	0	0	1,300,000	1,300,000	1,715,775	2046
2047	0	0	0	1,355,000	1,355,000	1,715,104	2047
2048	0	0	0	1,415,000	1,415,000	1,716,423	2048
2049	0	0	0	1,480,000	1,480,000	1,719,933	2049
2050	0	0	0	1,550,000	1,550,000	1,725,374	2050
2051	0	0	0	1,620,000	1,620,000	1,727,623	2051
2052	0	0	0	1,695,000	1,695,000	1,731,520	2052
	\$265,000	\$1,610,000	\$2,158,000	\$27,000,000	\$31,033,000	\$49,062,141	
	(1) (2)	(1) (3)	(1)	(1)			

NOTE: 33% OF PORT AUTHORITY GENERAL OBLIGATION DEBT PAYABLE FROM TAXES WILL BE RETIRED WITHIN TEN YEARS.

- (1) These bonds were issued through the North Mankato Port Authority Commission. The bonds are general obligations of the City for which the City pledges its full faith and credit and power to levy direct general ad valorem taxes. The bonds are not subject to the statutory debt limit or included in the calculation of the City's debt per Minnesota Statutes Section 469.060.
- (2) These bonds are payable primarily from tax increments resulting from increases in the taxable value of real property within Tax Increment Financing District No. 1-19. Proceeds will be used to finance redevelopment related to the Dollar Store into mixed use into retail, office, and
- (3) These bonds refunded the \$3,215,000 General Obligation Bonds, Series 2011A, on March 24, 2020.

Indirect Debt*

<u>Issuer</u>	<u>2025/2026 Tax Capacity Value⁽¹⁾</u>	<u>2025/2026 Tax Capacity Value in Port Authority⁽¹⁾</u>	<u>Percentage Applicable in Port Authority</u>	<u>Outstanding General Obligation Debt</u>	<u>Taxpayers' Share of Debt</u>
Blue Earth County	\$ 131,229,574	\$8,083	0.01%	\$36,890,000	\$ 3,689
Nicollet County	62,754,618	20,763,045	33.09	4,044,787	1,338,420
ISD No. 77, Mankato	109,186,373	20,771,128	19.02	214,795,000	<u>40,854,009</u>
				<i>Total Indirect Debt:</i>	<u>\$ 42,196,118</u>

(Remainder of page intentionally left blank)

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

(1) Tax Capacity Value is after tax increment deduction and fiscal disparity adjustments.

General Obligation Debt

Bonds secured by tax levies	\$ 3,655,000
Bonds secured by special assessments	14,605,000
Bonds secured by tax increment/tax abatement	3,285,000
Bonds secured by water/sewer/sales tax revenues	11,594,000
Bonds secured by tax levies issued by Port Authority Commission (includes this Issue)	<u>31,033,000</u>
Subtotal	\$ 64,172,000
Less bonds secured by water/sewer/sales tax revenues	(<u>11,594,000</u>)
<i>Direct General Obligation Debt</i>	52,578,000
Add taxpayers' share of indirect debt	<u>42,196,118</u>
<i>Direct and Indirect Debt</i>	<u>\$ 94,774,118</u>

Facts for Ratio Computations

2024/2025 Economic Market Value (real and personal property)	\$1,926,130,021
Population (2025 estimate)	14,490

Debt Ratios Excluding Revenue-Supported Debt

	<i>Direct Debt</i>	<i>Indirect Debt</i>	<i>Direct and Indirect Debt</i>
To Economic Market Value	2.73%	2.19%	4.92%
Per Capita	\$3,629	\$2,912	\$6,541

APPENDIX A

Legal Opinion

PROPOSED FORM OF LEGAL OPINION

\$27,000,000
GENERAL OBLIGATION BONDS, SERIES 2026A
NORTH MANKATO PORT AUTHORITY COMMISSION
NICOLLET AND BLUE EARTH COUNTIES
MINNESOTA

We have acted as bond counsel in connection with the issuance by the North Mankato Port Authority Commission, Nicollet and Blue Earth Counties, Minnesota (the "Issuer"), of its \$27,000,000 General Obligation Bonds, Series 2026A, bearing a date of original issue of May 19, 2026 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

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

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

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

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force, and pursuant to (i) Ordinance No. 195, adopted and approved by the City Council of the City of North Mankato, Nicollet and Blue Earth Counties, Minnesota (the "City") on January 5, 2026, published on January 9, 2026, to take effect on January 9, 2026 and (ii) a resolution adopted by the City Council on April 20, 2026.

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

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

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

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

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX B

Continuing Disclosure Certificate

[Appendix ___ to Official Statement]

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING
NORTH MANKATO PORT AUTHORITY COMMISSION, MINNESOTA
\$27,000,000 GENERAL OBLIGATION BONDS, SERIES 2026A

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of North Mankato, Minnesota (the "City") in connection with the issuance by the North Mankato Port Authority Commission, Minnesota (the "Issuer") of its \$27,000,000 General Obligation Bonds, Series 2026A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on April 20, 2026 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the City 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 City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the City 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 City to act as information dissemination agent and which has filed with the City 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 City.

"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 City and the Issuer providing for, and authorizing the issuance of, the Bonds.

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

SECTION 3. Provision of Annual Reports.

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

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

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

SECTION 4. Content and Format of Annual Reports. The City's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the City 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 City. The Audited Financial Statements of the City may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the City 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 City 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 City;
- (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 City 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 City agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the City to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The City'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 City 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 City 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 City 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 City 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 City 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 City 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 City 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 City 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 City 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 City, 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 City 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 City determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: May 19, 2026.

CITY OF NORTH MANKATO, MINNSOTA

By _____
Its Mayor

By _____
Its Administrator

APPENDIX C

City's Financial Statement

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, Inc. The reader of this Official Statement should be aware that the complete financial report may have further data relating to the excerpts presented in the appendix which may provide additional explanation, interpretation or modification of the excerpts.



June 11, 2025

Honorable Mayor
Members of the City Council and Citizens of North Mankato
City of North Mankato
North Mankato, Minnesota 56003

State law requires that all general purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformance with Generally Accepted Accounting Principles (GAAP) and audited in accordance with Generally Accepted Auditing Standards (GAAS) by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of North Mankato (the City) for the fiscal year ended December 31, 2024.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by Abdo, a licensed certified public accounting firm. 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 disclosure 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 require 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 MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of North Mankato is a city of the third class and is located in Nicollet County. Nestled along the bluffs at the bend of the Minnesota River in south-central Minnesota, it is approximately 80 miles southwest of the Minneapolis / Saint Paul metropolitan area. Access is provided via U.S. Highways 14 and 169, State Highways 22, 60, 66 and 68, and Interstate I-35 and I-90 are located within 40 and 50 miles of the City, respectively. There are 28 truck lines servicing the City with six truck terminals in the City. The Dakota Minnesota and Eastern Railroad Co. and Union Pacific Railroad provide daily freight rail service to the area through a connection in Mankato. The City is also serviced by the Mankato Regional Airport which can accommodate charter, commercial freight, and jet planes with a 6,600-foot paved, lighted runway. The City currently occupies a land area of four-square miles and has a population of 14,229. The City is empowered to levy a property tax on real property located within its corporate limits.

The City was incorporated in 1898 and has been a Statutory City since 1974. The City operates under the Optional Plan A form of government. Policy making and legislative authority is vested in a governing council consisting of the Mayor and four Council Members. The Mayor and City Council are responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Administrator. The City Administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The Mayor and Council are elected on a non-partisan basis. Council Members serve four-year staggered terms. The Mayor is elected to serve a two-year term.

The 2020 U.S. Census designated the Mankato/North Mankato region as an urbanized area (metropolitan statistical area-MSA). Designation as an MSA is beneficial, positively having an impact on quality of life and the economy, including increased funding for transportation and economic development.

The City provides a full range of services, including police and fire protection, the construction and maintenance of highways, streets and other infrastructure, and recreational services, along with water, sewer, recycling, storm water and solid waste utility services. North Mankato features several City parks for recreational activities among which is Caswell Park, one of the premier softball complexes in the nation. This facility has a substantial pedigree of hosting community, state, regional and national, and international tournaments and features the Miracle Field for special needs athletes. It is also home to the Spring Lake Park Swim Facility which boasts two large water slides, two kiddie slides, a zip line, a climbing wall, and much more.

The annual budget serves as the foundation for the City's financial planning and control. The Finance Director presents the proposed budget to the Council for review prior to September 30. The Council will hold a public hearing on the proposed budget and adopt a final budget by no later than December 31, the close of the City's fiscal year. The appropriated budget is prepared by fund, function, and departmental program. Budget to actual comparisons are provided for each individual governmental fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

The City currently enjoys a favorable economic environment and local indicators point to continued growth. The unemployment rate is 2.1 percent which represents a small increase from the previous year rate of 1.7 percent. The Mankato/North Mankato area is a regional center for retail trade, agriculture, medical care, manufacturing, and education. The area is home to Minnesota State University-Mankato, South Central College, Bethany College and Rasmussen College.

Greater Mankato's Population is expected to grow at a rate of .89% per year until 2026, exceeding both state and national projections. The population of the MSA is projected to be 111,443 by 2026. The region is also growing in diversity. While 85.91% of the population reported being white in the 2020 census. In the 2023-2024 school year, Mankato Area Public Schools (MAPS) reported that 69.3% were white.

The City continues to experience residential growth with permits issued in 2024 for 10 single family homes, 0 mobile homes, 4 multi-family homes, and 1,410 other miscellaneous permits for a total of 81 units. The market value of all new and remodeled residential, commercial, and industrial permits in fiscal year 2024 was \$36,670,564. The residential development continues to take advantage of existing inventory and new or expanded subdivisions and much of the industrial growth comes from firms locating to the North Port Industrial Park owned by the North Mankato Port Authority, the economic development agency of the City.

Long-Term Financial Planning

The preparation of the annual budget includes a Five-Year Operating Forecasts, a Five-Year Capital Improvement Plan, a yearly equipment replacement schedule and long-term projections of debt service requirements.

In 2024, the City had a bond rating performed by S&P Global where the rating of AA was affirmed.

New and Major Developments

- \$83,000 remodel at Wispak
- New 20,000 sq ft building for D & K Powdercoating
- 33,000 sq ft addition at Brunton
- New Test Area at Kato Engineering valued at \$1,009,079
- New Benedict's Restaurant on Range St
- \$180,000 remodel at New Creation World Outreach Church

2024 Five-Year Capital Improvement Plan Projects

2024 Hoover SRTS – This project will reconstruct several sidewalks on the walkway to Hoover Elementary School. The total project is estimated at \$520,000 with about half coming from Federal funding and the remaining from City funds.

2024 Sherman Street Reconstruction – The project area is on Sherman Street from South Avenue to Monroe Avenue. The improvements would include sanitary sewer, watermains, storm sewer, pavement, curb and gutter, sidewalks, lighting, and more. The total project is estimated at \$4,240,600 with funding from municipal state aid funds, special assessments, and utility funds. This project will be bonded for.

2025 Page Avenue Reconstruction – This project area is between Center Street and Range Street. The improvements would include sanitary sewer, watermains, storm sewer, pavement, curb and gutter, sidewalks, lighting, and more. The total project is estimated at \$1,470,000 with funding from municipal state aid funds, special assessments, and utility funds. This project will be bonded for.

2025 Caswell Park Phase 2 Improvements - This project consists of the construction of the Caswell Indoor Rec Facility. The project consists of a 85,000-115,000 square foot building with 4-6 tennis courts and 6-8 basketball courts (depending on the base project and added alternates), viewing areas, concessions, restrooms, office space, and storage at a cost of \$25,000,000 to \$27,000,000, depending on added alternates. The project is dependent on a State Bonding Appropriation for \$12,750,000 in 2024. The project is estimated to be completed in 2025. The project will be financed using the State Bonding Appropriation, existing sales tax bond proceeds and the balance using general obligation tax abatement bonds.

2026 Cross St Reconstruction – This project area is between Monroe Avenue and Webster Avenue. The total project is estimated at \$1,995,000 with funding from municipal state aid funds, special assessments, and utility funds. This project will be bonded for.

Equipment

The Five-Year Capital Improvement Plan calls for the replacement of \$4.75 million dollars of equipment and improvements to be funded with cash contributions from the City's General fund. Equipment and improvements for all funds, including utility funds, is \$13.3 million

Tax abatements

The City has several tax increment projects throughout the City. These districts promotes economic growth through tax abatements for a period of time based on increase in market value it creates. This will increase taxable market value in the future as the projects are completed and decertified.

Internal Accounting Controls

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition, and;
2. The reliability of financial records for preparing financial statements and maintaining accountability for assets.
3. The concept of reasonable assurance recognizes that:
4. Cost of the control should not exceed the benefits likely to be derived, and;
5. Evaluation of costs and benefits requires estimates and judgment by management.

The City has placed an emphasis on and continually evaluates its system of internal accounting controls to assure its citizens that we adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Relevant Financial Policies

The Mayor and City Council Members continue to evaluate the level of reserves of the City with their desire to minimize property tax increases while still maintaining service levels and infrastructure renewal and replacement. The City has established financial policies for use as a guideline during the budget process. The City employs a conservative approach in making ongoing revenue assumptions by utilizing growth patterns and knowledge of planned growth in the tax base.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of North Mankato for its annual comprehensive financial report (ACFR) for the fiscal year ended December 31, 2023. This was the thirty-seventh (37th) year that the City has received the prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized ACFR. This report satisfied both GAAP and applicable requirements.

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

Respectfully submitted,



Kevin McCann
City Administrator



Jessica Ryan
Finance Director

City of North Mankato, Minnesota
Principal City Officials
For the Year Ended December 31, 2024

MAYOR: Scott Carlson

COUNCIL MEMBERS: *Matt Peterson
Jim Whitlock
Billy Steiner
Sandra Oachs*

CITY ADMINISTRATOR: *Kevin McCann*

FINANCE DIRECTOR: *Jessica Ryan*

CITY CLERK: *April Van Genderen*

POLICE CHIEF: *Ross Gullickson*

FIRE CHIEF: *James Zwaschka*

PUBLIC WORKS DIRECTOR: *Luke Arnold*

WATER SUPERINTENDENT: *Duane Rader*

BUILDING OFFICIAL: *Randy King*

LIBRARY DIRECTOR: *Katie Heintz*

CITY PLANNER: *Mike Fischer*

CITY ATTORNEY: *Kennedy and Kennedy*

CONSULTING ENGINEER: *Bolton & Menk*

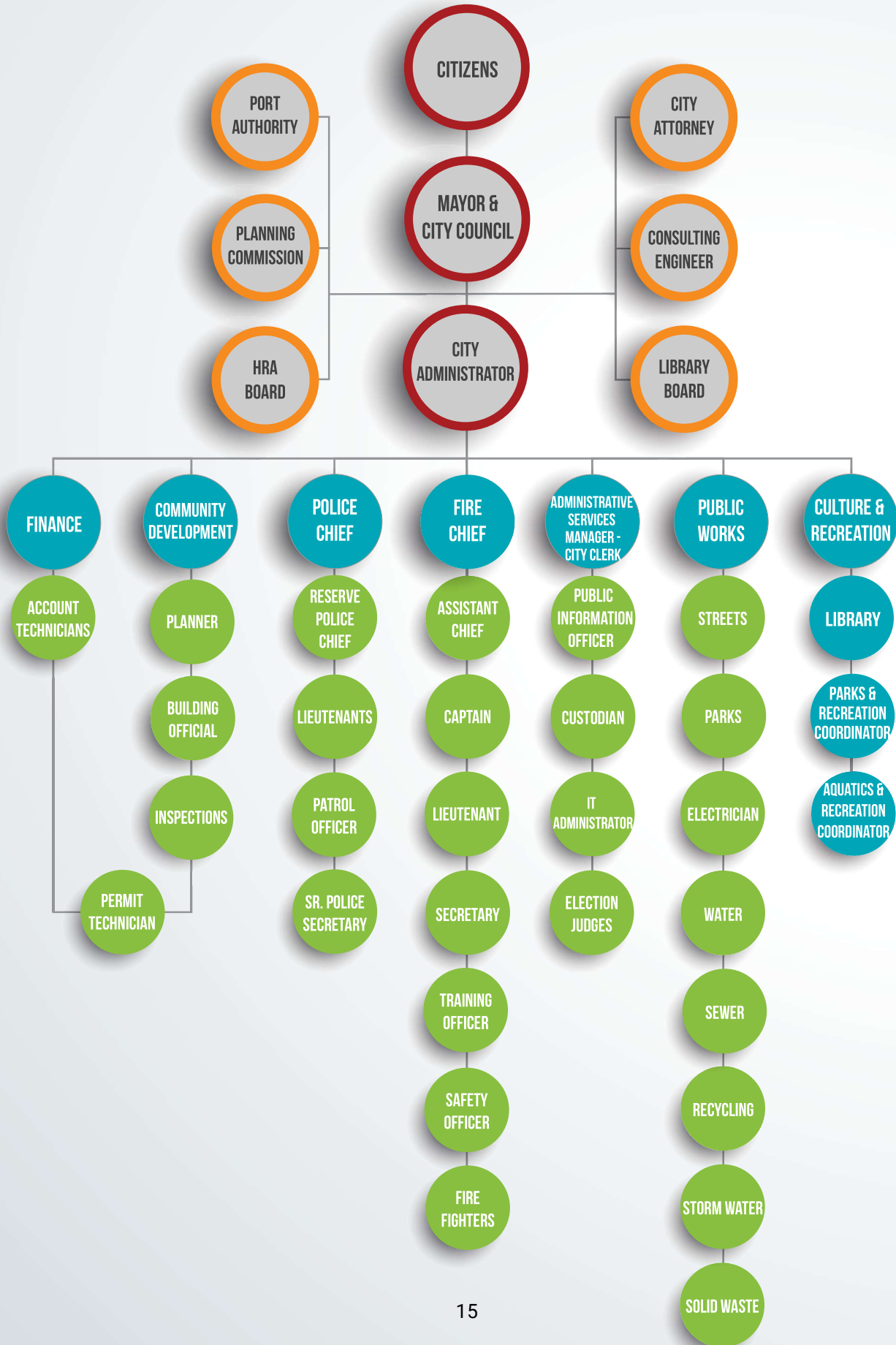
AUDITOR: *Abdo, LLP*

BOND COUNSEL: *Taft Stettinius & Hollister, LLP and Kennedy & Graven, Chtd.*

FINANCIAL ADVISOR: *Northland Securities, Inc.*

PORT AUTHORITY BOND COUNSEL: *Taft Stettinius & Hollister, LLP and Kennedy & Graven, Chtd.*

2024 ORGANIZATION CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of North Mankato
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2023

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION
CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of North Mankato

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of North Mankato, 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, 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, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 23 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the related note disclosures, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios and the Schedule of Changes in the City's OPEB Liability and Related Ratios starting on page 102 be presented to supplement the basic financial statements. Such information, 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 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 June 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.



Abdo
Mankato, Minnesota
June 11, 2025



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Management's Discussion and Analysis

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

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 net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$3,421,562 as compared to an increase of \$2,950,507 in the previous year.
- Governmental activities revenues increased as shown in the changes in net position on the following pages due to the following:
 - Property taxes/tax increments increased due to levy increases.
 - Unrestricted investment earnings (loss) increased due to higher interest rates.
 - Grants and contributions not restricted to specific programs increased due increased grant revenue for Local Government Aid.
- Governmental activity expenses increased as shown in the changes in net position on the following due to the following:
 - General government expenses increased mostly due to increased labor costs, maintenance and pension related activity.
 - Culture and recreation expenses increased due to increased staffing and increased tournament expenses at Caswell Park.
 - Interest on long-term debt expenses increased due to scheduled payments.
- Business-type activities revenues decreased as shown in the changes in net position mainly due to decreases in charges for services related to decreased usage.
- As of the close of the current fiscal year, the City's governmental funds fund balances are shown in the Financial Analysis of the City's fund section of the MD&A. The total fund balance increased in comparison of the prior year. The increase was primarily related to increased property tax levies.

Overview of the Financial Statements

This discussion and analysis are 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 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.

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

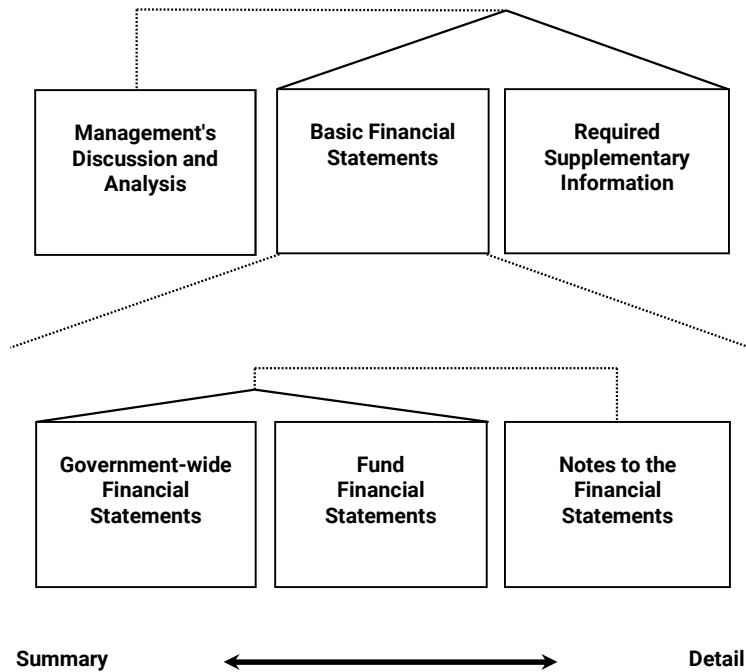


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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 in flow/out flow 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 unused vacation leave).

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate port authority for which the City is financially accountable. The port authority, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found starting on page 39 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, which includes various individual Debt Service bond funds that are considered one fund for financial reporting. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, the Debt Service fund, the Revolving MSA fund, the Caswell Indoor Recreation Project, the 2024 Construction fund and the Capital Facilities and Equipment Replacement - General 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. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 44 of this report.

Proprietary Funds. The City maintains one type 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, recycling, storm water, hotel operations and solid waste operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, storm water and hotel fund, all of which are considered to be major funds of the City. Data from the other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor proprietary 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 52 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 55 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.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of North Mankato's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 102 of this report.

Supplementary Information. The combining and individual fund financial statements and schedules referred to earlier in connection with the nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statement and schedules can be found starting page 114 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 by \$79,742,671 at the close of the most recent fiscal year.

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

City of North Mankato's Summary of Net Position

	Governmental Activities			Business-type Activities			Total	
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)	2024	2023
Current and Other Assets	\$ 33,619,998	\$ 26,099,217	\$ 7,520,781	\$ 9,259,963	\$ 9,204,017	\$ 55,946	\$ 42,879,961	\$ 35,303,234
Net Capital Assets	58,397,790	57,907,407	490,383	33,300,444	32,373,203	927,241	91,698,234	90,280,610
Total Assets	92,017,788	84,006,624	8,011,164	42,560,407	41,577,220	983,187	134,578,195	125,583,844
Deferred Outflows of Resources	3,012,457	4,035,585	(1,023,128)	134,770	218,108	(83,338)	3,147,227	4,253,693
Long-term Liabilities								
Outstanding	39,449,387	35,166,279	4,283,108	9,429,043	9,807,473	(378,430)	48,878,430	44,973,752
Other Liabilities	1,411,432	1,165,714	245,718	472,378	384,711	87,667	1,883,810	1,550,425
Total Liabilities	40,860,819	36,331,993	4,528,826	9,901,421	10,192,184	(290,763)	50,762,240	46,524,177
Deferred Inflows of Resources	6,796,581	6,738,348	58,233	423,930	372,724	51,206	7,220,511	7,111,072
Net Position								
Net investment in capital assets	39,392,299	35,426,277	3,966,022	28,961,880	28,130,619	831,261	68,354,179	63,556,896
Restricted	7,119,478	8,784,099	(1,664,621)	-	-	-	7,119,478	8,784,099
Unrestricted	861,068	761,492	99,576	3,407,946	3,099,801	308,145	4,269,014	3,861,293
Total Net Position	\$ 47,372,845	\$ 44,971,868	\$ 2,400,977	\$ 32,369,826	\$ 31,230,420	\$ 1,139,406	\$ 79,742,671	\$ 76,202,288
Net Position as a Percent of Total								
Net investment in capital assets	83.2 %	78.8 %		89.5 %	90.1 %		85.7 %	83.4 %
Restricted	15.0	19.5		-	-		8.9	11.5
Unrestricted	1.8	1.7		10.5	9.9		5.4	5.1
Total	100.0 %	100.0 %		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.

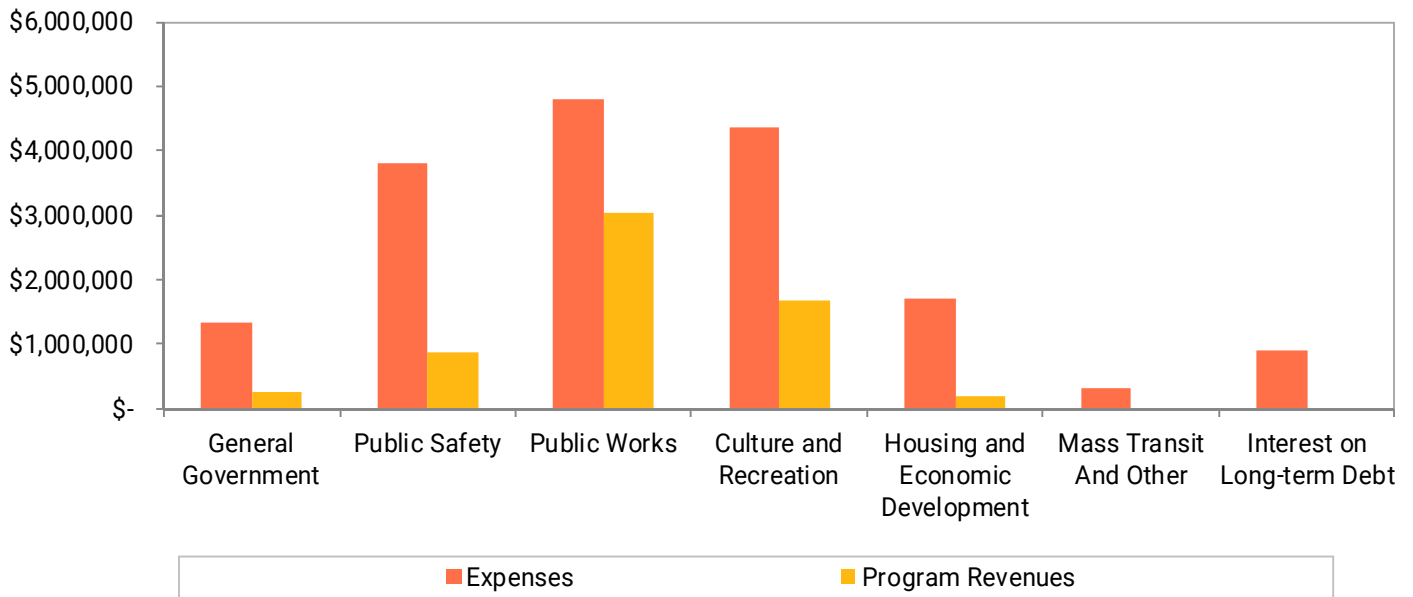
Governmental Activities. Governmental activities increased the City's net position as shown. Key elements of this change are as follows:

City of North Mankato's Changes in Net Position

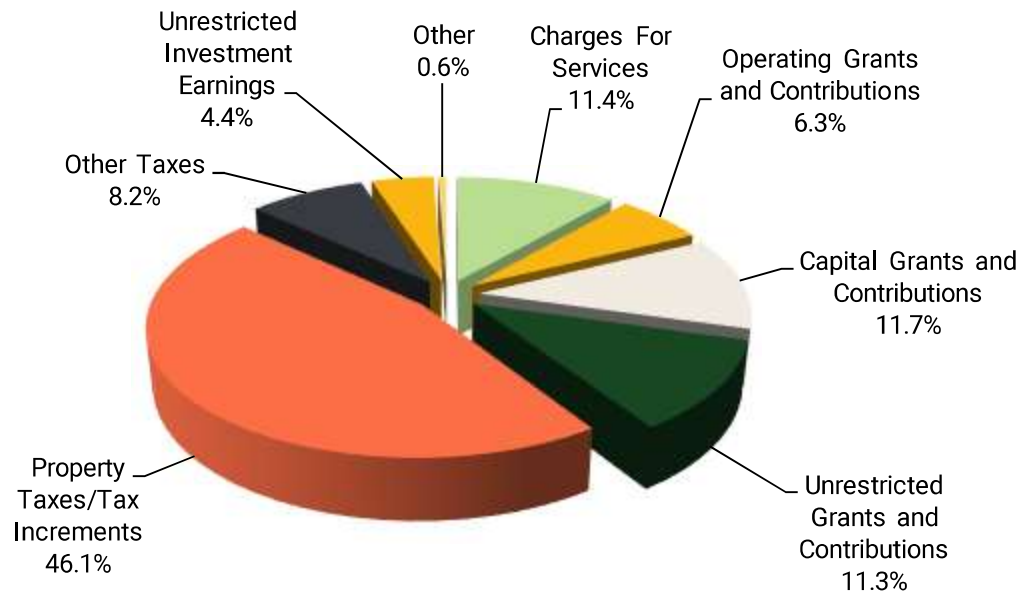
	Governmental Activities			Business-type Activities			Total	
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)	2024	2023
Revenues								
Program Revenues								
Charges for services	\$ 2,362,139	\$ 2,408,050	\$ (45,911)	\$ 6,998,474	\$ 7,498,961	\$ (500,487)	\$ 9,360,613	\$ 9,907,011
Operating grants and contributions	1,292,508	1,772,228	(479,720)	25,178	91	25,087	1,317,686	1,772,319
Capital grants and contributions	2,410,274	1,715,742	694,532	13,206	42,113	(28,907)	2,423,480	1,757,855
General Revenues								
Property taxes/tax increments	9,507,506	8,359,681	1,147,825	-	-	-	9,507,506	8,359,681
Other taxes	1,694,436	1,657,806	36,630	-	-	-	1,694,436	1,657,806
Grants and contributions not restricted to specific programs	2,327,918	1,990,734	337,184	-	-	-	2,327,918	1,990,734
Unrestricted investment earnings (loss)	906,040	778,984	127,056	147,716	213,981	(66,265)	1,053,756	992,965
Other	131,574	111,697	19,877	-	-	-	131,574	111,697
Gain on sale of capital assets	735	258,476	(257,741)	-	-	-	735	258,476
Total Revenues	20,633,130	19,053,398	1,579,732	7,184,574	7,755,146	(570,572)	27,817,704	26,808,544
Expenses								
General government	1,330,819	1,082,983	247,836	-	-	-	1,330,819	1,082,983
Public safety	3,808,748	3,906,857	(98,109)	-	-	-	3,808,748	3,906,857
Public works	4,805,700	5,068,922	(263,222)	-	-	-	4,805,700	5,068,922
Culture and recreation	4,370,034	4,308,311	61,723	-	-	-	4,370,034	4,308,311
Housing and economic development	1,701,064	1,684,512	16,552	-	-	-	1,701,064	1,684,512
Mass transit and other	331,754	267,847	63,907	-	-	-	331,754	267,847
Interest on long-term debt	901,210	700,815	200,395	-	-	-	901,210	700,815
Water	-	-	-	2,338,695	2,296,866	41,829	2,338,695	2,296,866
Sewer	-	-	-	2,798,137	2,550,126	248,011	2,798,137	2,550,126
Recycling	-	-	-	384,431	461,213	(76,782)	384,431	461,213
Storm water	-	-	-	568,302	369,794	198,508	568,302	369,794
Solid waste	-	-	-	959,872	771,967	187,905	959,872	771,967
Hotel	-	-	-	97,376	387,824	(290,448)	97,376	387,824
Total Expenses	17,249,329	17,020,247	229,082	7,146,813	6,837,790	309,023	24,396,142	23,858,037
Increase (Decrease) in Net Position								
Before Transfers and Contributions	3,383,801	2,033,151	1,350,650	37,761	917,356	(879,595)	3,421,562	2,950,507
Transfers	272,050	1,775,345	(1,503,295)	(272,050)	(1,775,345)	1,503,295	-	-
Capital Contributions	(1,254,874)	(1,024,999)	(229,875)	1,254,874	1,024,999	229,875	-	-
Change in Net Position	2,400,977	2,783,497	(382,520)	1,020,585	167,010	853,575	3,421,562	2,950,507
Net Position, January 1, as Previously Reported	44,971,868	42,188,371	2,783,497	31,230,420	31,063,410	167,010	76,202,288	73,251,781
Error Correction	-	-	-	118,821	-	118,821	118,821	-
Net Position, January 1 as Restated	44,971,868	42,188,371	2,783,497	31,349,241	31,063,410	285,831	76,321,109	73,251,781
Net Position - December 31	\$ 47,372,845	\$ 44,971,868	\$ 2,400,977	\$ 32,369,826	\$ 31,230,420	\$ 1,139,406	\$ 79,742,671	\$ 76,202,288

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

Expenses and Program Revenues - Governmental Activities



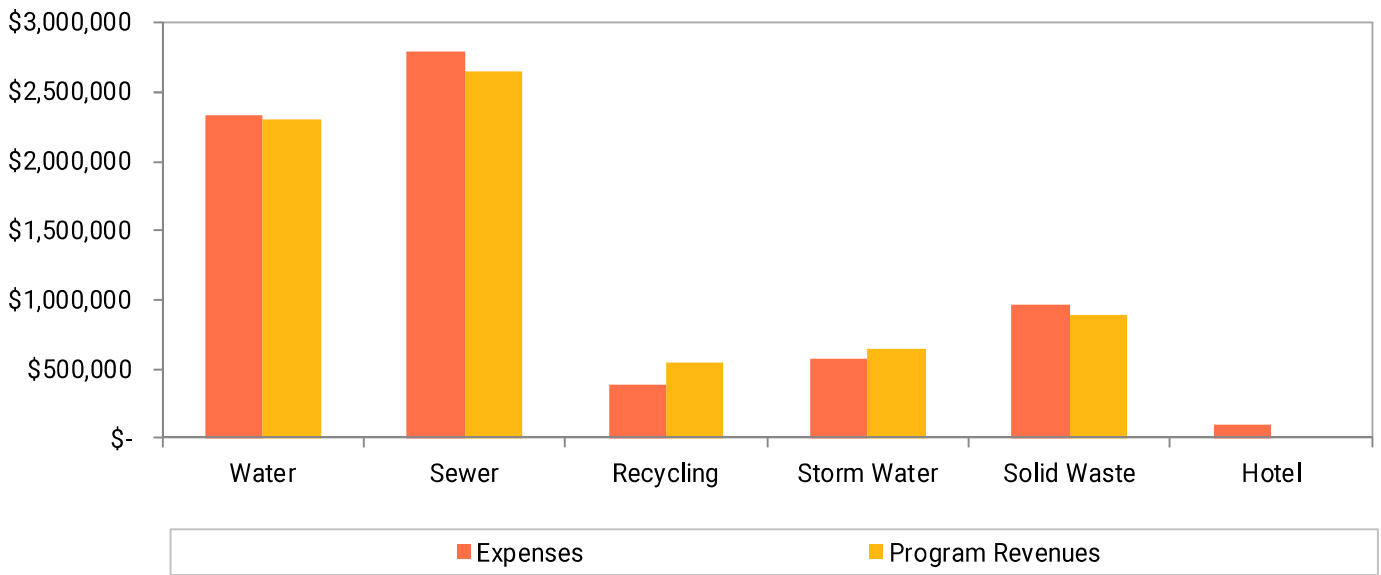
Revenues by Source - Governmental Activities



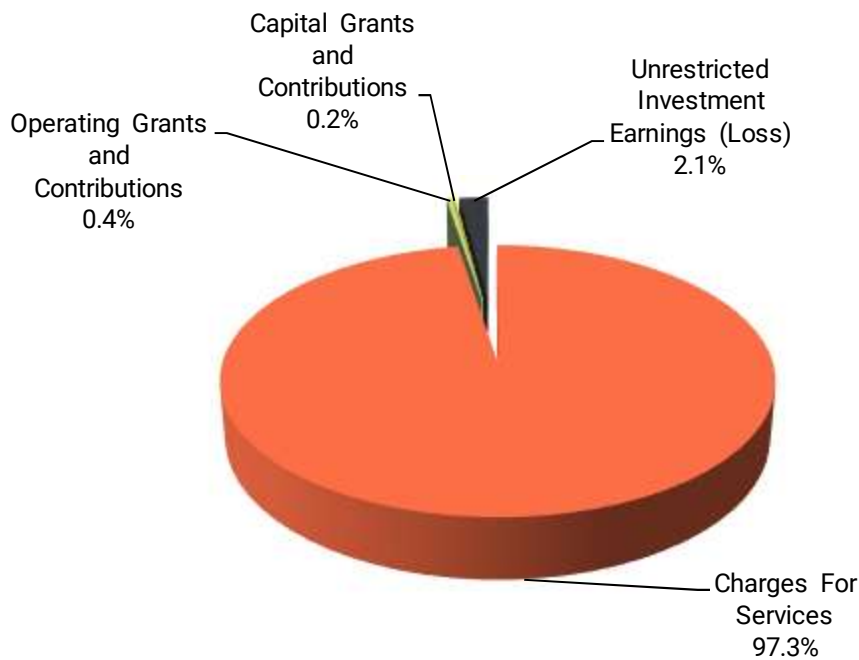
Business-type Activities. Business-type activities increased the City's net position as shown in the changes in net position table. Key elements of this change are as follows:

- Charges for services decreased due to decreased usage.
- Unrestricted investment earnings (loss) decreased due to decreased interest rates.
- Expenses increased due to increased supplies costs and increased capital costs.
- Transfers out totaled \$333,750 and transfers in totaled \$61,700 for 2024.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

	General Fund	Debt Service Fund	Revolving MSA	Caswell Indoor Recreation Project	2024 Construction	and Equipment Replacement - General	Other Governmental Funds	Total	Prior Year Total
Fund Balances									
Nonspendable	\$ 622,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,389	\$ 624,078	\$ 726,754
Restricted	-	2,688,731	-	7,144,568	-	443,417	5,548,022	15,824,738	13,501,150
Committed	-	-	-	-	118,004	-	5,210,184	5,328,188	2,981,854
Unassigned	5,512,618	-	(2,729,782)	-	-	(242,522)	(980,306)	1,560,008	1,538,964
Total	\$ 6,135,307	\$ 2,688,731	\$ (2,729,782)	\$ 7,144,568	\$ 118,004	\$ 200,895	\$ 9,779,289	\$ 23,337,012	\$ 18,748,722

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	\$ 622,689	\$ 725,594	\$ (102,905)
Unassigned	5,512,618	4,388,664	1,123,954
Total	\$ 6,135,307	\$ 5,114,258	\$ 1,021,049
General Fund Expenditures	\$ 9,374,842	\$ 9,980,554	
Unassigned as a Percent of Expenditures	58.8%	44.0%	
Total Fund Balance as a Percent of Expenditures	65.4%	51.2%	

The *General fund* balance increased during the current fiscal year as shown above. Key factors of this increase are increased property tax revenues from levy increases and increased interest rates resulting in higher investment earnings. The revenue increases were offset by an increase in current expenditures mainly relating to public safety personnel costs.

Other major governmental fund analysis is shown below:

	December 31, 2024	December 31, 2023	Increase (Decrease)
Debt Service fund <i>The Debt Service fund increase in fund balance during the year was due to transfers in made during the year.</i>	\$ 2,688,731	\$ 2,611,261	\$ 77,470
Revolving MSA <i>The Revolving MSA total fund balance decreased during the year due to continued advance of MSA grants prior to allotment by the State which are spent on current projects.</i>	(2,729,782)	(2,061,836)	(667,946)
Caswell Indoor Recreation Project <i>The Casewell Indoor Recreation Project total fund balance increased during the year mainly due to increased investment earnings.</i>	7,144,568	6,682,916	461,652
2024 Construction <i>The 2024 Construction fund total had project costs of \$3,616,957 which was offset by intergovernmental revenue and transfers in from other funds.</i>	118,004	(116,336)	234,340
Capital Facilities and Equipment Replacement - General <i>The Capital Facilities and Equipment Replacement - General fund total fund balance decreased due to projects and equipment purchases.</i>	200,895	641,853	(440,958)

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

	Ending Net Position 2024	Ending Net Position 2023	Increase (Decrease)
Water Utility <i>The increase primarily is attributed to increases in charges for services from rate increases</i>	\$ 13,223,065	\$ 12,916,829	\$ 306,236
Sewer Utility <i>The increase primarily is attributed to decreases in charges for services relating to decreased usages.</i>	12,418,450	12,475,209	(56,759)
Storm Water <i>The increase primarily is attributed to increases in charges for services relating to increased rates.</i>	5,985,946	5,284,110	701,836
Hotel <i>The increase is primarily due to interest earned.</i>	(402,050)	(414,355)	12,305

General Fund Budgetary Highlights

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 10,130,618	\$ 10,330,286	\$ 199,668
Expenditures	10,209,477	9,374,842	834,635
Excess of Revenues Over Expenditures	<u>(78,859)</u>	<u>955,444</u>	<u>1,034,303</u>
Other Financing Sources (Uses)			
Transfers in	333,750	333,750	-
Sale of capital assets	3,000	-	(3,000)
Transfers out	(153,700)	(268,145)	(114,445)
Total Other Financing Sources (Uses)	<u>183,050</u>	<u>65,605</u>	<u>(117,445)</u>
Net Change in Fund Balances	104,191	1,021,049	916,858
Fund Balances, January 1	<u>5,114,258</u>	<u>5,114,258</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 5,218,449</u>	<u>\$ 6,135,307</u>	<u>\$ 916,858</u>

The City's General fund budget was not amended during the year. Actual revenues were over budgeted amounts due to higher investment earnings than anticipated. Expenditures were under budgeted amounts due to lower than expected police protection personnel costs and street maintenance costs.

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 is shown in the table below (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 7.7 percent.

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

- Buildings and improvements increase, including, but not limited to: the completion of the 2024 Street project, Well #8 Rehabilitation, Marvin Boulevard Lift Station Improvements, Belgrade Avenue Redevelopment, and lift station projects.
- Various right to use leased vehicles through Enterprise Fleet Management.
- Equipment and vehicle purchases, including, but not limited to: a new fire rescue truck, temperature controls and mechanical equipment for the police station, new police body worn cameras, and various parks equipment.
- Construction in progress increase for various projects including, but not limited to: Sherman street and utility improvements, North Ridge Lift Station improvements and the Splash Pad Irrigation Pond.

Additional information on the City's capital assets can be found in Note 3C starting on page 70 of this report.

City of North Mankato's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities			Total		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Land	\$ 4,144,859	\$ 4,354,365	\$ (209,506)	\$ 1,147,812	\$ 1,211,111	\$ (63,299)	\$ 5,292,671	\$ 5,565,476	\$ (272,805)
Buildings and Improvements	46,656,577	48,699,777	(2,043,200)	29,173,627	29,867,356	(693,729)	75,830,204	78,567,133	(2,736,929)
Machinery and Equipment	3,433,929	3,463,047	(29,118)	736,232	859,211	(122,979)	4,170,161	4,322,258	(152,097)
Right to Use Lease Assets	746,274	-	746,274	132,577	-	-	878,851	-	878,851
Construction in Progress	3,416,151	1,390,218	2,025,933	2,110,196	554,346	1,555,850	5,526,347	1,944,564	3,581,783
Total	\$ 58,397,790	\$ 57,907,407	\$ 490,383	\$ 33,300,444	\$ 32,492,024	\$ 675,843	\$ 91,698,234	\$ 90,399,431	\$ 1,298,803
Percent Increase (Decrease)			0.8%			2.1%			1.4%

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding as shown in the table below. The City's debt is comprised of debt backed by the full faith and credit of the City, tax increment bonds, special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment and bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of North Mankato's Outstanding Debt

The City's total debt decreased during the current fiscal year due to regularly scheduled debt payments. The City maintained an "AA" rating from Standard and Poor's for their 2024 issues.

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 \$42,128,260, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3F starting on page 74 of this report.

Economic Factors and Next Year's Budgets and Rates

- The 2024 unemployment rate for the City was 1.9 percent, which is an decrease from a rate of 2.4 percent a year ago. This compares favorably to the State's average unemployment rate of 2.6 percent and the national average rate of 3.8 percent.
- Inflationary trends in the region compare favorably to national indices.
- Tax capacity valuation increased in 2024 for taxes payable in 2024 by \$2,058,850, or 11.7 percent. Market value of property has increased an average of 8.19 percent per year for the past 5 years.

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 North Mankato, P.O. Box 2055, North Mankato, 56003-2055.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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City of North Mankato, Minnesota
Statement of Net Position
December 31, 2024

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 22,576,920	\$ 4,163,060	\$ 26,739,980
Restricted assets - investments with fiscal agent	-	3,982,283	3,982,283
Receivables			
Taxes	89,209	-	89,209
Accounts	149,620	604,314	753,934
Notes	486,239	-	486,239
Special assessments	3,164,865	123,087	3,287,952
Intergovernmental	374,640	3,276	377,916
Leases	279,291	-	279,291
Internal balances	90,000	(90,000)	-
Inventories	-	456,883	456,883
Prepaid items	156,440	17,060	173,500
Land held for resale	3,297,375	-	3,297,375
Net pension asset	614,754	-	614,754
Investment in joint venture	2,340,645	-	2,340,645
Capital assets			
Nondepreciable assets	7,561,010	3,258,008	10,819,018
Depreciable assets net of accumulated depreciation and amortization	50,836,780	30,042,436	80,879,216
Total Assets	<u>92,017,788</u>	<u>42,560,407</u>	<u>134,578,195</u>
Deferred Outflows of Resources			
Deferred pension resources	2,936,928	113,916	3,050,844
Deferred other postemployment benefit resources	75,529	20,854	96,383
Total Deferred Outflows of Resources	<u>3,012,457</u>	<u>134,770</u>	<u>3,147,227</u>
Liabilities			
Accounts payable	521,215	237,167	758,382
Contracts payable	218,336	23,383	241,719
Due to other governments	128,488	106,004	234,492
Accrued interest payable	399,042	66,748	465,790
Accrued wages payable	144,351	39,076	183,427
Noncurrent liabilities			
Due within one year			
Long-term liabilities	2,529,492	895,542	3,425,034
Other postemployment benefits liability	27,824	7,682	35,506
Due in more than one year			
Long-term liabilities	33,973,454	7,880,838	41,854,292
Pension liability	2,532,727	538,433	3,071,160
Other postemployment benefits liability	385,890	106,548	492,438
Total Liabilities	<u>40,860,819</u>	<u>9,901,421</u>	<u>50,762,240</u>
Deferred Inflows of Resources			
Deferred pension resources	3,477,256	352,637	3,829,893
Deferred other postemployment benefit resources	258,202	71,293	329,495
Deferred lease resources	263,731	-	263,731
Advance from other governments	2,797,392	-	2,797,392
Total Deferred Inflows of Resources	<u>6,796,581</u>	<u>423,930</u>	<u>7,220,511</u>
Net Position			
Net investment in capital assets	39,392,299	28,961,880	68,354,179
Restricted			
Fire relief pensions	614,754	-	614,754
Debt service	2,408,071	-	2,408,071
Charitable gambling	91,474	-	91,474
Public safety	443,417	-	443,417
Library programs	4,925	-	4,925
Park development	5,866	-	5,866
Park improvements	925,390	-	925,390
Economic development	2,443,402	-	2,443,402
Tax increment financing	182,179	-	182,179
Unrestricted	861,068	3,407,946	4,269,014
Total Net Position	<u>\$ 47,372,845</u>	<u>\$ 32,369,826</u>	<u>\$ 79,742,671</u>

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,330,819	\$ 270,031	\$ 1,065	\$ -
Public safety	3,808,748	534,464	350,163	-
Public works	4,805,700	12,373	654,015	2,368,295
Culture and recreation	4,370,034	1,452,564	190,988	26,667
Housing and economic development	1,701,064	92,707	96,277	15,312
Mass transit and other	331,754	-	-	-
Interest on long-term debt	901,210	-	-	-
Total Governmental Activities	<u>17,249,329</u>	<u>2,362,139</u>	<u>1,292,508</u>	<u>2,410,274</u>
Business-type Activities				
Water	2,338,695	2,276,359	11,799	8,636
Sewer	2,798,137	2,637,788	7,668	4,570
Recycling	384,431	548,356	890	-
Storm water	568,302	642,102	1,666	-
Solid waste	959,872	893,869	3,155	-
Hotel	97,376	-	-	-
Total Business-type Activities	<u>7,146,813</u>	<u>6,998,474</u>	<u>25,178</u>	<u>13,206</u>
Totals	<u>\$ 24,396,142</u>	<u>\$ 9,360,613</u>	<u>\$ 1,317,686</u>	<u>\$ 2,423,480</u>

General Revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Tax increments
- Sales taxes
- Hotel/motel taxes
- Gambling taxes
- Franchise taxes
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Other revenues
- Gain on sale of capital assets

Transfers

Transfer of Capital Assets From (To) Other Funds

Total General Revenues, Transfers and Contributions

Change in Net Position

Net Position, January 1, as Previously Reported

Error Correction (Note 10)

Fund Balances, January 1 as Restated

Net Position, December 31

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,059,723)		\$ (1,059,723)
(2,924,121)		(2,924,121)
(1,771,017)		(1,771,017)
(2,699,815)		(2,699,815)
(1,496,768)		(1,496,768)
(331,754)		(331,754)
(901,210)		(901,210)
<u>(11,184,408)</u>		<u>(11,184,408)</u>
	\$ (41,901)	(41,901)
	(148,111)	(148,111)
	164,815	164,815
	75,466	75,466
	(62,848)	(62,848)
	(97,376)	(97,376)
	<u>(109,955)</u>	<u>(109,955)</u>
<u>(11,184,408)</u>	<u>(109,955)</u>	<u>(11,294,363)</u>
6,878,782	-	6,878,782
2,000,000	-	2,000,000
628,724	-	628,724
1,021,549	-	1,021,549
49,388	-	49,388
138,761	-	138,761
484,738	-	484,738
2,327,918	-	2,327,918
906,040	147,716	1,053,756
131,574	-	131,574
735	-	735
272,050	(272,050)	-
(1,254,874)	1,254,874	-
<u>13,585,385</u>	<u>1,130,540</u>	<u>14,715,925</u>
<u>2,400,977</u>	<u>1,020,585</u>	<u>3,421,562</u>
44,971,868	31,230,420	76,202,288
-	118,821	118,821
<u>44,971,868</u>	<u>31,349,241</u>	<u>76,321,109</u>
<u>\$ 47,372,845</u>	<u>\$ 32,369,826</u>	<u>\$ 79,742,671</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of North Mankato, Minnesota

Balance Sheet
Governmental Funds
December 31, 2024

	Capital Projects					
	General	Debt Service	Revolving MSA	Caswell Indoor Recreation Project	(Formerly Nonmajor) 2024 Construction	(Formerly Nonmajor) Capital Facilities and Equipment Replacement - General
Assets						
Cash and temporary investments	\$ 5,163,578	\$ 2,653,260	\$ 38,860	\$ 7,144,568	\$ 189,677	\$ 428,530
Receivables						
Taxes	89,209	-	-	-	-	-
Accounts	76,664	-	-	-	-	21,819
Notes	-	-	-	-	-	-
Special assessments	10,440	3,154,425	-	-	-	-
Intergovernmental	100,819	35,471	28,750	-	-	7,621
Leases	279,291	-	-	-	-	-
Advance from other funds	467,638	-	-	-	-	-
Due from other funds	638,643	-	-	-	-	-
Prepaid items	155,051	-	-	-	-	-
Land held for resale	-	-	-	-	-	-
Total Assets	<u>\$ 6,981,333</u>	<u>\$ 5,843,156</u>	<u>\$ 67,610</u>	<u>\$ 7,144,568</u>	<u>\$ 189,677</u>	<u>\$ 457,970</u>
Liabilities						
Accounts payable	\$ 217,682	\$ -	\$ -	\$ -	\$ 10,080	\$ 228,904
Contracts payable	-	-	-	-	61,593	28,171
Advance to other funds	-	-	-	-	-	-
Due to other governments	126,952	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Accrued wages payable	138,012	-	-	-	-	-
Total Liabilities	<u>482,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,673</u>	<u>257,075</u>
Deferred Inflows of Resources						
Unavailable revenue						
Taxes	89,209	-	-	-	-	-
Special assessments	10,440	3,154,425	-	-	-	-
Deferred lease resources	263,731	-	-	-	-	-
Advance from other governments	-	-	2,797,392	-	-	-
Total Deferred Inflows of Resources	<u>363,380</u>	<u>3,154,425</u>	<u>2,797,392</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances						
Nonspendable	622,689	-	-	-	-	-
Restricted	-	2,688,731	-	7,144,568	-	443,417
Committed	-	-	-	-	118,004	-
Unassigned	5,512,618	-	(2,729,782)	-	-	(242,522)
Total Fund Balances	<u>6,135,307</u>	<u>2,688,731</u>	<u>(2,729,782)</u>	<u>7,144,568</u>	<u>118,004</u>	<u>200,895</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,981,333</u>	<u>\$ 5,843,156</u>	<u>\$ 67,610</u>	<u>\$ 7,144,568</u>	<u>\$ 189,677</u>	<u>\$ 457,970</u>

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

Other Governmental Funds	Total
\$ 6,958,447	\$ 22,576,920
-	89,209
51,137	149,620
486,239	486,239
-	3,164,865
201,979	374,640
-	279,291
-	467,638
-	638,643
1,389	156,440
<u>3,297,375</u>	<u>3,297,375</u>
<u>\$ 10,996,566</u>	<u>\$ 31,680,880</u>
\$ 64,549	\$ 521,215
128,572	218,336
377,638	377,638
1,536	128,488
638,643	638,643
6,339	144,351
<u>1,217,277</u>	<u>2,028,671</u>
-	89,209
-	3,164,865
-	263,731
-	2,797,392
<u>-</u>	<u>6,315,197</u>
1,389	624,078
5,548,022	15,824,738
5,210,184	5,328,188
(980,306)	1,560,008
<u>9,779,289</u>	<u>23,337,012</u>
<u>\$ 10,996,566</u>	<u>\$ 31,680,880</u>

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

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City of North Mankato, 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	\$ 23,337,012
Governmental funds do not report an asset for equity interest in a joint venture	2,340,645
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	58,397,790
Long term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	614,754
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	
Notes payable	(2,260,000)
Compensated absences payable	(936,101)
Other postemployment benefits liability	(413,714)
Pension liability	(2,532,727)
Bonds payable	(31,197,000)
Leases payable	(766,758)
Unamortized bond discounts, net of amortization	34,043
Unamortized bond premiums, net of amortization	(1,377,130)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	89,209
Special assessments receivable	3,164,865
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	2,936,928
Deferred inflows of pension resources	(3,477,256)
Deferred outflows of other postemployment benefit resources	75,529
Deferred inflows of other postemployment benefit resources	(258,202)
Governmental funds do not report a liability for accrued interest until due and payable.	(399,042)
Total Net Position - Governmental Activities	<u>\$ 47,372,845</u>

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

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

	Capital Projects					
	General	Debt Service	Revolving MSA	Caswell Indoor Recreation Project	(Formerly Nonmajor) 2024 Construction	(Formerly Nonmajor) Capital Facilities and Equipment Replacement - General
Revenues						
Taxes	\$ 6,498,988	\$ 2,000,000	\$ -	\$ -	\$ -	\$ 883,728
Special assessments	1,176	295,618	-	-	-	-
Licenses and permits	598,301	-	-	-	-	-
Intergovernmental	2,720,105	-	902,519	-	385,946	6,496
Charges for services	156,143	-	-	-	-	-
Fines and forfeits	38,418	-	-	-	-	-
Investment earnings	121,037	10,209	-	464,714	-	-
Miscellaneous	196,118	-	-	-	-	37,217
Total Revenues	<u>10,330,286</u>	<u>2,305,827</u>	<u>902,519</u>	<u>464,714</u>	<u>385,946</u>	<u>927,441</u>
Expenditures						
Current						
General government	1,038,068	-	-	-	-	-
Public safety	3,575,733	-	-	-	-	-
Public works	2,190,296	-	-	-	-	-
Culture and recreation	1,548,703	-	-	-	-	-
Housing and economic development	559,974	-	-	-	-	-
Mass transit and other	331,754	-	-	-	-	-
Capital outlay						
General government	8,476	-	-	-	-	93,177
Public safety	-	-	-	-	-	678,221
Public works	31,866	-	-	-	3,573,367	1,185,422
Culture and recreation	64,756	-	-	3,062	-	797,115
Housing and economic development	25,216	-	-	-	-	38,151
Debt service						
Principal	-	2,375,000	-	-	-	109,771
Interest and other costs	-	780,448	-	-	-	54,691
Bond issuance costs	-	-	-	-	60,500	-
Total Expenditures	<u>9,374,842</u>	<u>3,155,448</u>	<u>-</u>	<u>3,062</u>	<u>3,633,867</u>	<u>2,956,548</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>955,444</u>	<u>(849,621)</u>	<u>902,519</u>	<u>461,652</u>	<u>(3,247,921)</u>	<u>(2,029,107)</u>
Other Financing Sources (Uses)						
Sale of capital assets	-	-	-	-	-	66,103
Insurance recoveries	-	-	-	-	-	145,412
Transfers in	333,750	927,091	-	-	1,070,360	500,105
Bonds issued	-	-	-	-	2,260,000	-
Premium on bonds issued	-	-	-	-	151,901	-
Leases issued	-	-	-	-	-	876,529
Transfers out	(268,145)	-	(1,570,465)	-	-	-
Total Other Financing Sources (Uses)	<u>65,605</u>	<u>927,091</u>	<u>(1,570,465)</u>	<u>-</u>	<u>3,482,261</u>	<u>1,588,149</u>
Net Change in Fund Balances	<u>1,021,049</u>	<u>77,470</u>	<u>(667,946)</u>	<u>461,652</u>	<u>234,340</u>	<u>(440,958)</u>
Fund Balances, January 1, as previously reported	5,114,258	2,611,261	(2,061,836)	6,682,916	-	-
Changes to the financial reporting entity Change from nonmajor to major fund	-	-	-	-	(116,336)	641,853
Fund Balances, January 1 as adjusted	<u>5,114,258</u>	<u>2,611,261</u>	<u>(2,061,836)</u>	<u>6,682,916</u>	<u>(116,336)</u>	<u>641,853</u>
Fund Balances, December 31	<u>\$ 6,135,307</u>	<u>\$ 2,688,731</u>	<u>\$ (2,729,782)</u>	<u>\$ 7,144,568</u>	<u>\$ 118,004</u>	<u>\$ 200,895</u>

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

Other Governmental Funds	Total
\$ 1,823,173	\$ 11,205,889
-	296,794
-	598,301
1,564,882	5,579,948
1,237,062	1,393,205
-	38,418
310,080	906,040
198,457	431,792
<u>5,133,654</u>	<u>20,450,387</u>
64,580	1,102,648
-	3,575,733
-	2,190,296
1,511,549	3,060,252
1,012,148	1,572,122
-	331,754
-	101,653
-	678,221
164,475	4,955,130
-	864,933
-	63,367
-	2,484,771
850	835,989
34,680	95,180
<u>2,788,282</u>	<u>21,912,049</u>
<u>2,345,372</u>	<u>(1,461,662)</u>
-	66,103
-	145,412
218,920	3,050,226
2,312,000	4,572,000
(34,043)	117,858
-	876,529
<u>(939,566)</u>	<u>(2,778,176)</u>
<u>1,557,311</u>	<u>6,049,952</u>
<u>3,902,683</u>	<u>4,588,290</u>
6,402,123	18,748,722
<u>(525,517)</u>	<u>-</u>
<u>5,876,606</u>	<u>18,748,722</u>
<u>\$ 9,779,289</u>	<u>\$ 23,337,012</u>

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

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

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

Net Change in Fund Balances - Governmental Funds	\$ 4,588,290
Governmental funds do not report income or loss in a joint venture	2,340,645
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	5,722,388
Depreciation/amortization expense	(3,688,633)
Net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to increase (decrease) net position.	
Capital contributions to business-type activities	(1,254,874)
The statement of activities reports losses arising from trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.	(288,498)
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 on bonds	2,375,000
Principal repayments on leases	109,771
Debt issued	(4,572,000)
Leases issued	(876,529)
Issuance of note payable to the City of Mankato	(2,260,000)
Discount on bonds issued, net of amortization expense	33,568
Premium on bonds issued, net of amortization expense	(23,851)
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.	(97,616)
Long-term pension activity is not reported in governmental funds.	
Pension expense	270,587
Direct aid contributions	85,476
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	(6,284)
Special assessments	226,028
Intergovernmental revenues	(255,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(29,612)
Other postemployment benefits costs	2,121
Change in Net Position - Governmental Activities	\$ 2,400,977

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

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 6,453,249	\$ 6,453,249	\$ 6,498,988	\$ 45,739
Special assessments	3,550	3,550	1,176	(2,374)
Licenses and permits	653,700	653,700	598,301	(55,399)
Intergovernmental	2,666,070	2,666,070	2,720,105	54,035
Charges for services	162,221	167,221	156,143	(11,078)
Fines and forfeits	21,500	21,500	38,418	16,918
Investment earnings	55,000	55,000	121,037	66,037
Miscellaneous	110,328	110,328	196,118	85,790
Total Revenues	<u>10,125,618</u>	<u>10,130,618</u>	<u>10,330,286</u>	<u>199,668</u>
Expenditures				
Current				
General government	1,161,245	1,159,445	1,038,068	121,377
Public safety	3,742,093	3,742,093	3,575,733	166,360
Public works	2,355,196	2,356,996	2,190,296	166,700
Culture and recreation	1,582,332	1,582,332	1,548,703	33,629
Housing and economic development	698,700	698,700	559,974	138,726
Mass transit and other	516,611	516,611	331,754	184,857
Capital outlay				
General government	7,000	7,000	8,476	(1,476)
Public works	55,000	55,000	31,866	23,134
Culture and recreation	71,300	71,300	64,756	6,544
Housing and economic development	20,000	20,000	25,216	(5,216)
Total Expenditures	<u>10,209,477</u>	<u>10,209,477</u>	<u>9,374,842</u>	<u>834,635</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(83,859)</u>	<u>(78,859)</u>	<u>955,444</u>	<u>1,034,303</u>
Other Financing Sources (Uses)				
Transfers in	333,750	333,750	333,750	-
Sale of capital assets	3,000	3,000	-	(3,000)
Transfers out	(153,700)	(153,700)	(268,145)	(114,445)
Total Other Financing Sources (Uses)	<u>183,050</u>	<u>183,050</u>	<u>65,605</u>	<u>(117,445)</u>
Net Change in Fund Balances	99,191	104,191	1,021,049	916,858
Fund Balances, January 1	<u>5,114,258</u>	<u>5,114,258</u>	<u>5,114,258</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 5,213,449</u>	<u>\$ 5,218,449</u>	<u>\$ 6,135,307</u>	<u>\$ 916,858</u>

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

City of North Mankato, Minnesota

Statement of Net Position

Proprietary Funds

December 31, 2024

Business-type Activities - Enterprise Funds

	601	602	604	652	Other	Total
	Water Utility	Sewer Utility	Storm Water	Hotel	Enterprise Funds	
Assets						
Current Assets						
Cash and temporary investments	\$ 444,149	\$ 2,806,295	\$ 398,401	\$ -	\$ 514,215	\$ 4,163,060
Restricted assets - investments with fiscal agent	-	-	-	3,982,283	-	3,982,283
Receivables						
Accounts	603,557	-	-	-	757	604,314
Special assessments	158	-	-	-	-	158
Intergovernmental	118	3,158	-	-	-	3,276
Inventories	456,883	-	-	-	-	456,883
Prepaid items	3,412	3,412	3,412	-	6,824	17,060
Total Current Assets	<u>1,508,277</u>	<u>2,812,865</u>	<u>401,813</u>	<u>3,982,283</u>	<u>521,796</u>	<u>9,227,034</u>
Noncurrent Assets						
Special assessments receivable	25,236	97,693	-	-	-	122,929
Capital assets						
Land	275,091	687,339	24,732	-	160,650	1,147,812
Buildings	22,932,435	17,708,760	6,780,539	-	1,504,329	48,926,063
Machinery and equipment	866,470	923,676	10,000	-	741,790	2,541,936
Right to use leased assets	123,564	-	38,774	-	-	162,338
Construction in progress	908,929	576,325	624,942	-	-	2,110,196
Less accumulated depreciation	(10,646,472)	(8,441,907)	(1,107,311)	-	(1,392,211)	(21,587,901)
Total Capital Assets	<u>14,460,017</u>	<u>11,454,193</u>	<u>6,371,676</u>	<u>-</u>	<u>1,014,558</u>	<u>33,300,444</u>
Total Noncurrent Assets	<u>14,485,253</u>	<u>11,551,886</u>	<u>6,371,676</u>	<u>-</u>	<u>1,014,558</u>	<u>33,423,373</u>
Total Assets	<u>15,993,530</u>	<u>14,364,751</u>	<u>6,773,489</u>	<u>3,982,283</u>	<u>1,536,354</u>	<u>42,650,407</u>
Deferred Outflows of Resources						
Deferred pension resources	53,314	34,564	7,562	-	18,476	113,916
Deferred other postemployment benefit resources	10,690	7,780	2,384	-	-	20,854
Total Deferred Outflows of Resources	<u>64,004</u>	<u>42,344</u>	<u>9,946</u>	<u>-</u>	<u>18,476</u>	<u>134,770</u>
Liabilities						
Current Liabilities						
Accounts payable	95,181	67,774	3,411	-	70,801	237,167
Contracts payable	9,617	13,766	-	-	-	23,383
Due to other governments	30,743	67,778	174	-	7,309	106,004
Accrued interest payable	6,774	13,218	4,668	40,696	1,392	66,748
Accrued wages payable	20,252	12,646	3,016	-	3,162	39,076
Advances from other funds - current	-	-	15,000	-	-	15,000
Compensated absences payable - current portion	53,213	25,486	15,858	-	3,730	98,287
Leases payable - current portion	22,644	-	7,111	-	-	29,755
Bonds payable - current portion	302,000	114,100	50,000	185,000	116,400	767,500
Other postemployment benefits liability	3,938	2,866	878	-	-	7,682
Total Current Liabilities	<u>544,362</u>	<u>317,634</u>	<u>100,116</u>	<u>225,696</u>	<u>202,794</u>	<u>1,390,602</u>
Noncurrent Liabilities						
Advances from other funds - noncurrent	-	-	75,000	-	-	75,000
Compensated absences payable, net of current portion	87,420	34,147	2,539	-	4,396	128,502
Leases payable, net of current portion	81,612	-	25,596	-	-	107,208
Bonds payable, net of current portion	1,612,525	1,299,481	514,860	4,158,637	59,625	7,645,128
Pension liability	252,225	163,801	35,675	-	86,732	538,433
Other postemployment benefits liability	54,616	39,751	12,181	-	-	106,548
Total Noncurrent Liabilities	<u>2,088,398</u>	<u>1,537,180</u>	<u>665,851</u>	<u>4,158,637</u>	<u>150,753</u>	<u>8,600,819</u>
Total Liabilities	<u>2,632,760</u>	<u>1,854,814</u>	<u>765,967</u>	<u>4,384,333</u>	<u>353,547</u>	<u>9,991,421</u>
Deferred Inflows of Resources						
Deferred pension resources	165,165	107,232	23,372	-	56,868	352,637
Deferred other postemployment benefit resources	36,544	26,599	8,150	-	-	71,293
Total Deferred Inflows of Resources	<u>201,709</u>	<u>133,831</u>	<u>31,522</u>	<u>-</u>	<u>56,868</u>	<u>423,930</u>
Net Position						
Net investment in capital assets	12,342,856	10,006,382	5,774,109	-	838,533	28,961,880
Unrestricted	880,209	2,412,068	211,837	(402,050)	305,882	3,407,946
Total Net Position	<u>\$ 13,223,065</u>	<u>\$ 12,418,450</u>	<u>\$ 5,985,946</u>	<u>\$ (402,050)</u>	<u>\$ 1,144,415</u>	<u>\$ 32,369,826</u>

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

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

Business-type Activities - Enterprise Funds

	601	602	604	652	Other	
	Water Utility	Sewer Utility	Storm Water	Hotel	Enterprise Funds	Total
Operating Revenues						
Charges for services	\$ 2,283,595	\$ 2,635,784	\$ 641,844	\$ -	\$ 1,370,721	\$ 6,931,944
Facility rental	-	-	-	-	65,175	65,175
Other	4,563	9,672	1,924	-	10,374	26,533
Total Operating Revenues	<u>2,288,158</u>	<u>2,645,456</u>	<u>643,768</u>	<u>-</u>	<u>1,446,270</u>	<u>7,023,652</u>
Operating Expenses						
Personal services	867,675	565,140	143,799	-	218,427	1,795,041
Supplies	290,261	237,630	21,577	-	26,741	576,209
Other services and charges	364,626	88,235	82,884	-	194,982	730,727
Contractual services	-	1,317,778	-	-	798,699	2,116,477
Insurance	19,334	26,587	-	-	3,191	49,112
Utilities	167,307	-	22,935	-	15,978	206,220
Depreciation/amortization	614,910	500,472	206,757	-	81,040	1,403,179
Total Operating Expenses	<u>2,324,113</u>	<u>2,735,842</u>	<u>477,952</u>	<u>-</u>	<u>1,339,058</u>	<u>6,876,965</u>
Operating Income (Loss)	<u>(35,955)</u>	<u>(90,386)</u>	<u>165,816</u>	<u>-</u>	<u>107,212</u>	<u>146,687</u>
Nonoperating Revenues (Expenses)						
Investment income	24,118	13,917	-	109,681	-	147,716
Gain (loss) on disposal of capital assets	24,989	(22,146)	(75,924)	-	-	(73,081)
Interest expense	(45,958)	(37,021)	(14,965)	(99,060)	(6,151)	(203,155)
Bond issuance costs	-	(15,040)	-	-	-	(15,040)
Amortization of bond premiums (discounts)	6,387	11,912	539	1,684	906	21,428
Total Nonoperating Revenues (Expenses)	<u>9,536</u>	<u>(48,378)</u>	<u>(90,350)</u>	<u>12,305</u>	<u>(5,245)</u>	<u>(122,132)</u>
Income Before Contributions and Transfers	(26,419)	(138,764)	75,466	12,305	101,967	24,555
Capital Contributions from Other Funds	431,019	207,435	616,420	-	-	1,254,874
Capital Grants and Contributions	8,636	4,570	-	-	-	13,206
Transfers In	-	-	61,700	-	-	61,700
Transfers Out	(107,000)	(130,000)	(51,750)	-	(45,000)	(333,750)
Change in Net Position	306,236	(56,759)	701,836	12,305	56,967	1,020,585
Net Position, January 1, as Previously Reported	12,916,829	12,356,388	5,284,110	(414,355)	1,087,448	31,230,420
Error Correction (Note 10)	-	118,821	-	-	-	118,821
Fund Balances, January 1 as Restated	<u>12,916,829</u>	<u>12,475,209</u>	<u>5,284,110</u>	<u>(414,355)</u>	<u>1,087,448</u>	<u>31,349,241</u>
Net Position, December 31	<u>\$ 13,223,065</u>	<u>\$ 12,418,450</u>	<u>\$ 5,985,946</u>	<u>\$ (402,050)</u>	<u>\$ 1,144,415</u>	<u>\$ 32,369,826</u>

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

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

Business-type Activities - Enterprise Funds

	601 Water Utility	602 Sewer Utility	604 Storm Water	652 Hotel	Other Enterprise Funds	Total
Cash Flows from Operating Activities						
Receipts from customers	\$ 2,235,596	\$ 2,635,048	\$ 644,459	\$ -	\$ 1,379,767	\$ 6,894,870
Payments to suppliers and vendors	(1,201,946)	(1,575,157)	(133,420)	-	(1,046,318)	(3,956,841)
Payments to and on behalf of employees	(884,008)	(590,210)	(131,496)	-	(125,757)	(1,731,471)
Other receipts	4,563	9,672	1,924	-	72,563	88,722
Net Cash Provided by Operating Activities	<u>154,205</u>	<u>479,353</u>	<u>381,467</u>	<u>-</u>	<u>280,255</u>	<u>1,295,280</u>
Cash Flows from Noncapital Financing Activities						
Increase (decrease) in due to other funds	-	-	(15,000)	-	-	(15,000)
Transfers from other funds	-	-	61,700	-	-	61,700
Transfers to other funds	(107,000)	(130,000)	(51,750)	-	(45,000)	(333,750)
Net Cash Used by Noncapital Financing Activities	<u>(107,000)</u>	<u>(130,000)</u>	<u>(5,050)</u>	<u>-</u>	<u>(45,000)</u>	<u>(287,050)</u>
Cash Flows from Capital Related Financing Activities						
Acquisition of capital assets	(338,428)	(472,809)	(12,960)	-	-	(824,197)
Proceeds from sale of capital assets	28,934	-	-	-	-	28,934
Proceeds from bond issue, net discounts/premiums	-	517,651	-	-	-	517,651
Principal paid on revenue bonds payable	(318,800)	(137,500)	(90,000)	-	(115,000)	(661,300)
Interest paid on revenue bonds payable	(46,861)	(29,415)	(15,515)	-	(7,243)	(99,034)
Principal paid on leases	(19,308)	-	(6,067)	-	-	(25,375)
Bond issuance costs paid on bonds	-	(15,040)	-	-	-	(15,040)
Payments received on assessments receivable	262	50,700	-	-	-	50,962
Net Cash Used by Capital and Related Financing Activities	<u>(694,201)</u>	<u>(86,413)</u>	<u>(124,542)</u>	<u>-</u>	<u>(122,243)</u>	<u>(1,027,399)</u>
Cash Flows from Investing Activities						
Interest received on cash and investments	24,118	13,917	-	-	-	38,035
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(622,878)</u>	<u>276,857</u>	<u>251,875</u>	<u>-</u>	<u>113,012</u>	<u>18,866</u>
Cash and Cash Equivalents, January 1	<u>1,067,027</u>	<u>2,529,438</u>	<u>146,526</u>	<u>-</u>	<u>401,203</u>	<u>4,144,194</u>
Cash and Cash Equivalents, December 31	<u>\$ 444,149</u>	<u>\$ 2,806,295</u>	<u>\$ 398,401</u>	<u>\$ -</u>	<u>\$ 514,215</u>	<u>\$ 4,163,060</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating income	\$ (35,955)	\$ (90,386)	\$ 165,816	\$ -	\$ 107,212	\$ 146,687
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation/amortization	614,910	500,472	206,757	-	81,040	1,403,179
(Increase) decrease in assets						
Accounts receivable	(36,523)	-	4,281	-	9,889	(22,353)
Intergovernmental	323	6,932	-	-	-	7,255
Inventories	(265,494)	-	-	-	-	(265,494)
Prepaid items	(2,185)	(2,062)	(2,203)	-	(4,368)	(10,818)
Leases receivable	-	-	-	-	54,882	54,882
(Increase) decrease in deferred outflows of resources						
Deferred pension resources	45,470	32,819	3,397	-	(9,218)	72,468
Deferred other postemployment benefit resources	5,758	3,850	1,262	-	-	10,870
Increase (decrease) in liabilities						
Accounts payable	(121,900)	50,758	(3,246)	-	(2,819)	(77,207)
Due to other governments	29,161	46,377	(575)	-	460	75,423
Accrued wages payable	7,436	4,133	1,723	-	1,206	14,498
Compensated absences payable	14,180	7,454	3,535	-	452	25,621
Other postemployment benefits liability	1,775	2,469	471	-	-	4,715
Pension liability	(136,943)	(101,848)	(7,446)	-	50,585	(195,652)
Unearned revenue	-	-	-	-	-	-
Increase (decrease) in deferred inflows of resources						
Deferred pension resources	44,977	25,252	10,038	-	45,600	125,867
Deferred other postemployment benefit resources	(10,785)	(6,867)	(2,343)	-	-	(19,995)
Deferred lease resources	-	-	-	-	(54,666)	(54,666)
Net Cash Provided by Operating Activities	<u>\$ 154,205</u>	<u>\$ 479,353</u>	<u>\$ 381,467</u>	<u>\$ -</u>	<u>\$ 280,255</u>	<u>\$ 1,295,280</u>
Schedule of Noncash Capital and Related Financing Activities						
Book value of disposed/traded of capital assets	\$ 3,945	\$ 22,146	\$ 75,924	\$ -	\$ -	\$ 102,015
Capital assets acquired on account	\$ 88,763	\$ 20,464	\$ -	\$ -	\$ -	\$ 109,227
Capital assets contributed by other funds	\$ 431,019	\$ 207,435	\$ 616,420	\$ -	\$ -	\$ 1,254,874
Special assessments levied	\$ 13,969	\$ 4,045	\$ -	\$ -	\$ -	\$ 18,014
Assets acquired through a lease	\$ 123,564	\$ 38,774	\$ -	\$ -	\$ -	\$ 162,338
Amortization of bond (premium) discount	\$ (6,387)	\$ (11,912)	\$ (539)	\$ (1,684)	\$ (906)	\$ (21,428)
Bond principal paid by escrow	\$ -	\$ -	\$ -	\$ (185,000)	\$ -	\$ (185,000)
Bond interest paid by escrow	\$ -	\$ -	\$ -	\$ (101,373)	\$ -	\$ (101,373)
Interest paid (earned) on escrow	\$ -	\$ -	\$ -	\$ 109,681	\$ -	\$ 109,681

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

City of North Mankato, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2024

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 31,670</u>
Net Position	
Restricted	
Individuals, organizations and other governments	<u><u>\$ 31,670</u></u>

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

City of North Mankato, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2024

	Custodial Funds
Additions	
Refunds and reimbursements	\$ 26,200
Donations	12,310
Total Additions	38,510
Deductions	
Miscellaneous	39,971
Net Increase (Decrease) in Fiduciary Net Position	(1,461)
Net Position, January 1	33,131
Net Position, December 31	\$ 31,670

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

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of North Mankato (the City) operates under "Optional Plan A" as defined in the Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. 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. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The blended component unit has a December 31 year end.

Blended Presented Component Unit. The City of North Mankato Port Authority (the Port Authority) was established by the City Council to commence an active role as a facilitator for land acquisitions and improvements and as a promoter of community economic development. The Port Authority is governed by eight commission members, including five City Council members, who are directly appointed by the Mayor and confirmed by the City Council. Subject to the approval of the City Council, the Port Authority may issue bonds for public improvements and land development. The Port Authority's debt is expected to be paid entirely or almost entirely with the City's resources. The Port Authority's principal activities are economic and industrial development within the City and financing building activity for the City. Separate financial statements are not issued for this component unit.

Excluded

The Housing and Redevelopment Authority (HRA) was created pursuant to Chapter 487 of the Minnesota Session Laws of 1947. The HRA was created by the City to carry out housing and redevelopment projects and its governing board appointed by the City Council. The HRA is a related organization; however, the City is not financially accountable for the HRA.

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.

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

Separate financial statements are provided for governmental funds, 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Property taxes, franchise and sales 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 North Mankato, 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 City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The *Revolving MSA fund* accounts for municipal state construction aid for various capital projects.

The *Caswell Indoor Recreation Project fund* accounts for the improvements to the Caswell indoor recreation sporting complex.

The *2024 Construction fund* accounts for street construction projects associated with the 2024 improvements program.

The *Capital Facilities and Equipment Replacement - General fund* accounts for the City's capital equipment purchases and the tax revenues levied for those purchases.

The City reports the following major proprietary funds:

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

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

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

The *Hotel fund* accounts for the costs associated with the improvements and operation of the hotel by the City's port authority.

Additionally, the City reports the following fund types:

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. This fund is used to account for assets that the government holds for others in an agency capacity. Agency activities include the following: Minnesota River Valley Task Force, Tactical Response Team and Miss Fun Day activities. Custodial funds use economic resources measurement focus.

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 charges between the City's water, sewer and sanitation collection 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

D. Assets, Deferred 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. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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 limits the ratings of their commercial paper investments to A1P1. Minnesota Statutes limit the City's investments to the list on page 60 of the notes.
- *Concentration Risk* - The City's investment policy does not address concentration with a particular broker. Investment instruments are varied to prevent concentration in any one investment type.
- *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. The City's investment policy consist of liquidity target ranges of cash and investments maturing within one year at 40% or more of portfolio, investments maturing within 1 to 3 years is 35% or less of portfolio, and investments maturing within 3 to 5 years is 25% or less of portfolio.

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

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:

- Mutual funds of \$16,644, municipal bonds of \$843,212 and U.S. government securities of \$3,982,189 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposits of \$608,687 are valued using a matrix pricing model (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2024. All trade receivables are shown net of an allowance for uncollectible accounts. The City has no allowance for uncollectible accounts, as the City is generally able to certify amounts not collected to the County for collection as special assessments.

Special Assessments

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

Inventories and Prepaid Items

Inventories of materials and supplies are recorded at cost, which approximates market, using the average cost method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and are recorded as prepaid items. The City uses the consumption method to account for all prepaid items.

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 and component unit, 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 North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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 are defined by the City as assets with an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires 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. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation.

Land Improvements	\$	25,000
Other Improvements		25,000
Buildings and Building Improvements		50,000
Machinery and Equipment		5,000
Vehicles		5,000
Infrastructure		250,000
Other Assets		5,000

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	50
System Improvements/Infrastructure	20 - 30
Machinery, Equipment and Vehicles	15

Land Held for Resale

Land held for resale is valued at cost which approximates fair value.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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 which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement 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 government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount accrued for compensated absences at December 31, 2024 is \$1,162,890.

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 75, at January 1, 2023. The General fund is typically used to liquidate governmental other postemployment benefits payable.

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.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability (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 North Mankato Fire Department 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 General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERP, PEPFP, PEDCP and the North Mankato Firefighters Relief Association is as follows:

	GERP	PEPFP	PEDCP	FRA	Total
City's proportionate share	\$ 169,053	\$ 298,212	\$ 6,172	\$ (32,076)	\$ 441,361
Proportionate share of State's contribution	1,039	6,702	-	-	7,741
Total	\$ 170,092	\$ 304,914	\$ 6,172	\$ (32,076)	\$ 449,102

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

Furthermore, the City has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions. The City also has advances from other governments which are MSA dollars that are advanced on projects and earned in future years and deferred lease resources which are derived from lease amortization calculations.

Fund Balance

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

- 50 percent of property tax levy - budgeted in following year
- 50 percent of state aid revenues - local government aid and municipal state aid for roads; budgeted in following year

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 acquire 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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and the Caswell Sports, Youth Football, Swim Facility, Caswell North, Culture and Recreation, Library Endowment, Local Option Sales Tax, Port Authority and the Joint Economic Development special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

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

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

Note 2: Stewardship, Compliance and Accountability (Continued)

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Administrator. Transfers of appropriations between funds require the approval of the Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. All budget amendments were approved based on unanticipated expenditures and revenues encountered during the year.

B. Excess of Expenditures Over Appropriations

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

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special Revenue			
Caswell North	\$ 101,950	\$ 125,598	\$ 23,648
Library Endowment	56,275	66,730	10,455
Port Authority	64,448	165,789	101,341

These over expenditures were funded by an excess of actual revenues over budget, available fund balance and transfers from other funds.

C. Deficit Fund Equity

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

Fund	Amount
Major	
Capital Projects	
Revolving MSA	\$ 2,729,782
Nonmajor	
Special Revenue	
Flood Control	344,672
Marigold TIF #8	367,133
Gordini TIF #27	6,000
Hotel Redevelopment TIF #28	86,300
Capital Projects	
Caswell North	37,083
2025 Construction	129,905
2026 Construction	8,962
Proprietary	
Hotel	402,050
Solid Waste	138,131

The above deficits will be eliminated through future state and federal aids, future tax increments, bond issuances, grants, donations, charges for services and transfers from other funds.

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

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 or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$11,882,261, including \$31,620 reported in fiduciary funds, while the bank balance was \$11,917,106. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name.

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$2,104.

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

Note 3: Detailed Notes on All Funds (Continued)

Investments

At the year-end, the City had in investments that are insured or registered, or securities held by the City or its agent in the City's name.

- **Credit Risk.** Ratings provided by various credit rating agencies where applicable indicate associated credit risk. The City's investments have ratings of AAA.
- **Interest Rate Risk.** Using the segmented time distribution method, the interest rate risk of these investments ranges from less than 6 months to more than 3 years.
- **Concentration of Credit Risk.** The City places no limit on the amount that may be invested in any one issuer. The City has not invested more than five percent in any one issuer.

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled Investments at Amortized Costs					
U.S. Government Money Market Accounts	N/A	less than 1 year			
Public Fund Money Market Accounts	N/A	less than 1 year	\$ 833		
4M Fund	N/A	1 to 5 years	13,418,003		
Non-pooled Investments at Fair Value					
Mutual Funds	N/A	less than 1 year	16,644	\$ 16,644	\$ -
Municipal Bonds	AA	1 to 5 years	843,212	843,212	-
U.S. Government Securities	N/A	1 to 5 years	773,428	773,428	-
U.S. Government Securities	N/A	less than 1 year	261,579	261,579	-
U.S. Government Securities	N/A	more than 5 years	2,947,182	2,947,182	-
Negotiable Certificates of Deposit	N/A	less than 1 year	99,489	-	99,489
Negotiable Certificates of Deposit	N/A	1 to 5 years	509,198	-	509,198
Total Investments			\$ 18,869,568	\$ 4,842,045	\$ 608,687

Cash and Investments Summary

A reconciliation of temporary cash and investments as shown on the statement of net position for the City, including the fiduciary funds, follows:

	Primary Government	Fiduciary Funds	Total
Deposits	\$ 11,850,641	\$ 31,620	\$ 11,882,261
Investments	18,869,568	-	18,869,568
Cash on Hand	2,054	50	2,104
Total Cash and Temporary Investments	\$ 30,722,263	\$ 31,670	\$ 30,753,933
Cash and Temporary Investments	\$ 26,739,980	\$ 31,670	\$ 26,771,650
Restricted Assets - Investments With Fiscal Agent	3,982,283	-	3,982,283
Total	\$ 30,722,263	\$ 31,670	\$ 30,753,933

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

Note 3: Detailed Notes on All Funds (Continued)

B. Notes and Mortgages Receivable

The Port Authority (Component Unit) has various low interest notes with local business through its Port Authority General fund, Federal Revolving Loan fund, Local Revolving Loan fund, and State Revolving Loan fund as well as a mortgage receivable through its Joint Economic Development fund. The revolving notes are to be repaid to the Port Authority in various monthly installments with interest at 2.50 percent to 4.50 percent. The balance on these notes at December 31, 2024 is \$444,213.

The Joint Economic Development fund has a note receivable from a resident for housing rehab due in monthly installments of \$359 at 5.25 percent interest. The balance on this note at December 31, 2024 is \$42,026.

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated/Amortized				
Land	\$ 4,354,365	\$ -	\$ (209,506)	\$ 4,144,859
Construction in progress	1,390,218	3,017,365	(991,432)	3,416,151
Total Capital Assets not Being Depreciated/Amortized	<u>5,744,583</u>	<u>3,017,365</u>	<u>(1,200,938)</u>	<u>7,561,010</u>
Capital Assets Being Depreciated/Amortized				
Buildings and improvements	99,087,195	1,069,045	(36,969)	100,119,271
Machinery, equipment and vehicles	9,385,183	496,007	(903,065)	8,978,125
Right to use lease assets	-	876,529	-	876,529
Total Capital Assets Being Depreciated/Amortized	<u>108,472,378</u>	<u>2,441,581</u>	<u>(940,034)</u>	<u>109,973,925</u>
Less Accumulated Depreciation/Amortization for				
Buildings and improvements	(50,387,418)	(3,110,996)	35,720	(53,462,694)
Machinery, equipment and vehicles	(5,922,136)	(447,382)	825,322	(5,544,196)
Right to use lease asset	-	(130,255)	-	(130,255)
Total Accumulated Depreciation/Amortization	<u>(56,309,554)</u>	<u>(3,688,633)</u>	<u>861,042</u>	<u>(59,137,145)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>52,162,824</u>	<u>(1,247,052)</u>	<u>(78,992)</u>	<u>50,836,780</u>
Governmental Activities Capital Assets, Net	<u>\$ 57,907,407</u>	<u>\$ 1,770,313</u>	<u>\$ (1,279,930)</u>	<u>\$ 58,397,790</u>

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

Note 3: Detailed Notes on All Funds (Continued)

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated/Amortized				
Land	\$ 1,211,111	\$ -	\$ (63,299)	\$ 1,147,812
Construction in progress	554,346	1,983,082	(427,232)	2,110,196
Total Capital Assets not Being Depreciated/Amortized	<u>1,765,457</u>	<u>1,983,082</u>	<u>(490,531)</u>	<u>3,258,008</u>
Capital Assets Being Depreciated/Amortized				
Buildings and improvements	48,407,178	538,885	(20,000)	48,926,063
Machinery, equipment and vehicles	2,772,006	20,244	(250,314)	2,541,936
Right to use lease asset	-	162,338	-	162,338
Total Capital Assets Being Depreciated/Amortized	<u>51,179,184</u>	<u>721,467</u>	<u>(270,314)</u>	<u>51,630,337</u>
Less Accumulated Depreciation/Amortization for				
Buildings and improvements	(18,539,822)	(1,230,194)	17,580	(19,752,436)
Machinery, equipment and vehicles	(1,912,795)	(143,224)	250,315	(1,805,704)
Right to use lease asset	-	(29,761)	-	(29,761)
Total Accumulated Depreciation/Amortization	<u>(20,452,617)</u>	<u>(1,403,179)</u>	<u>267,895</u>	<u>(21,587,901)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>30,726,567</u>	<u>(681,712)</u>	<u>(2,419)</u>	<u>30,042,436</u>
Business-Type Activities Capital Assets, Net	<u>\$ 32,492,024</u>	<u>\$ 1,301,370</u>	<u>\$ (492,950)</u>	<u>\$ 33,300,444</u>

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

Governmental Activities		
General government		\$ 87,100
Public safety		210,054
Public works, including depreciation of general infrastructure assets		2,305,702
Culture and recreation		1,085,777
Total Depreciation/Amortization Expense - Governmental Activities		<u>\$ 3,688,633</u>
Business-type Activities		
Water utility		\$ 614,910
Sewer utility		500,472
Recycling		38,761
Storm water		206,757
Solid waste		42,279
Total Depreciation/Amortization Expense - Business-type Activities		<u>\$ 1,403,179</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Construction Commitments

The City has active construction projects as of December 31, 2024. The projects include street construction, new developments, utility rehabs and culture and recreation facility upgrades. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
2024 Street and Paving Improvements	\$ 563,429	\$ 109,551
Sherman Street Improvements	2,397,117	73,536
Hoover School SRTS Improvements	682,535	2,382
North Ridge Lift Station and Forcemain	275,310	651,155
Splashpad Water Reclamation	192,345	81,037
 Total	 <u>\$ 4,110,736</u>	 <u>\$ 917,661</u>

The special assessment portion of the commitment for residential street construction is being financed by special assessment bonds that will be repaid by the benefiting property owners.

D. Interfund Receivables, Payables and Transfers

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

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	<u>\$ 638,643</u>

The above balances are related to temporary deficit cash balances.

Advances to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 377,638
	Storm Water enterprise	90,000
 Total		 <u>\$ 467,638</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include temporary loans made to other funds caused by the timing of bond sales, capital loans and special assessment collections in the subsequent year.

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

Note 3: Detailed Notes on All Funds (Continued)

Interfund Transfers

The following transfers were made for the year ended December 31, 2024:

Fund	Transfer in						Total
	General	Debt Service	2024 Construction	Capital Facilities and Equipment Replacement - General	Nonmajor Governmental	Storm Water Enterprise	
Transfer out							
General	\$ -	\$ -	\$ -	\$ -	\$ 206,445	\$ 61,700	\$ 268,145
Revolving MSA	-	-	1,070,360	500,105	-	-	1,570,465
Nonmajor governmental	-	927,091	-	-	12,475	-	939,566
Water Utility enterprise	107,000	-	-	-	-	-	107,000
Sewer Utility enterprise	130,000	-	-	-	-	-	130,000
Storm Water enterprise	51,750	-	-	-	-	-	51,750
Nonmajor proprietary	45,000	-	-	-	-	-	45,000
Total	\$ 333,750	\$ 927,091	\$ 1,070,360	\$ 500,105	\$ 218,920	\$ 61,700	\$ 3,111,926

Transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. The following significant one-time transfers were made during 2024:

- \$333,750 budgeted transfer to the General fund from the Water Utility fund (\$107,000), the Sewer Utility fund (\$130,000), the Storm Water fund (\$51,750) and the Solid Waste fund (nonmajor enterprise fund) (\$45,000).
- \$927,091 budgeted transfer to the Debt Service fund from the Port Authority fund (\$12,394), the Local Option Sales Tax fund (\$728,700), the Belgrade Development TIF #26 fund (\$37,100), the 422 Belgrade TIF #19 fund (\$35,090), the Webster Avenue TIF #2 fund (\$6,182), the Marigold TIF #8 fund (\$107,625)
- \$92,000 budgeted transfer from the General fund to the Caswell Sports fund (\$77,000) and the Library Endowment fund (\$15,000).
- \$12,475 budgeted transfer to the Caswell North fund from the Youth Football fund.
- \$61,700 budgeted transfer to the Storm Water fund from the General fund.
- \$114,445 was transferred from the General fund to the Swim facility (\$71,588) and Caswell North fund (\$42,857) to cover operational deficits.
- \$1,570,465 was transferred from the Revolving MSA fund to the 2024 Construction fund (\$1,070,360) and the Capital Facilities and Equipment Replacement – General fund (\$500,105) for the MSA portion of the project costs.

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

Note 3: Detailed Notes on All Funds (Continued)

E. Leases Receivable

The City leases various tower sites to companies. These agreements contain various renewal and extension options. The latest maturity date is projected to be in 2043, however, the Utilities 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 Infow of Resources	Balance at Year End
Verizon Water Tower	06/01/16	1.338 %	\$ 21,330	<u>\$ 279,291</u>

F. Long-term Debt

General Obligation Bonds

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

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental					
G.O. Tax Abatement Bonds of 2015A	\$ 580,000	0.85 - 3.10 %	09/01/15	12/01/30	\$ 255,000
G.O. Bonds of 2016A	465,000	1.00 - 1.80	08/15/16	02/01/26	110,000
G.O. Tax Abatement Bonds of 2018A	4,200,000	3.00 - 3.375	12/20/18	02/01/34	3,015,000
G.O. Equipment Bonds of 2019A	265,000	2.00	10/30/19	02/01/29	150,000
G.O. Refunding Bonds 2020A	2,410,000	2.00	03/24/20	02/01/34	1,770,000
G.O. Refunding Bonds of 2021C	470,000	4.00	12/01/21	12/01/29	315,000
Taxable G.O. Bonds of 2024B	2,312,000	5.00 - 5.15	08/13/24	02/01/35	<u>2,312,000</u>
Total G.O. Bonds - Governmental					<u>7,927,000</u>
Business-type					
Taxable G.O. Bonds of 2021B	4,500,000	2.00 - 2.75	12/01/21	02/01/30	<u>4,315,000</u>
Total General Obligation Bonds					<u>\$ 12,242,000</u>

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

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31	General Obligation Bonds Governmental Activities			General Obligation Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 610,000	\$ 238,270	\$ 848,270	\$ 185,000	\$ 97,673	\$ 282,673
2026	774,000	241,880	1,015,880	190,000	93,923	283,923
2027	781,000	216,864	997,864	195,000	90,072	285,072
2028	800,000	190,764	990,764	200,000	86,122	286,122
2029	826,000	163,696	989,696	200,000	82,122	282,122
2030 - 2034	3,847,000	416,894	4,263,894	3,345,000	40,061	3,385,061
2035	289,000	7,225	296,225	-	-	-
Total	\$ 7,927,000	\$ 1,475,593	\$ 9,402,593	\$ 4,315,000	\$ 489,973	\$ 4,804,973

General Obligation Tax Increment Bonds

The following bonds were issued for redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Taxable G.O. Tax Increment Revenue Bonds of 2011B	\$ 455,000	3.00 - 5.00 %	12/01/11	02/01/35	\$ 305,000
Taxable G.O. Tax Increment Revenue Bonds of 2021A	425,000	2.00 - 4.00	08/17/21	02/01/37	385,000
Total G.O. Tax Increment Bonds					\$ 690,000

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

Year Ending December 31	G.O. Tax Increment Bonds Governmental Activities		
	Principal	Interest	Total
2025	\$ 45,000	\$ 24,910	\$ 69,910
2026	45,000	23,010	68,010
2027	45,000	21,090	66,090
2028	50,000	19,055	69,055
2029	55,000	16,780	71,780
2030 - 2034	305,000	49,110	354,110
2035 - 2037	145,000	4,150	149,150
Total	\$ 690,000	\$ 158,105	\$ 848,105

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

Note 3: Detailed Notes on All Funds (Continued)

G.O. Special Assessment (Improvement) Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental					
G.O. Improvement Bonds of 2015A	\$ 1,480,000	0.85 - 3.10 %	09/01/15	12/01/30	\$ 850,000
G.O. Crossover Refunding Bonds of 2015B	2,390,000	2.75 - 3.00	09/21/15	12/01/28	-
G.O. Improvement Bonds of 2016A	1,335,000	1.00 - 2.45	08/15/16	02/01/32	520,000
G.O. Improvement Bonds of 2018A	470,000	3.00 - 3.375	12/20/18	02/01/34	340,000
G.O. Improvement Bonds of 2019A	1,530,000	2.00	10/30/19	02/01/34	1,055,000
G.O. Improvement Bonds of 2020B	3,400,000	1.00 - 2.00	09/08/20	02/01/36	2,770,000
G.O. Improvement Bonds of 2021A	1,780,000	2.00 - 4.00	08/17/21	02/01/37	1,615,000
G.O. Refunding Bonds of 2021C	990,000	4.00	12/01/21	12/01/27	515,000
G.O. Improvement Bonds of 2022A	3,925,000	3.00 - 5.00	08/16/22	02/01/38	3,800,000
G.O. Improvement Bonds of 2024A	2,260,000	4.00 - 5.00	08/13/24	02/01/40	2,260,000
Total G.O. Special Assessments Bonds - Governmental					<u>13,725,000</u>
Business-type					
G.O. Crossover Refunding Bonds of 2012A	935,000	1.00 - 2.70	04/01/12	02/01/25	105,000
Total G.O. Special Assessments Bonds					<u>\$ 13,830,000</u>

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

Year Ending December 31	G.O. Special Assessment Bonds Governmental Activities			G.O. Special Assessment Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 1,000,000	\$ 401,716	\$ 1,401,716	\$ 105,000	\$ 1,418	\$ 106,418
2026	1,105,000	371,099	1,476,099	-	-	-
2027	1,175,000	332,499	1,507,499	-	-	-
2028	1,035,000	291,599	1,326,599	-	-	-
2029	1,065,000	257,299	1,322,299	-	-	-
2030 - 2034	5,035,000	829,767	5,864,767	-	-	-
2035 - 2039	3,105,000	240,670	3,345,670	-	-	-
2040	205,000	4,100	209,100	-	-	-
Total	<u>\$ 13,725,000</u>	<u>\$ 2,728,749</u>	<u>\$ 16,453,749</u>	<u>\$ 105,000</u>	<u>\$ 1,418</u>	<u>\$ 106,418</u>

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

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Business-type					
G.O. Crossover Refunding Bonds of 2015B	\$ 3,180,000	2.00 - 3.00 %	09/21/15	12/01/28	\$ 785,000
Public Facilities Authority Loan of 2015C	1,631,793	1.00	01/09/15	08/20/34	897,000
Public Facilities Authority Loan of 2016B	26,273	1.00	03/21/16	08/20/34	17,600
G.O. Bonds of 2016A	420,000	1.00 - 1.80	08/15/16	02/01/26	245,000
G.O. Bonds of 2019A	1,270,000	2.00	10/30/19	02/01/34	875,000
G.O. Refunding Bonds of 2021C	900,000	4.00	12/01/21	12/01/29	525,000
G.O. Bonds of 2024A	485,000	4.00 - 5.00	08/13/24	02/01/40	485,000
Total G.O. Revenue Bonds - Business-type					<u>3,829,600</u>
Governmental					
G.O. Sales Tax Revenue Bonds of 2010B	750,000	1.00 - 4.00	12/30/10	12/01/25	60,000
G.O. Sales Tax Revenue Bonds of 2021A	9,150,000	1.00 - 4.00	08/17/21	02/01/39	8,795,000
Total G.O. Revenue Bonds - Governmental					<u>8,855,000</u>
Total G.O. Revenue Bonds					<u>\$ 12,684,600</u>

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

Year Ending December 31	G.O. Revenue Bonds Governmental Activities			G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 270,000	\$ 222,900	\$ 492,900	\$ 477,500	\$ 70,959	\$ 548,459
2026	270,000	210,900	480,900	503,500	81,084	584,584
2027	300,000	199,500	499,500	533,700	68,524	602,224
2028	445,000	184,600	629,600	539,700	54,887	594,587
2029	460,000	166,500	626,500	345,700	40,587	386,287
2030 - 2034	3,000,000	584,250	3,584,250	1,194,500	107,248	1,301,748
2035 - 2039	4,110,000	218,600	4,328,600	190,000	28,600	218,600
2040	-	-	-	45,000	900	45,900
Total	<u>\$ 8,855,000</u>	<u>\$ 1,787,250</u>	<u>\$ 10,642,250</u>	<u>\$ 3,829,600</u>	<u>\$ 452,789</u>	<u>\$ 4,282,389</u>

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

Note 3: Detailed Notes on All Funds (Continued)

The G.O. revenue bonds were issued to finance capital improvements. The bonds are payable from future revenues pledged from the Water Utility, Sewer Utility, Recycling, Storm Water and Solid Waste funds and are backed by the full faith and credit of the City. 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 Utility	Sewer Utility	Recycling	Storm Water	Solid Waste
Revenue	\$ 2,288,158	\$ 2,645,456	\$ 549,246	\$ 643,768	\$ 897,024
Principal and Interest	365,661	166,915	104,085	105,515	18,158
Percent of Revenue	16.0 %	6.3 %	19.0 %	16.4 %	2.0 %

Notes Payable

The City of North Mankato, Minnesota has a note payable to the City of Mankato, Minnesota. The City of Mankato, Minnesota issued a G.O. Equipment Certificate in 2024 that the City of North Mankato, Minnesota has certified it is indebted and promises to pay the City of Mankato, Minnesota annual principal and interest installments for the issuance related to their portion of the All Season Arena improvements which they are a member of a joint powers agreement.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental					
City of Mankato Note Payable	\$ 2,260,000	4.00 - 5.00 %	02/01/25	02/01/40	<u>\$ 2,260,000</u>

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending December 31	Notes Payable Governmental Activities		
	Principal	Interest	Total
2025	\$ -	\$ 119,689	\$ 119,689
2026	105,000	102,725	207,725
2027	110,000	97,350	207,350
2028	115,000	91,725	206,725
2029	120,000	85,850	205,850
2030 - 2034	710,000	328,750	1,038,750
2035 - 2039	895,000	136,875	1,031,875
2040	205,000	4,100	209,100
	<u>\$ 2,260,000</u>	<u>\$ 967,064</u>	<u>\$ 3,227,064</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Leases Payable

The City leases multiple vehicles from Enterprise Fleet Management. As of December 31, 2024, the City had 22 outstanding vehicle leases, all of which were entered into during 2024. Each lease requires 60 monthly payments ranging from \$496 to \$1,576. The leases are all under a master lease agreement with individual schedules for each vehicle. The lease liability is measured at discount rates ranging from 6.28% to 6.83% as stated in the lease agreements. The balances of these leases are \$766,758 and \$136,963 for Governmental and Business-type activities respectively.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 157,878	\$ 54,692	\$ 212,570	\$ 29,755	\$ 9,331	\$ 39,086
2026	170,740	41,830	212,570	32,082	7,004	39,086
2027	184,650	27,919	212,569	34,592	4,494	39,086
2028	199,695	12,874	212,569	37,297	1,788	39,085
2029	53,795	938	54,733	3,237	20	3,257
Total	\$ 766,758	\$ 138,253	\$ 905,011	\$ 136,963	\$ 22,637	\$ 159,600

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

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 6,215,000	\$ 2,312,000	\$ (600,000)	\$ 7,927,000	\$ 610,000
General obligation tax increment bonds	840,000	-	(150,000)	690,000	45,000
General obligation special assessment bonds	12,605,000	2,260,000	(1,140,000)	13,725,000	1,000,000
General obligation revenue bonds	9,340,000	-	(485,000)	8,855,000	270,000
Bond discounts	(475)	(34,043)	475	(34,043)	-
Bond premiums	1,353,279	151,901	(128,050)	1,377,130	-
Total Bonds Payable	<u>30,352,804</u>	<u>4,689,858</u>	<u>(2,502,575)</u>	<u>32,540,087</u>	<u>1,925,000</u>
Notes payable	-	2,260,000	-	2,260,000	-
Leases payable	-	876,529	(109,771)	766,758	157,878
Compensated Absences Payable*	<u>906,489</u>	<u>29,612</u>	<u>-</u>	<u>936,101</u>	<u>446,614</u>
Governmental Activity Long-term Liabilities	<u>\$ 31,259,293</u>	<u>\$ 7,855,999</u>	<u>\$ (2,612,346)</u>	<u>\$ 36,502,946</u>	<u>\$ 2,529,492</u>
Business-type Activities					
Bonds Payable					
General obligation bonds	\$ 4,500,000	\$ -	\$ (185,000)	\$ 4,315,000	\$ 185,000
General obligation revenue bonds	3,905,900	485,000	(561,300)	3,829,600	477,500
General obligation special assessment bonds	205,000	-	(100,000)	105,000	105,000
Bond discounts	(1,700)	-	854	(846)	-
Bond premiums	153,505	32,651	(22,282)	163,874	-
Total Bonds Payable	<u>8,762,705</u>	<u>517,651</u>	<u>(867,728)</u>	<u>8,412,628</u>	<u>767,500</u>
Leases payable	-	162,338	(25,375)	136,963	29,755
Compensated Absences Payable*	<u>201,168</u>	<u>25,621</u>	<u>-</u>	<u>226,789</u>	<u>98,287</u>
Business-type Activity Long-term Liabilities	<u>\$ 8,963,873</u>	<u>\$ 705,610</u>	<u>\$ (893,103)</u>	<u>\$ 8,776,380</u>	<u>\$ 895,542</u>

*Change in compensated absences payable is shown net of increases and decreases

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

Note 3: Detailed Notes on All Funds (Continued)

Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2024, the bonds have an aggregate outstanding principal amount payable of \$21,554,149.

G. 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	Debt Service	Revolving MSA	Caswell Indoor Rec Project	2024 Construction	Capital Facilities and Equipment Replacement - General	Other Governmental Funds	Total
Nonspendable								
Advances to other funds	\$ 467,638	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 467,638
Prepaid items	155,051	-	-	-	-	-	1,389	156,440
Total Nonspendable	\$ 622,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,389	\$ 624,078
Restricted								
Debt service	\$ -	\$ 2,688,731	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,688,731
Charitable gambling	-	-	-	-	-	-	91,474	91,474
Library programs	-	-	-	-	-	-	4,925	4,925
Park development	-	-	-	-	-	-	5,866	5,866
Economic development	-	-	-	-	-	-	2,443,402	2,443,402
Tax increment financing	-	-	-	-	-	-	182,179	182,179
Park improvements	-	-	-	-	-	-	925,390	925,390
Public safety	-	-	-	-	-	443,417	-	443,417
Capital improvements	-	-	-	7,144,568	-	-	1,894,786	9,039,354
Total Restricted	\$ -	\$ 2,688,731	\$ -	\$ 7,144,568	\$ -	\$ 443,417	\$ 5,548,022	\$ 15,824,738
Committed								
Caswell sports	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,583	\$ 24,583
Port authority	-	-	-	-	-	-	3,625,482	3,625,482
Economic development	-	-	-	-	-	-	1,453,747	1,453,747
Youth football	-	-	-	-	-	-	84,172	84,172
Capital improvements	-	-	-	-	118,004	-	22,200	140,204
Total Committed	\$ -	\$ -	\$ -	\$ -	\$ 118,004	\$ -	\$ 5,210,184	\$ 5,328,188
Unassigned	\$ 5,512,618	\$ -	\$ (2,729,782)	\$ -	\$ -	\$ (242,522)	\$ (980,306)	\$ 1,560,008

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan (General Plan)

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

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

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

B. Benefits Provided

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

General Employee Plan Benefits

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

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

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

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

Police and Fire Plan Benefits

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

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

C. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2024, 2023 and 2022, were \$266,974, \$239,730 and \$220,697, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2024, 2023 and, 2022 were \$307,672, \$279,566 and \$252,033, 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 \$1,499,378 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$38,771.

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

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

City's Proportionate Share of the Net Pension Liability	\$	1,499,378
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		38,771
Total	\$	1,538,149

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 0.0406 percent at the end of the measurement period and 0.0395 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$169,053 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,039 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$68,985 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 139,720	\$ -
Changes in Actuarial Assumptions	7,094	556,684
Net Difference Between Projected and Actual Investment Earnings	-	425,791
Changes in Proportion	33,524	-
Contributions Paid to PERA Subsequent to the Measurement Date	137,856	-
Total	\$ 318,194	\$ 982,475

The \$137,856 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$	(435,208)
2026		(69,588)
2027		(182,424)
2028		(114,917)

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

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

Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$1,571,782 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1195 percent at the end of the measurement period and 0.1184 percent for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$59,916.

City's Proportionate Share of the Net Pension Liability	\$	1,571,782
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City		59,916
Total		\$ 1,631,699

For the year ended December 31, 2024, the City recognized pension expense of \$298,212 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$6,702 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$33,926 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 598,576	\$ -
Changes in Actuarial Assumptions	1,611,198	2,293,293
Net Difference Between Projected and Actual Investment Earnings	-	490,042
Changes in Proportion	133,386	28,171
Contributions Paid to PERA Subsequent to the Measurement Date	163,408	-
Total	\$ 2,506,568	\$ 2,811,506

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

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

The \$163,408 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$	(70,518)
2026		384,193
2027		(215,241)
2028		(603,000)
2029		36,220

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	100.0 %	

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

F. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

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

Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1.0% for the Police and Fire Plan.

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

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

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

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.

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

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

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The State contribution of \$9 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.0 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.0 percent funded status for one year.
- The additional \$9 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

G. Discount Rate

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

H. Pension Liability Sensitivity

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

	1 Percent Decrease (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund	\$ 3,274,883	\$ 1,499,378	\$ 38,863
Police and Fire Fund	3,714,431	1,571,782	(187,779)

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 North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2024

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

Four council members, and one mayor, of the City of North Mankato are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan 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. *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 five percent of salary which is matched by the elected official's employer. 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.

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

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 6,172	\$ 6,172	5.00%	5.00%	5.00%

The City and council member's contributions to the DCP plan for the years ending December 31, 2024, 2023 and 2022 were \$6,172, \$5,299 and \$1,712, respectively.

Note 6: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the North Mankato Fire Department (the Department) are covered by a defined benefit plan administered by the North Mankato Fire Department Relief Association (the Association). As of December 31, 2024, the plan covered 34 active firefighters and 17 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

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

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

B. Benefits Provided

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

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 5 years of service, shall be equal to 40 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 5 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$100,383 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2024, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2024 were \$100,383. The City made no voluntary contributions to the plan. The firefighter has no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2024, the City reported a net pension asset of \$614,754 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2024. The total pension asset used to calculate the net pension (asset) liability in accordance with GASB 68 was determined by applying an actuarial formula to specific census data certified by the Department as of December 31, 2024. The following table presents the changes in net pension asset during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2023	\$ 2,886,073	\$ 3,159,282	\$ (273,209)
Changes for the Year			
Service cost	57,286	-	57,286
Interest on pension liability (asset)	172,396	-	172,396
Projected investment return	-	14,350	(14,350)
Contributions (employer)	-	100,383	(100,383)
Nonemployer contributions	-	188,518	(188,518)
(Gain)/loss	-	277,158	(277,158)
Benefit payments	(140,179)	(140,179)	-
Administrative expenses	-	(9,182)	9,182
Total Net Changes	89,503	431,048	(341,545)
Ending Balance December 31, 2023	\$ 2,975,576	\$ 3,590,330	\$ (614,754)

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

Note 6: Defined Benefit Pension Plans - Fire Relief Association (Continued)

For the year ended December 31, 2024 the City recognized a negative pension expense of \$32,340.

At December 31, 2024 the City reported balances related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 115,073	\$ 25,710
Changes in Actuarial Assumptions	-	10,202
Contributions to Plan Subsequent to the Measurement Date	111,009	-
Total	\$ 226,082	\$ 35,912

Deferred outflows of resources totaling \$111,009 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension (asset) 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	\$ (3,211)
2026	34,479
2027	103,323
2028	(55,430)

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 50 percent of age 50, 20 percent at ages 51-55,
and 100 percent at age 56

Discount Rate	6.00%
Inflation Rate	N/A
Investment Rate of Return	6.00%
20 Year Municipal Bond Yield	N/A

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 North Mankato, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 6: Defined Benefit Pension Plans - Fire 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equities	58.0 %	8.1 %
Fixed Income	34.0	3.2
Cash and Equivalents	<u>8.0</u>	2.0
Total	<u><u>100.0</u></u> %	

F. Discount Rate

The discount rate used to measure the total pension liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	<u>1 Percent Decrease (5%)</u>	<u>Current (6%)</u>	<u>1 Percent Increase (7%)</u>
Defined Benefit Plan	\$ (608,582)	\$ (614,754)	\$ (620,377)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the North Mankato Firefighters Relief Association, 1001 Belgrade Avenue, North Mankato, MN 56003.

Note 7: Postemployment Benefits Other Than Pensions

A. Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each three-year bargaining period. 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.

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

Note 7: Postemployment Benefits Other Than Pensions (Continued)

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	2
Active Plan Members	58
	60
Total Plan Members	60

B. Funding Policy

Contribution requirements also are negotiated between the City and union representatives. The City contributes none of the cost of current-year premiums for eligible retired plan members and their spouses. For the year ended December 31, 2024, the City's average contribution rate was 11.7 percent of covered-employee payroll. For fiscal year 2024, the City directly contributed \$0 to the Plan, while implicit contributions totaled \$21,944.

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$492,438 was measured as of December 31, 2024, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2023.

The total OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.00%
20-Year Municipal Bond Yield	4.00%
Inflation Rate	2.50%
Salary Increases	N/A
Medical Trend Rate	6.25% as of January 1, 2024 grading to 5.00% then

The discount rate used to measure the total OPEB liability was 4.00 percent. Since the plan is not funded, the discount rate was developed by estimating the long-term investment yield on the employer funds that will be used to pay benefits as they come due. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (general, safety) with MP-2021 Generational Improvement Scale.

Salary increases were based on the long-term inflation assumption plus any additional wage increase assumption in excess of inflation. The additional wage assumption is based on a review of increases in the taxable wage base compared to inflation. Any additional information on expected salary increases provided by the client is also reflected in the assumption.

The actuarial assumptions used in the December 31, 2024 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.

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

Note 7: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2023	\$ 497,176
Changes for the Year	
Service cost	31,980
Interest	20,732
Benefit payments	(21,944)
Net Changes	30,768
Balances at December 31, 2024	\$ 527,944

Since the prior measurement date, the following assumption changes were made:

- The health care trend rates and mortality tables were updated.
- The retirement and withdrawal, and salary increase rates for public safety employees were updated.
- The inflation rate was changed from 2.0 percent to 2.5 percent.
- The discount rate was changed from 2.0 percent to 4.0 percent.

Since the prior measurement date, there were no benefit changes.

E. Sensitivity of the Total OPEB Liability

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

1 Percent Decrease (3.0%)	Current (4.0%)	1 Percent Increase (5.0%)
\$ 562,117	\$ 527,944	\$ 495,752

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is one percentage point lower or one percentage-point higher than the current cost trend rate:

1 Percent Decrease (5.5% Decreasing to 5.0% then 4.0%)	Healthcare Cost Trend Rates (6.5% Decreasing to 5.0% then 4.0%)	1 Percent Increase (7.50% Decreasing to 6.0% then 5.0%)
\$ 479,280	\$ 527,944	\$ 583,542

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

Note 7: Postemployment Benefits Other Than Pensions (Continued)

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

For the year ended December 31, 2024, the City recognized OPEB negative expense of \$5,578. At December 31, 2024, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 19,689	\$ 42,936
Changes in Actuarial Assumptions	47,912	286,559
Contributions to OPEB Subsequent to the Measurement Date	28,782	-
Total	\$ 96,383	\$ 329,495

Amounts reported as deferred outflows of resources totaling \$28,782 related to pensions resulting from the City's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB 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	\$ (30,459)
2026	(73,916)
2027	(73,913)
2028	(41,803)
2029	(41,803)

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 for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the prior three years.

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

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

Note 8: Other Information (Continued)

B. Contingent Liabilities

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

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.

C Joint Ventures

Joint Economic Development Fund

During 1990, the Port Authority (Component Unit) and Frost-Benco-Wells Electric initiated a joint venture whereby each entity contributed \$125,000. The purpose of the joint venture is to purchase and develop an industrial park area in the Frost-Benco-Wells service area and to facilitate economic development. The land purchase of \$349,990 as well as the activities of this joint venture are accounted for in the Port Authority Joint Economic Development fund. Each entity will make future contributions to the joint venture as needed. Since 1990, the participating entities have not had to contribute additional funds. No separate financial statements are issued for this joint venture.

Flood Protection Facilities

Flood protection facilities have been constructed to provide flood protection to the cities of Mankato and North Mankato. All costs associated with all labor, materials, equipment and other items necessary to perform the work will be distributed on the basis of contributing stormwater flow from drainage area acres per City within the total drainage district. The City of Mankato maintains all records and submits to the City of North Mankato an invoice each year for their pro-rated share of costs incurred. This agreement will continue as long as the flood protection facilities are deemed necessary by the parties involved.

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

Note 8: Other Information (Continued)

All Seasons Arena

In December 20, 2022 the City entered into a Joint Powers Agreement with the County of Blue Earth and the City of Mankato. The agreement was to direct and oversee the physical and financial obligations attributed to the All Season Arena.

The City has an ongoing 21.4 percent financial interest of \$2,340,645 as of December 31, 2024 in the arena.

Separate financial statements can be obtained by contacting the Mankato City Hall, 10 Civic Center Plaza, Mankato, MN

All Seasons Arena
Statement of Net Position
December 31, 2024

Assets	\$ 10,658,568
Deferred Outflow of Resources	23,887
Liabilities	173,741
Deferred Inflow of Resources	<u>64,068</u>
Net Position	<u><u>\$ 10,444,646</u></u>

All Seasons Arena
Summary of Activities
For the Year Ended December 31, 2024

Program Revenues	\$ 763,857
Expenses	(858,294)
Interest Income	28,884
Capital Contributions from Other Governments	<u>8,729,995</u>
Change in Net Position	8,664,442
Net Position, January 1	<u>1,780,204</u>
Net Position, December 31	<u><u>\$ 10,444,646</u></u>

D. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2024 was \$2,283,070 which accounted for 22.1 percent of General fund revenues.

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

Note 9: Tax Increments

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

The City entered into a tax increment financing agreement (D&K Powder Coating) on September 15, 2014 with a developer in which the developer incurred costs to promote an expansion project. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$490,265 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.048-469.068, 469.174-469.179) and has a maximum duration to December 31, 2025. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (Blue Star Power Systems) on September 18, 2017 with a developer in which the developer incurred costs to promote the construction of a manufacturing facility. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$1,941,500 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.048-469.068, 469.174-469.179) and has a maximum duration to December 31, 2028. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (Belgrade Business Center) on October 28, 2019 with a developer in which the developer incurred costs to redevelop two Belgrade Avenue properties. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$1,175,000 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.048-469.068, 469.174-469.179) and has a maximum duration to December 31, 2047. 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)	Captured Tax Capacity	Amount of Taxes Abated in the Fiscal Year
Tax Increment Districts (PAYGO)			
TIF District 23 (D&K Powder Coating)	54.566 %	\$ 94,988	\$ 51,831
TIF District 25 (Blue Star Power Systems)	52.485	201,704	105,864
TIF District 26 (Belgrade Business Center)	50.950	-	-
 Total			 <u>\$ 157,695</u>

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

Note 10: Adjustments to and Restatements of Beginning Balances

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

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances				
	Funds				Opinion Unit
	2024 Construction	Capital Facilities and Equipment Replacement - General	Nonmajor Governmental	Sewer Utility	Business-Type Activities
January 1, 2024, as previously reported	\$ -	\$ -	\$ 6,402,123	\$ 12,356,388	\$ 31,230,420
Change in reporting entity					
Change from nonmajor to major fund	(116,336)	641,853	(525,517)	-	-
Error correction	-	-	-	118,821	118,821
January 1, 2024, as adjusted or restated	<u>\$ (116,336)</u>	<u>\$ 641,853</u>	<u>\$ 5,876,606</u>	<u>\$ 12,475,209</u>	<u>\$ 31,349,241</u>

Change within Major and Nonmajor Fund Reporting

During fiscal year 2024, the 2023 Construction fund was determined to be nonmajor. The 2024 Construction fund and Capital Facilities and Equipment Replacement – General fund were determined to be major. The effects of the changes within the financial reporting entity are shown in the table above.

Correction of an Error in Previously Issued Financial Statements

During fiscal year 2024, the City determined that a vehicle in the Sewer Utility fund had been incorrectly depreciated in the prior year. Therefore, capital assets, net of depreciation, were understated by \$118,821 for the fiscal year ended December 31, 2024. The effects of that change to the financial reporting entity are shown in the table above.

PROPOSAL FORM

TO: North Mankato Port Authority Commission, 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: April 20, 2026

For all or none of the \$27,000,000* General Obligation Bonds, Series 2026A, in accordance with the Notice of Sale, we will pay you \$ _____, (not less than \$26,595,000) plus accrued interest, if any, to date of delivery (estimated to be May 19, 2026) for fully registered Bonds bearing interest rates and maturing on February 1 as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Interest Rate</u>	<u>Yield</u>
2028	_____%	_____%	2037	_____%	_____%	2045	_____%	_____%
2029	_____%	_____%	2038	_____%	_____%	2046	_____%	_____%
2030	_____%	_____%	2039	_____%	_____%	2047	_____%	_____%
2031	_____%	_____%	2040	_____%	_____%	2048	_____%	_____%
2032	_____%	_____%	2041	_____%	_____%	2049	_____%	_____%
2033	_____%	_____%	2042	_____%	_____%	2050	_____%	_____%
2034	_____%	_____%	2043	_____%	_____%	2051	_____%	_____%
2035	_____%	_____%	2044	_____%	_____%	2052	_____%	_____%
2036	_____%	_____%						

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 North Mankato Port Authority Commission, Minnesota at 6:30 PM on April 20, 2026.

 Executive Vice President

 President

* 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.