

PRELIMINARY OFFICIAL STATEMENT DATED JULY 10, 2026

In the opinion of Kutak Rock LLP, Bond Counsel to the Issuer, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds [(including any original issue discount properly allocable to the owner of a Bond)] is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Further, and to the extent of the aforementioned federal income tax exclusion, interest on the Bonds is excludable from taxable net income of individuals, trusts and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. Interest on the Bonds (a) may affect the federal alternative minimum tax imposed on certain corporations, and (b) is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. For a more detailed description of such opinions of Bond Counsel, see "Tax Matters" herein and "Appendix B – Form of Legal Opinion."

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF NORTHFIELD, MINNESOTA (Rice and Dakota Counties)

\$3,350,000* GENERAL OBLIGATION STREET RECONSTRUCTION BONDS, SERIES 2026B

PROPOSAL OPENING: July 21, 2026, 10:00 A.M., C.T.

CONSIDERATION: July 21, 2026, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$3,350,000* General Obligation Street Reconstruction Bonds, Series 2026B (the "Bonds") are being issued pursuant to Minnesota Statutes, Section 475.58, subd. 3b, and Minnesota Statutes, Chapter 475, as amended, by the City of Northfield, Minnesota (the "City"), to finance various street reconstruction projects as described in the City's Five-Year Street Reconstruction and Overlay Plan, dated January 6, 2026. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kutak Rock LLP, Minneapolis, Minnesota.

DATE OF BONDS: August 13, 2026

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2028	\$130,000	2033	\$210,000	2038	\$245,000
2029	185,000	2034	215,000	2039	255,000
2030	190,000	2035	225,000	2040	265,000
2031	195,000	2036	230,000	2041	275,000
2032	205,000	2037	240,000	2042	285,000

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2027 and semiannually thereafter.

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

MINIMUM PROPOSAL: \$3,309,800.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$67,000 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Kutak Rock LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

TABLE OF CONTENTS

INTRODUCTORY STATEMENT.....	1	TAX LEVIES, COLLECTIONS AND RATES	24
THE BONDS	1	TAX LEVIES AND COLLECTIONS	24
GENERAL	1	TAX CAPACITY RATES	25
OPTIONAL REDEMPTION	2	THE ISSUER	25
AUTHORITY; PURPOSE	2	CITY GOVERNMENT.....	25
ESTIMATED SOURCES AND USES.....	2	EMPLOYEES; PENSIONS; UNIONS	25
SECURITY.....	2	POST EMPLOYMENT BENEFITS.....	26
RATING	3	LITIGATION	26
CONTINUING DISCLOSURE.....	3	MUNICIPAL BANKRUPTCY.....	26
LEGAL MATTERS	4	FUNDS ON HAND.....	27
TAX MATTERS.....	4	ENTERPRISE FUNDS	28
NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.....	6	SUMMARY GENERAL FUND INFORMATION.....	29
MUNICIPAL ADVISOR	6	GENERAL FUND BUDGET SUMMARY	30
MUNICIPAL ADVISOR AFFILIATED COMPANIES.....	7	GENERAL INFORMATION	31
INDEPENDENT AUDITORS	7	LOCATION	31
RISK FACTORS.....	7	LARGER EMPLOYERS	31
VALUATIONS.....	9	BUILDING PERMITS	32
OVERVIEW	9	U.S. CENSUS DATA	32
CURRENT PROPERTY VALUATIONS.....	10	EMPLOYMENT/UNEMPLOYMENT DATA.....	33
2025/26 NET TAX CAPACITY BY CLASSIFICATION ..	11	FINANCIAL STATEMENTS.....	A-1
TREND OF VALUATIONS.....	11	FORM OF LEGAL OPINION	B-1
LARGEST TAXPAYERS.....	12	BOOK-ENTRY-ONLY SYSTEM	C-1
DEBT	12	FORM OF CONTINUING DISCLOSURE CERTIFICATE ..	D-1
DIRECT DEBT	12	TERMS OF PROPOSAL	E-1
DEBT PAYMENT HISTORY	13	PROPOSAL FORM	
FUTURE FINANCING.....	13		
DEBT LIMIT	14		
SCHEDULES OF BONDED INDEBTEDNESS	15		
OVERLAPPING DEBT	23		
DEBT RATIOS.....	24		

CITY OF NORTHFIELD CITY COUNCIL

		<u>Term Expires</u>
Erica Zweifel	Mayor	January 2029
Chad Beumer	Council Member	January 2029
Peter Dahlen	Council Member	January 2029
Kathleen Holmes	Council Member	January 2027
Brad Ness	Council Member	January 2029
Jessica Peterson White	Council Member	January 2027
Davin Sokup	Council Member	January 2027

ADMINISTRATION

Ben Martig, City Administrator
Brenda Angelstad, Finance Director

PROFESSIONAL SERVICES

Flaherty & Hood, P.A., City Attorney, St. Paul, Minnesota

Kutak Rock LLP, Bond Counsel, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Northfield, Minnesota (the "City") and the issuance of its \$3,350,000* General Obligation Street Reconstruction Bonds, Series 2026B (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on July 21, 2026.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of August 13, 2026. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

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

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Section 475.58, subd. 3b, Minnesota Statutes, and Chapter 475, as amended, by the City, to finance various street reconstruction projects as described in the City's Five-Year Street Reconstruction and Overlay Plan, dated January 6, 2026.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	<u>\$3,350,000</u>	
Total Sources		\$3,350,000
Uses		
Total Underwriter's Discount (1.200%)	\$40,200	
Costs of Issuance	68,000	
Deposit to Construction Fund	3,237,746	
Rounding Amount	<u>4,054</u>	
Total Uses		\$3,350,000

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service on the Bonds will be paid from ad valorem property taxes. In accordance with Minnesota Statutes, the City will levy each year an amount not less than 105% of the debt service requirements on the Bonds.

Should the ad valorem property taxes pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount to make up any deficiency.

RATING

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

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

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

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

CONTINUING DISCLOSURE

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

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

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

The City did not timely file notice of financial obligations that occurred September 2022, February 2023, and October 2025. Except to the extent that the preceding is deemed to be material, the City believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL MATTERS

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

Bond Counsel has not assumed responsibility for this Official Statement or participated in its preparation (except with respect to the section entitled "TAX MATTERS" in this Official Statement and the Form of Legal Opinion found in APPENDIX B) and has not performed any investigation as to its accuracy, completeness, or sufficiency. Bond Counsel has not examined or verified, 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 MATTERS

General Matters. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Further, and to the extent of the aforementioned federal income tax exclusion, interest on the Bonds is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. The opinions described above assume the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986 (the "Code"), that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactive to the date of issuance of the Bonds. The City has covenanted to comply with such requirements. Interest on the Bonds (a) may affect the federal alternative minimum tax imposed on certain corporations, and (b) is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences.

Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax imposed on corporations), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

A copy of the form of opinion of Bond Counsel is attached hereto as Appendix B.

[Original Issue Discount. The Bonds that have an original yield above their respective interest rates, if any, as shown on the cover of this Official Statement (collectively, the "Discount Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity (excluding "qualified stated interest" within the meaning of Section 1.1273-1 of the Regulations) constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such bonds for a price that is higher or lower than the "adjusted issue price" of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.]

[Original Issue Premium. The Bonds that have an original yield below their respective interest rates, if any, as shown on the cover of this Official Statement (collectively, the "Premium Bonds"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.]

Backup Withholding

An owner of a Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Bonds if such owner fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. 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 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 or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT WITH THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code, relating to the ability of certain financial institutions (within the meaning of Section 265(6)(5) of the Code) to deduct from income for federal income tax purposes, 80% of the interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

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

RISK FACTORS

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

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

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

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

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

Tax Exemption: If the federal government or the State 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 Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State 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.

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

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

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

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

³ Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2025/26 Economic Market Value \$2,586,398,436¹

2025/26 Assessor's Estimated Market Value

	Rice County	Dakota County	Total
Real Estate	\$2,177,324,700	\$222,302,400	\$2,399,627,100
Personal Property	<u>9,232,100</u>	<u>675,400</u>	<u>9,907,500</u>
Total Valuation	<u><u>\$2,186,556,800</u></u>	<u><u>\$222,977,800</u></u>	<u><u>\$2,409,534,600</u></u>

2025/26 Net Tax Capacity

	Rice County	Dakota County	Total
Real Estate	\$23,977,756	\$2,283,294	\$26,261,050
Personal Property	<u>183,413</u>	<u>13,508</u>	<u>196,921</u>
Net Tax Capacity	\$24,161,169	\$2,296,802	\$26,457,971
Less: Captured Tax Increment Tax Capacity ²	<u>(953,790)</u>	<u>0</u>	<u>(953,790)</u>
Taxable Net Tax Capacity	<u><u>\$23,207,379</u></u>	<u><u>\$2,296,802</u></u>	<u><u>\$25,504,181</u></u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the portion of the City located in Rice County was about 95.20% of the actual selling prices of property sold in the City and the portion of the City located in Dakota County was 93.06%. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$2,586,398,436.

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

2025/26 NET TAX CAPACITY BY CLASSIFICATION

	2025/26 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$15,940,032	60.25%
Agricultural	45,366	0.17%
Commercial/industrial	5,768,888	21.80%
Public utility	69,558	0.26%
Railroad operating property	195,326	0.74%
Non-homestead residential	4,231,387	15.99%
Commercial & residential seasonal/rec.	10,493	0.04%
Personal property	196,921	0.74%
	<u> </u>	<u> </u>
Total	<u>\$26,457,971</u>	<u>100.00%</u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Taxable Net Tax Capacity ²	Percent Increase/Decrease in Estimated Market Value
2021/22	\$1,759,012,900	\$1,695,466,519	\$19,386,683	\$18,783,215	6.09%
2022/23	2,002,958,800	1,950,107,573	22,174,456	21,397,166	13.87%
2023/24	2,183,386,600	2,136,172,953	24,318,598	23,427,842	9.01%
2024/25	2,328,302,300	2,250,832,645	25,550,912	24,655,300	6.64%
2025/26	2,409,534,600	2,332,181,028	26,457,971	25,504,181	3.49%

¹ Net Tax Capacity includes tax increment values.

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

LARGEST TAXPAYERS

Taxpayer	Type of Property	2025/26 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Mom Brands Company	Commercial	\$636,844	2.41%
Northfield Hegenes Apartments LLC	Apartments	367,680	1.39%
McLane Minnesota Inc.	Commercial	320,288	1.21%
Cardinal CG Company	Commercial	273,424	1.03%
St. Olaf College	Commercial	271,143	1.02%
Xcel Energy	Utility	267,768	1.01%
Strobel & Werner Re Holdings Co.	Commercial	249,392	0.94%
Timberfield Properties of Northfield LLC	Apartments	201,284	0.76%
5 th Street Lofts LLC	Apartments	151,425	0.57%
Union Pacific Railroad Co.	Railroad	<u>146,778</u>	<u>0.55%</u>
Total		\$2,886,026	10.91%

City's Total 2025/26 Net Tax Capacity \$26,457,971

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Rice and Dakota Counties.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes	\$4,210,000
Total G.O. debt secured by tax abatement revenues	4,225,000
Total G.O. debt secured by taxes (includes the Bonds)*	29,295,000
Total G.O. debt secured by utility revenues	29,510,000
Total General Obligation Debt*	<u><u>\$67,240,000</u></u>

*Preliminary, subject to change.

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

Revenue Debt (see schedule following)

Total revenue debt secured by hospital revenues	<u><u>\$15,363,123</u></u>
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Northfield Economic Development Authority ("EDA") Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations (EDA) ¹	<u><u>\$21,700,000</u></u>
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DEBT PAYMENT HISTORY

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

FUTURE FINANCING

The City's adopted Capital Improvement Plan calls for the consideration of approximately \$2,000,000 in General Obligation Bonds for various street reconstruction and facility improvements in 2027, as well as approximately \$3,900,000 General Obligation Water Revenue Bonds issued for a meter replacement program and secured by net revenues of the water utility system.

Northfield Municipal Hospital anticipates issuing approximately \$3,600,000 of new debt for the purchase of a clinic in 2026. The debt will be retired from net revenues of the hospital.

¹ Non-general obligation debt has not been included in the debt ratios.

DEBT LIMIT

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

2025/26 Assessor's Estimated Market Value	\$2,409,534,600
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$72,286,038
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(29,295,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations (EDA)	<u>(21,700,000)</u>
Unused Debt Limit*	<u><u>\$21,291,038</u></u>

*Preliminary, subject to change.

City of Northfield, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 08/13/2026)

	Improvement Bonds 1) Series 2016C		Improvement Bonds Series 2017A		Improvement Bonds 2) Series 2018B		Improvement Bonds 3) Series 2019A		Improvement Bonds 4) Series 2020A	
Dated	09/15/2016		09/07/2017		10/11/2018		10/10/2019		07/30/2020	
Amount	\$795,000		\$945,000		\$1,470,000		\$1,885,000		\$2,990,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2027	85,000	701	95,000	3,206	155,000	12,075	195,000	16,125	305,000	24,905
2028			95,000	1,069	160,000	7,350	200,000	10,700	315,000	15,605
2029					165,000	2,475	205,000	6,150	320,000	9,280
2030							205,000	2,050	320,000	5,840
2031									320,000	2,000
2032										
2033										
	85,000	701	190,000	4,275	480,000	21,900	805,000	35,025	1,580,000	57,630

1) This represents the \$795,000 Improvement portion of the \$2,610,000 General Obligation Improvement and Utility Revenue Bonds, Series 2016C.

2) This represents the \$1,470,000 Improvement portion of the \$1,710,000 General Obligation Improvement and Abatement Bonds, Series 2018B.

3) This represents the \$1,885,000 Improvement portion of the \$6,335,000 General Obligation Bonds, Series 2019A.

4) This represents the \$2,990,000 Improvement portion of the \$5,025,000 General Obligation Street Reconstruction, Improvement and Utility Bonds, Series 2020A.

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City of Northfield, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 08/13/2026)

Improvement Bonds 5) Series 2021A								
Dated	09/09/2021							
Amount	\$1,545,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2027	155,000	14,250	990,000	71,263	1,061,263	3,220,000	23.52%	2027
2028	155,000	11,150	925,000	45,874	970,874	2,295,000	45.49%	2028
2029	155,000	8,050	845,000	25,955	870,955	1,450,000	65.56%	2029
2030	155,000	5,725	680,000	13,615	693,615	770,000	81.71%	2030
2031	150,000	4,200	470,000	6,200	476,200	300,000	92.87%	2031
2032	150,000	2,625	150,000	2,625	152,625	150,000	96.44%	2032
2033	150,000	900	150,000	900	150,900	0	100.00%	2033
	1,070,000	46,900	4,210,000	166,431	4,376,431			

5) This represents the \$1,545,000 Improvement portion of the \$4,255,000 General Obligation Street Reconstruction, Improvement and Equipment Bonds, Series 2021A.

City of Northfield, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 08/13/2026)

	Tax Abatement Bonds 1) Series 2018B		Tax Abatement Bonds 2) Series 2019A		Tax Abatement Bonds 3) Series 2023B		Tax Abatement Bonds 4) Series 2024A							
Dated Amount	10/11/2018		10/10/2019		10/26/2023		09/12/2024							
	\$240,000		\$435,000		\$3,355,000		\$905,000							
Maturity	02/01		02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2027	25,000	2,025	45,000	3,800	175,000	149,375	45,000	42,875	290,000	198,075	488,075	3,935,000	6.86%	2027
2028	25,000	1,275	45,000	2,563	185,000	140,375	45,000	40,625	300,000	184,838	484,838	3,635,000	13.96%	2028
2029	30,000	450	50,000	1,500	190,000	131,000	50,000	38,250	320,000	171,200	491,200	3,315,000	21.54%	2029
2030			50,000	500	200,000	121,250	50,000	35,750	300,000	157,500	457,500	3,015,000	28.64%	2030
2031					210,000	111,000	55,000	33,125	265,000	144,125	409,125	2,750,000	34.91%	2031
2032					220,000	100,250	60,000	30,250	280,000	130,500	410,500	2,470,000	41.54%	2032
2033					235,000	88,875	60,000	27,250	295,000	116,125	411,125	2,175,000	48.52%	2033
2034					245,000	76,875	65,000	24,125	310,000	101,000	411,000	1,865,000	55.86%	2034
2035					255,000	64,375	65,000	20,875	320,000	85,250	405,250	1,545,000	63.43%	2035
2036					270,000	51,250	70,000	17,500	340,000	68,750	408,750	1,205,000	71.48%	2036
2037					285,000	37,375	75,000	13,875	360,000	51,250	411,250	845,000	80.00%	2037
2038					295,000	22,875	75,000	10,125	370,000	33,000	403,000	475,000	88.76%	2038
2039					310,000	7,750	80,000	6,250	390,000	14,000	404,000	85,000	97.99%	2039
2040							85,000	2,125	85,000	2,125	87,125	0	100.00%	2040
	80,000	3,750	190,000	8,363	3,075,000	1,102,625	880,000	343,000	4,225,000	1,457,738	5,682,738			

- 1) This represents the \$240,000 Tax Abatement portion of the \$1,710,000 General Obligation Improvement and Abatement Bonds, Series 2018B.
- 2) This represents the \$435,000 Tax Abatement portion of the \$6,335,000 General Obligation Bonds, Series 2019A.
- 3) This represents the \$3,355,000 Tax Abatement portion of the \$7,350,000 General Obligation Street Reconstruction, Abatement and Equipment Bonds, Series 2023B.
- 4) This represents the \$905,000.00 Tax Abatement portion of the \$9,365,000 General Obligation Street, Abatement, Utility and Equipment Bonds, Series 2024A.

City of Northfield, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 08/13/2026)

	Capital Improvement Plan Bonds Series 2018A		Refunding Certificates of Participation 1) Series 2019A		Street Reconstruction Bonds 2) Series 2020A		Street Reconstruction & Equipment Bonds 3) Series 2021A		Street Reconstruction & Equipment Bonds Series 2022A	
Dated	06/07/2018		10/10/2019		07/30/2020		09/09/2021		08/04/2022	
Amount	\$4,195,000		\$4,015,000		\$1,370,000		\$2,710,000		\$4,020,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2027	190,000	92,483	335,000	52,310	140,000	11,613	290,000	22,500	340,000	92,700
2028	195,000	86,708	345,000	42,973	145,000	7,338	295,000	16,650	350,000	82,350
2029	205,000	80,708	355,000	35,110	150,000	4,413	300,000	10,700	360,000	71,700
2030	210,000	74,483	360,000	27,960	150,000	2,800	245,000	6,475	370,000	60,750
2031	215,000	68,108	365,000	20,528	155,000	969	250,000	4,000	380,000	49,500
2032	220,000	61,445	370,000	12,718			250,000	1,375	395,000	37,875
2033	230,000	54,414	380,000	4,370					345,000	26,775
2034	235,000	46,943							355,000	16,275
2035	245,000	39,023							365,000	5,475
2036	250,000	30,855								
2037	260,000	22,440								
2038	270,000	13,695								
2039	280,000	4,620								
2040										
2041										
2042										
2043										
2044										
2045										
	3,005,000	675,921	2,510,000	195,968	740,000	27,131	1,630,000	61,700	3,260,000	443,400

1) This represents the \$4,015,000 Certificates of Participation Refunding portion of the \$6,335,000 General Obligation Bonds, Series 2019A.

2) This represents the \$1,370,000 Street Reconstruction portion of the \$5,025,000 General Obligation Street Reconstruction, Improvement and Utility Bonds, Series 2020A.

3) This represents the \$2,710,000 Street Reconstruction and Equipment portions of the \$4,255,000 General Obligation Street Reconstruction, Improvement and Equipment Bonds, Series 2021A.

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City of Northfield, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 08/13/2026)

	Street Reconstruction & Equipment Bonds 4) Series 2023B		Street Reconstruction & Equipment Bonds 5) Series 2024A		Street Reconstruction & Equipment Bonds Series 2025A		Street Reconstruction Bonds Series 2026B							
Dated	10/26/2023		09/12/2024		08/14/2025		08/13/2026							
Amount	\$3,995,000		\$7,110,000		\$4,115,000		\$3,350,000*							
Maturity	02/01		02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2027	225,000	180,625	285,000	323,575	120,000	198,469	0	111,329	1,925,000	1,085,602	3,010,602	27,370,000	6.57%	2027
2028	235,000	169,125	300,000	308,950	215,000	190,094	130,000	113,283	2,210,000	1,017,469	3,227,469	25,160,000	14.12%	2028
2029	245,000	157,125	315,000	293,575	230,000	178,969	185,000	108,715	2,345,000	941,014	3,286,014	22,815,000	22.12%	2029
2030	255,000	144,625	330,000	277,450	240,000	167,219	190,000	103,230	2,350,000	864,991	3,214,991	20,465,000	30.14%	2030
2031	270,000	131,500	350,000	260,450	250,000	154,969	195,000	97,454	2,430,000	787,476	3,217,476	18,035,000	38.44%	2031
2032	285,000	117,625	370,000	242,450	265,000	142,094	205,000	91,303	2,360,000	706,884	3,066,884	15,675,000	46.49%	2032
2033	295,000	103,125	385,000	223,575	275,000	128,594	210,000	84,765	2,120,000	625,618	2,745,618	13,555,000	53.73%	2033
2034	315,000	87,875	405,000	203,825	295,000	114,344	215,000	77,911	1,820,000	547,173	2,367,173	11,735,000	59.94%	2034
2035	290,000	72,750	425,000	183,075	305,000	99,344	225,000	70,649	1,855,000	470,315	2,325,315	9,880,000	66.27%	2035
2036	305,000	57,875	305,000	164,825	320,000	83,719	230,000	62,913	1,410,000	400,186	1,810,186	8,470,000	71.09%	2036
2037	320,000	42,250	320,000	149,200	290,000	68,469	240,000	54,685	1,430,000	337,044	1,767,044	7,040,000	75.97%	2037
2038	335,000	25,875	335,000	132,825	305,000	53,594	245,000	45,954	1,490,000	271,943	1,761,943	5,550,000	81.05%	2038
2039	350,000	8,750	350,000	115,700	320,000	37,969	255,000	36,765	1,555,000	203,804	1,758,804	3,995,000	86.36%	2039
2040			370,000	97,700	335,000	22,641	265,000	26,946	970,000	147,287	1,117,287	3,025,000	89.67%	2040
2041			385,000	78,825	350,000	7,656	275,000	16,551	1,010,000	103,033	1,113,033	2,015,000	93.12%	2041
2042			405,000	61,100			285,000	5,629	690,000	66,729	756,729	1,325,000	95.48%	2042
2043			425,000	44,500					425,000	44,500	469,500	900,000	96.93%	2043
2044			440,000	27,200					440,000	27,200	467,200	460,000	98.43%	2044
2045			460,000	9,200					460,000	9,200	469,200	0	100.00%	2045
	3,725,000	1,299,125	6,960,000	3,198,000	4,115,000	1,648,141	3,350,000	1,108,080	29,295,000	8,657,466	37,952,466			

* Preliminary, subject to change.

4) This represents the \$3,995,000 Street Reconstruction & Equipment portions of the \$7,350,000 General Obligation Street Reconstruction, Abatement and Equipment Bonds, Series 2023B.

5) This represents the \$7,110,000 Street Reconstruction & Equipment portions of the \$9,365,000 General Obligation Street, Abatement, Utility and Equipment Bonds, Series 2024A.

City of Northfield, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 08/13/2026)

	Utility Revenue Bonds 1) Series 2016C		Utility Revenue Bonds 2) Series 2020A		Utility Revenue Bonds Series 2023A		Utility Revenue Bonds 3) Series 2024A		Water Revenue Bonds Series 2026A							
Dated Amount	09/15/2016 \$1,185,000		07/30/2020 \$665,000		10/11/2023 \$17,240,000		09/12/2024 \$1,350,000		03/05/2026 \$11,385,000							
Maturity	02/01		02/01		02/01		02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2027	120,000	990	70,000	5,650	590,000	739,056	115,000	60,375	395,000	501,575	1,290,000	1,307,646	2,597,646	28,220,000	4.37%	2027
2028			70,000	3,550	620,000	708,806	120,000	54,500	365,000	482,575	1,175,000	1,249,431	2,424,431	27,045,000	8.35%	2028
2029			70,000	2,150	655,000	676,931	125,000	48,375	385,000	463,825	1,235,000	1,191,281	2,426,281	25,810,000	12.54%	2029
2030			75,000	1,369	685,000	643,431	135,000	41,875	405,000	444,075	1,300,000	1,130,750	2,430,750	24,510,000	16.94%	2030
2031			75,000	469	715,000	608,431	140,000	35,000	425,000	423,325	1,355,000	1,067,225	2,422,225	23,155,000	21.54%	2031
2032					750,000	571,806	145,000	27,875	445,000	401,575	1,340,000	1,001,256	2,341,256	21,815,000	26.08%	2032
2033					790,000	533,306	155,000	20,375	470,000	378,700	1,415,000	932,381	2,347,381	20,400,000	30.87%	2033
2034					830,000	492,806	160,000	12,500	490,000	354,700	1,480,000	860,006	2,340,006	18,920,000	35.89%	2034
2035					870,000	450,306	170,000	4,250	515,000	329,575	1,555,000	784,131	2,339,131	17,365,000	41.16%	2035
2036					915,000	405,681			540,000	303,200	1,455,000	708,881	2,163,881	15,910,000	46.09%	2036
2037					960,000	358,806			570,000	275,450	1,530,000	634,256	2,164,256	14,380,000	51.27%	2037
2038					1,010,000	314,606			600,000	246,200	1,610,000	560,806	2,170,806	12,770,000	56.73%	2038
2039					1,045,000	272,853			625,000	218,700	1,670,000	491,553	2,161,553	11,100,000	62.39%	2039
2040					1,090,000	228,819			650,000	193,200	1,740,000	422,019	2,162,019	9,360,000	68.28%	2040
2041					1,140,000	182,113			680,000	166,600	1,820,000	348,713	2,168,713	7,540,000	74.45%	2041
2042					1,190,000	132,600			705,000	138,900	1,895,000	271,500	2,166,500	5,645,000	80.87%	2042
2043					1,240,000	80,963			735,000	110,100	1,975,000	191,063	2,166,063	3,670,000	87.56%	2043
2044					1,285,000	27,306			765,000	80,100	2,050,000	107,406	2,157,406	1,620,000	94.51%	2044
2045									795,000	48,900	795,000	48,900	843,900	825,000	97.20%	2045
2046									825,000	16,500	825,000	16,500	841,500	0	100.00%	2046
	120,000	990	360,000	13,188	16,380,000	7,428,628	1,265,000	305,125	11,385,000	5,577,775	29,510,000	13,325,706	42,835,706			

- 1) This represents the \$1,185,000 Utility Revenue portion of the \$2,610,000 General Obligation Improvement and Utility Revenue Bonds, Series 2016C.
- 2) This represents the \$665,000 Utility Revenue portion of the \$5,025,000 General Obligation Street Reconstruction, Improvement and Utility Bonds, Series 2020A.
- 3) This represents the \$1,350,000 Utility Revenue portion of the \$9,365,000 General Obligation Street, Abatement, Utility and Equipment Bonds, Series 2024A.

City of Northfield, Minnesota
Schedule of Bonded Indebtedness
Revenue Debt Secured by Hospital Revenues
(As of 08/13/2026)

	Hospital Revenue Bonds Series 2016B		Hospital Revenue Refunding Bonds Series 2024B		Hospital Revenue Refunding Bonds Series 2025C							
Dated	08/05/2016		12/20/2024		10/16/2025							
Amount	\$2,625,000		\$11,190,000		\$3,805,000							
Maturity	Monthly		03/01 & 06/01 & 09/01 & 12/01		03/01 & 06/01 & 09/01 & 12/01							
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	62,065	8,235	190,000	159,766	64,758	49,218	316,823	217,219	534,041	15,046,300	2.06%	2026
2027	189,400	21,500	390,000	465,995	133,344	143,625	712,744	631,120	1,343,864	14,333,556	6.70%	2027
2028	194,306	16,594	405,000	449,476	138,579	138,608	737,885	604,678	1,342,563	13,595,672	11.50%	2028
2029	199,339	11,561	9,680,000	429,617	144,507	132,598	10,023,846	573,776	10,597,622	3,571,826	76.75%	2029
2030	204,502	6,398			150,387	126,738	354,889	133,136	488,025	3,216,937	79.06%	2030
2031	138,714	1,331			156,426	120,639	295,140	121,970	417,110	2,921,797	80.98%	2031
					2,921,797	86,723	2,921,797	86,723	3,008,520	0	100.00%	2032
	988,325	65,620	10,665,000	1,504,853	3,709,798	798,148	15,363,123	2,368,622	17,731,744			

Northfield Economic Development Authority, Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 08/13/2026)

Lease Revenue Bonds 1) Series 2025B								
Dated	09/04/2025							
Amount	\$21,700,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2027	255,000	1,062,381	255,000	1,062,381	1,317,381	21,445,000	1.18%	2027
2028	705,000	1,038,381	705,000	1,038,381	1,743,381	20,740,000	4.42%	2028
2029	740,000	1,002,256	740,000	1,002,256	1,742,256	20,000,000	7.83%	2029
2030	775,000	964,381	775,000	964,381	1,739,381	19,225,000	11.41%	2030
2031	815,000	924,631	815,000	924,631	1,739,631	18,410,000	15.16%	2031
2032	855,000	882,881	855,000	882,881	1,737,881	17,555,000	19.10%	2032
2033	900,000	839,006	900,000	839,006	1,739,006	16,655,000	23.25%	2033
2034	945,000	792,881	945,000	792,881	1,737,881	15,710,000	27.60%	2034
2035	990,000	744,506	990,000	744,506	1,734,506	14,720,000	32.17%	2035
2036	1,040,000	693,756	1,040,000	693,756	1,733,756	13,680,000	36.96%	2036
2037	1,090,000	640,506	1,090,000	640,506	1,730,506	12,590,000	41.98%	2037
2038	1,145,000	584,631	1,145,000	584,631	1,729,631	11,445,000	47.26%	2038
2039	1,205,000	525,881	1,205,000	525,881	1,730,881	10,240,000	52.81%	2039
2040	1,265,000	464,131	1,265,000	464,131	1,729,131	8,975,000	58.64%	2040
2041	1,330,000	399,256	1,330,000	399,256	1,729,256	7,645,000	64.77%	2041
2042	1,395,000	334,619	1,395,000	334,619	1,729,619	6,250,000	71.20%	2042
2043	1,455,000	269,584	1,455,000	269,584	1,724,584	4,795,000	77.90%	2043
2044	1,525,000	199,719	1,525,000	199,719	1,724,719	3,270,000	84.93%	2044
2045	1,595,000	123,625	1,595,000	123,625	1,718,625	1,675,000	92.28%	2045
2046	1,675,000	41,875	1,675,000	41,875	1,716,875	0	100.00%	2046
	21,700,000	12,528,891	21,700,000	12,528,891	34,228,891			

1) The issue is subject to the debt limit.

OVERLAPPING DEBT¹

Taxing District	2025/26 Taxable Net Tax Capacity	% In City	Total G.O. Debt ²	City's Proportionate Share
Dakota County	\$795,197,255	0.2888%	\$35,640,000	\$102,928
Rice County	110,995,109	20.9085%	53,900,000	11,269,682
I.S.D. No. 659 (Northfield Public Schools)	48,762,154	52.3032%	72,985,000 ³	<u>38,173,491</u>
City's Share of Total Overlapping Debt				<u>\$49,546,100</u>

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

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$2,586,398,436	Debt/ Per Capita 21,648 ¹
Direct G.O. Debt Secured By:			
Special Assessments & Taxes	\$4,210,000		
Tax Abatement Revenues	4,225,000		
Taxes*	29,295,000		
Utility Revenues	29,510,000		
Total General Obligation Debt*	\$67,240,000		
Less: G.O. Debt Paid Entirely from Revenues ²	(29,510,000)		
Tax Supported General Obligation Debt*	\$37,730,000	1.46%	\$1,742.89
City's Share of Total Overlapping Debt	\$49,546,100	1.92%	\$2,288.71
Total*	\$87,276,100	3.37%	\$4,031.60

*Preliminary, subject to change.

TAX LEVIES, COLLECTIONS AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ³	Total Collected Following Year	Collected to Date	% Collected
2021/22	\$11,225,845	\$11,191,470	\$11,225,438	99.99%
2022/23	13,383,219	13,296,824	13,377,151	99.95%
2023/24	14,552,282	14,487,576	14,533,611	99.87%
2024/25	16,878,582	16,768,785	16,802,580	99.55%
2025/26	18,684,889	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.⁴ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

¹ Estimated 2024 population.

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

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

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

TAX CAPACITY RATES¹

	2021/22	2022/23	2023/24	2024/25	2025/26
Dakota County	19.546%	16.981%	16.424%	17.962%	19.194%
Rice County	40.597%	37.814%	36.095%	38.285%	39.174%
City of Northfield	59.867%	62.643%	62.224%	68.674%	73.334%
I.S.D. No. 659 (Northfield Public Schools)	27.017%	23.822%	20.375%	32.744%	31.367%
Dakota County CDA	1.391%	1.176%	1.309%	1.360%	1.331%
Northfield EDA	1.600%	1.490%	1.550%	1.606%	1.552%
Northfield HRA	1.633%	1.521%	1.582%	1.638%	1.584%
Rice County HRA	0.256%	0.248%	0.229%	0.222%	0.209%

Referendum Market Value Rates:

I.S.D. No. 659 (Northfield Public Schools)	0.36254%	0.34282%	0.34693%	0.32492%	0.30535%
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Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Rice and Dakota Counties.

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1875. The City operates under a home rule charter form of government consisting of a seven-member City Council of which the Mayor is a voting member. The City Administrator, City Clerk and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 111 full-time, 25 part-time, and 7 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
LELS - Patrol	December 31, 2027
LELS - Sergeants	December 31, 2027
IUOE Local 70 - General	December 31, 2027
IUOE Local 70 - Utility	December 31, 2027

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent Annual Comprehensive Financial Report (Audit) shows a total OPEB liability of \$1,747,468 as of December 31, 2025. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent Audit.

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

FUNDS ON HAND (as of June 22, 2026)

Fund	Total Cash and Investments
General	\$8,233,519
Special Revenue	3,364,295
Debt Service	5,930,321
Capital Projects	11,881,656
Enterprise Funds	29,232,311
Internal Service	1,812,327
Component Units	1,532,762
Trust Funds	<u>375,499</u>
Total Funds on Hand	<u><u>\$62,362,690</u></u>

ENTERPRISE FUNDS

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

	2023 Audited	2024 Audited	2025 Audited
Water			
Total Operating Revenues	\$2,621,302	\$2,883,280	\$4,068,236
Less: Operating Expenses	<u>(2,313,064)</u>	<u>(2,383,570)</u>	<u>(2,194,001)</u>
Operating Income	\$308,238	\$499,710	\$1,874,235
Plus: Depreciation	<u>503,145</u>	<u>496,982</u>	<u>538,389</u>
Revenues Available for Debt Service	<u><u>\$811,383</u></u>	<u><u>\$996,692</u></u>	<u><u>\$2,412,624</u></u>
Wastewater			
Total Operating Revenues	\$5,106,902	\$5,093,835	\$5,501,550
Less: Operating Expenses	<u>(3,774,014)</u>	<u>(3,745,833)</u>	<u>(3,957,083)</u>
Operating Income	\$1,332,888	\$1,348,002	\$1,544,467
Plus: Depreciation	<u>1,137,943</u>	<u>1,085,638</u>	<u>1,137,071</u>
Revenues Available for Debt Service	<u><u>\$2,470,831</u></u>	<u><u>\$2,433,640</u></u>	<u><u>\$2,681,538</u></u>
Storm Water			
Total Operating Revenues	\$1,313,923	\$1,473,867	\$1,737,250
Less: Operating Expenses	<u>(890,634)</u>	<u>(687,369)</u>	<u>(862,023)</u>
Operating Income	\$423,289	\$786,498	\$875,227
Plus: Depreciation	<u>359,315</u>	<u>341,817</u>	<u>428,664</u>
Revenues Available for Debt Service	<u><u>\$782,604</u></u>	<u><u>\$1,128,315</u></u>	<u><u>\$1,303,891</u></u>
Liquor Store¹			
Total Operating Revenues	\$804,783	\$811,936	\$794,178
Less: Operating Expenses	<u>(734,686)</u>	<u>(659,859)</u>	<u>(684,640)</u>
Operating Income	\$70,097	\$152,077	\$109,538
Plus: Depreciation	<u>8,214</u>	<u>4,020</u>	<u>4,020</u>
Revenues Available for Debt Service	<u><u>\$78,311</u></u>	<u><u>\$156,097</u></u>	<u><u>\$113,558</u></u>

¹ Starting in 2024, the Liquor Store fund was classified as a nonmajor fund.

SUMMARY GENERAL FUND INFORMATION

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

	FISCAL YEAR ENDING DECEMBER 31				
COMBINED STATEMENT	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2025 Audited
Revenues					
Property taxes	\$7,552,181	\$8,606,565	\$10,378,255	\$10,684,710	\$11,812,389
Special assessments	3,718	0	0	0	0
Licenses and permits	797,166	850,749	921,559	711,146	713,658
Intergovernmental	5,306,210	5,496,701	5,278,886	5,058,970	5,325,291
Charges for services	1,370,550	1,483,704	1,405,190	1,971,744	1,683,169
Fine and forfeits	71,543	99,912	105,160	114,144	112,155
Interest on investments (loss)	(112,618)	(192,424)	540,657	334,511	307,449
Miscellaneous	363,086	456,584	16,284	152,568	144,592
Total Revenues	\$15,351,836	\$16,801,791	\$18,645,991	\$19,027,793	\$20,098,703
Expenditures					
General government	\$3,075,649	\$3,637,276	\$3,483,012	\$3,886,560	\$3,813,578
Public safety	5,138,674	5,940,834	6,645,997	7,190,494	7,729,577
Public works	2,758,210	3,321,806	3,617,206	3,678,661	3,822,623
Culture and recreation	2,758,812	3,028,777	3,058,534	3,613,046	4,008,324
Housing and economic development	0	2,850	0	0	0
Miscellaneous	142,558	214,130	201,665	186,007	188,493
Debt service	205,460	205,458	205,460	0	0
Capital outlay	540,478	461,484	148,355	208,874	85,607
Total Expenditures	\$14,619,841	\$16,812,615	\$17,360,229	\$18,763,642	\$19,648,202
Excess of revenues over (under) expenditures	\$731,995	(\$10,824)	\$1,285,762	\$264,151	\$450,501
Other Financing Sources (Uses)					
Sale of capital assets	\$7,338	\$0	\$0	\$1,821	\$0
Transfers in	75,000	50,000	210,000	210,000	277,000
Transfers (out)	(44,027)	(25,900)	(514,782)	(11,713)	0
Total Other Financing Sources (Uses)	\$38,311	\$24,100	(\$304,782)	\$200,108	\$277,000
Net changes in Fund Balances	\$770,306	\$13,276	\$980,980	\$464,259	\$727,501
General Fund Balance January 1	\$9,034,175	\$9,804,481	\$9,817,757	\$10,798,737	\$11,262,996
General Fund Balance December 31	\$9,804,481	\$9,817,757	\$10,798,737	\$11,262,996	\$11,990,497
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$122,799	\$236,076	\$144,289	\$155,456	\$162,284
Restricted	37,129	32,315	879,417	22,038	22,288
Committed	785,044	335,694	0	0	0
Unassigned	8,859,509	9,213,672	9,775,031	11,085,502	11,805,925
Total	\$9,804,481	\$9,817,757	\$10,798,737	\$11,262,996	\$11,990,497

GENERAL FUND BUDGET SUMMARY

FISCAL YEAR ENDING DECEMBER 31	
COMBINED STATEMENT	2026 Adopted Budget¹
Revenues	
Property taxes	\$12,322,628
Licenses and permits	645,200
Intergovernmental	4,941,164
Charges for services	1,783,640
Fine and forfeits	58,500
Interest on investments (loss)	261,500
Miscellaneous	557,000
Total Revenues	<u>\$20,569,632</u>
Expenditures	
General government	\$4,207,446
Public safety	7,999,246
Public works	3,962,441
Culture and recreation	4,099,102
Miscellaneous	551,398
Capital outlay	0
Total Expenditures	<u>\$20,819,633</u>
Excess of revenues over (under) expenditures	(\$250,001)
General Fund Balance January 1	\$10,906,491
Prior Period Adjustment	<u>0</u>
General Fund Balance December 31	\$10,656,490

¹ The 2026 budget was adopted on December 2, 2025.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 20,790 and a 2024 population estimate of 21,648, and comprising an area of 7.6 square miles, is located approximately 45 miles south of St. Paul, Minnesota.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 659 (Northfield Public Schools)	Elementary and secondary education	1,100
Carleton College	Private liberal arts college	934
St. Olaf College	Private liberal arts college	860
Northfield Hospital and Clinics	Hospital and nursing home	850
Post Consumer Brands	Breakfast cereal manufacturer	750
McLane Minnesota, Inc.	Food service distribution	550
Taylor Truck Line, Inc.	Trucking/motor freight	360
Three Links Care Center	Nursing and convalescent home	250
Lutheran Home - The Cannon Valley	Retirement community	250
The City	Municipal government and services	143

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

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

BUILDING PERMITS (as of June 22, 2026)

	2022	2023	2024	2025	2026
<u>New Single Family Homes</u>					
No. of building permits	51	16	9	13	6
Valuation	\$18,620,092	\$6,483,765	\$3,772,010	\$5,616,322	\$2,843,020
<u>New Multiple Family Buildings</u>					
No. of building permits	1	9	1	8	5
Valuation	\$17,459,822	\$2,690,025	\$350,000	\$2,772,010	\$1,780,000
<u>New Commercial/Industrial</u>					
No. of building permits	7	13	10	9	6
Valuation	\$7,180,142	\$15,955,525	\$17,830,176	\$27,003,185	\$910,000
<u>All Building Permits</u> (including additions and remodelings)					
No. of building permits	2,972	1,388	1,037	470	489
Valuation	\$116,501,208	\$68,807,036	\$67,567,197	\$36,757,103	\$21,483,025

Source: The City.

U.S. CENSUS DATA**Population Trend:** The City

2010 U.S. Census population	20,007
2020 U.S. Census population	20,790
Percent of Change 2010 - 2020	3.91%
2024 State Demographer Population Estimate	21,648

Income and Age Statistics

	The City	Rice County	State of Minnesota	United States
2024 per capita income	\$36,703	\$38,682	\$48,237	\$44,673
2024 median household income	\$84,895	\$83,181	\$89,062	\$80,734
2024 median family income	\$112,098	\$104,630	\$113,993	\$99,999
2024 median gross rent	\$1,103	\$1,083	\$1,280	\$1,413
2024 median value owner occupied units	\$329,400	\$320,200	\$329,300	\$332,700
2024 median age	28.2 yrs.	37.1 yrs.	38.8 yrs.	38.9 yrs.

	State of Minnesota	United States
City % of 2024 per capita income	76.09%	82.16%
City % of 2024 median family income	98.34%	112.10%

Housing Statistics

	<u>The City</u>		
	2020	2024	Percent of Change
All Housing Units	6,723	6,901	2.65%

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

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>	<u>Average Unemployment</u>	
	Rice County	Rice County	State of Minnesota
2022	33,543	2.6%	2.5%
2023	34,056	2.8%	2.8%
2024	34,750	3.1%	3.1%
2025	34,973	3.9%	3.9%
2026, May	34,919	3.9%	4.0%

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

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

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



**YEAR ENDED
DECEMBER 31, 2025**

**CITY OF NORTHFIELD
NORTHFIELD, MN**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**PREPARED BY: BRENDA ANGELSTAD, FINANCE DIRECTOR
MEMBER GFOA OF U.S. AND CANADA**

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City of Northfield, Minnesota
Annual Comprehensive Financial Report
Table of Contents
For the Year Ended December 31, 2025

	<u>Page No.</u>
Introductory Section	
Letter of Transmittal	8
Principal City Officials	15
Organizational Chart	16
GFOA Certificate of Achievement for Excellence in Financial Reporting	17
Financial Section	
Independent Auditor's Report	21
Management's Discussion and Analysis	25
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	39
Statement of Activities	40
Fund Financial Statements	
Governmental Funds	
Balance Sheet	44
Reconciliation of the Balance Sheet to the Statement of Net Position	45
Statement of Revenues, Expenditures and Changes in Fund Balances	46
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	49
Proprietary Funds	
Statement of Net Position	50
Statement of Revenues, Expenses and Changes in Net Position	51
Statement of Cash Flows	52
Fiduciary Fund	
Statement of Fiduciary Net Position	53
Statement of Changes in Fiduciary Net Position	54
Notes to the Financial Statements	55
Required Supplementary Information	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	104
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	104
Notes to the Required Supplementary Information - General Employees Retirement Fund	105
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - Public Employees Police and Fire Fund	107
Schedule of Employer's Public Employees Retirement Association Contributions - Public Employees Police and Fire Fund	107
Notes to the Required Supplementary Information - Public Employees Police and Fire Fund	108
Schedule of Changes in the City's Total OPEB Liability and Related Ratios	111
Notes to the Required Supplementary Information - Total OPEB Liability and Related Ratios	111
Budgetary Comparison Schedule	
General Fund	113
Notes to the Required Supplemental Information – Budgetary Reporting	114

City of Northfield, Minnesota
Annual Comprehensive Financial Report
Table of Contents (Continued)
For the Year Ended December 31, 2025

Page No.

Combining and Individual Fund Financial Statements and Schedules

Nonmajor Governmental Funds	
Combining Balance Sheet	116
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	117
Nonmajor Special Revenue Funds	
Combining Balance Sheet	120
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	124
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Community Resource Center	128
Motor Vehicle Fund	129
Communication Fund	130
Library Gift Fund	131
G. W. Bunday Fund	132
Scriver Memorial Fund	133
L.J. Gustafson Fund	134
Myrtle Houston Trust Fund	135
C.C. Cloherty Fund	136
Community Development Block Grant (CDBG) Fund	137
Master Development Tax Increment Financing Fund	138
Economic Development Authority Fund	139
Nonmajor Capital Project Funds	
Combining Balance Sheet	142
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	144
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	149
Debt Service Funds	
Combining Balance Sheet	156
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	160
Nonmajor Proprietary Funds	
Combining Statement of Net Position	164
Combining Statement of Revenues, Expenses and Changes in Net Position	165
Combining Statement of Cash Flows	166
Internal Service Funds	
Combining Statement of Net Position	168
Combining Statement of Revenues, Expenses and Changes in Net Position	169
Combining Statement of Cash Flows	170
Discretely Presented Component Unit - Housing Redevelopment Authority	
Combining Balance Sheet - Governmental Funds	172
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	173
Discretely Presented Component Unit - Municipal Hospital	
Statement of Net Position	174
Statement of Revenues, Expenses and Changes in Net Position	175
Statement of Cash Flows	176

City of Northfield, Minnesota
Annual Comprehensive Financial Report
Table of Contents (Continued)
For the Year Ended December 31, 2025

	<u>Page No.</u>
Statistical Section (Unaudited)	
Financial Trends	
Net Position by Component	180
Changes in Net Position	182
Governmental Activities Tax Revenues by Source	187
Fund Balances of Governmental Funds - Last Ten Fiscal Years	188
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	190
Revenue Capacity	
Tax Capacity and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	193
Property Tax Rates Direct and Overlapping Governments - Last Ten Fiscal Years	194
Principal Property Taxpayers	196
Property Tax Levies and Collections - Last Ten Fiscal Years	197
Debt Capacity	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	198
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	200
Computation of Direct and Overlapping Debt	201
Legal Debt Margin Information - Last Ten Fiscal Years	202
Pledged-Revenue Coverage - Last Ten Fiscal Years	204
Demographic and Economic Information	
Demographic and Economic Statistics - Last Ten Fiscal Years	206
Principal Employers - Current Year and Nine Years Ago	207
Operating Information	
Full-Time Equivalent City Government Employees by Function - Last Ten Fiscal Years	208
Operating Indicators by Function - Last Ten Fiscal Years	210
Capital Asset Statistics by Function - Last Ten Fiscal Years	212
Other Required Reports	
Independent Auditor's Report on Minnesota Legal Compliance	217
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	218
Schedule of Findings and Responses	220

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INTRODUCTORY SECTION

CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025



May 26, 2026

To the Honorable Mayor, Members of the City Council, and Citizens of Northfield:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Northfield for the fiscal year ended December 31, 2025.

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

The City of Northfield's financial statements have been audited by Abdo, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Northfield for the fiscal year ended December 31, 2025, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Northfield's financial statements for the fiscal year ended December 31, 2025, 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 requires 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 of Northfield's MD&A can be found immediately following the report of the independent auditors.

All City funds, departments, commissions, and other organizations for which the City of Northfield is financially accountable are presented within the Annual Comprehensive Financial Report. The Northfield Fire Relief Association does not meet the established criteria for inclusion in the reporting entity and accordingly is excluded from this report.

To the Honorable Mayor and City Council
City of Northfield, Minnesota

Profile of the Government

The City of Northfield was formed in 1855 and was incorporated in March 1875. The City of Northfield as it exists today consists of 7.6 square miles. As of the 2020 Census, Northfield has a population of 20,790. Northfield is a 45-mile drive from Minneapolis and Saint Paul.

Northfield is a Home Rule Charter City with the City Council appointing a City Administrator. The City Administrator has operating responsibilities for all City functions.

The City of Northfield provides various services to the residents in the community. The current services are:

- General Government
 - a. Mayor & City Council
 - b. Administration
 - c. Elections
 - d. Finance
 - e. City Attorney
 - f. Human Resources and Risk Management
 - g. Information Technology
 - h. Community Development, including Housing and Economic Development
 - i. Planning
 - j. General Government Building
- Public Safety
 - a. Police
 - b. Fire
 - c. Building Inspections
- Public Works
 - a. Engineering
 - b. Streets
 - c. Street Lighting
 - d. Water
 - e. Wastewater
 - f. Garbage
 - g. Storm Water Drainage
- Culture and Recreation
 - a. Ice Arena
 - b. Outdoor Pool at Memorial Park
 - c. Park Maintenance
 - d. Library
- Liquor Store
- Community Resource Center
- Municipal Hospital

To the Honorable Mayor and City Council
City of Northfield, Minnesota

The council is required to adopt a final budget prior to the close of the fiscal year. The annual budget serves as the foundation for the City's financial planning and control. The City Administrator, Finance Director and other department directors prepare the annual budget each summer. A preliminary budget is presented to the City Council in August, prior to consideration of the preliminary property tax levy. Under Minnesota Statutes, a preliminary property tax levy must be adopted no later than September 30th of each year for the ensuing years' collection. This action establishes a maximum levy. Subsequent Council action may lower the preliminary levy but may not increase the levy. In addition, the City Council reviews the budgets for the enterprise funds and all other funds on an annual basis as part of the budgetary process.

In November, citizens receive a notice of proposed property taxes based upon the preliminary levies established by all taxing jurisdictions. Citizens are invited to a public hearing known as the Truth in Taxation hearings for each taxing unit. The City's hearing includes a presentation that addresses the budget, proposed property tax levy, other city operations, and the priorities of the City Council for the upcoming year. There is an opportunity for public comment, on these topics, at the public hearing before the final property tax levy is adopted.

Economic Condition and Outlook

The estimated population as reported by the Minnesota Demographer for 2020 was 20,790, which represents a 3.9 percent increase from 2010. The 2010 Census established the City's population at 20,007. The population has remained steady over the last decade with slight increases in the last few years. This is reflective of the upturn of the economy and the increase in residential construction since the low in 2011. The unemployment rate peaked in 2020, early in the COVID pandemic, but as of March 2026 it is now 4.3%, well below pre-pandemic levels and just below the State of Minnesota rate of 4.5%.

	Revenue from Licenses & Permits:	Increase (Decrease)
2025	\$ 713,657	\$ 2,511
2024	711,146	(210,412)
2023	921,559	70,810
2022	850,749	53,583
2021	797,166	163,627
2020	633,539	61,152
2019	572,387	(55,509)
2018	627,896	(231,352)
2017	859,248	179,774
2016	679,474	250,717

Revenue from permit activity was essentially flat, a 0.35% increase from the prior year; it was 11% over budget and in line with expectations. In 2025, the city issued permits for 21 single family dwellings valued at \$8.3 million vs 10 single family permits valued at \$4 million in 2024.

2026 should remain similar to 2025, with an emphasis on alterations rather than new construction, at least in the commercial sector. Residential new construction should remain the same or slightly higher. High interest rates, labor and material costs have slowed construction. The market has also caught up with projects delayed during COVID from both the labor shortage and material availability. Other factors which may affect revenue for 2026 are the proposed high school renovation and fees collected from the City of Dundas, as the City of Northfield is providing Building and Inspection services for that jurisdiction.

Northfield's fastest growing population is people between the ages of 25 and 34, however the aging of the largest birth cohort in history, the baby boom, will continue to contribute to shifts in demand for commercial and service sector business,

To the Honorable Mayor and City Council
City of Northfield, Minnesota

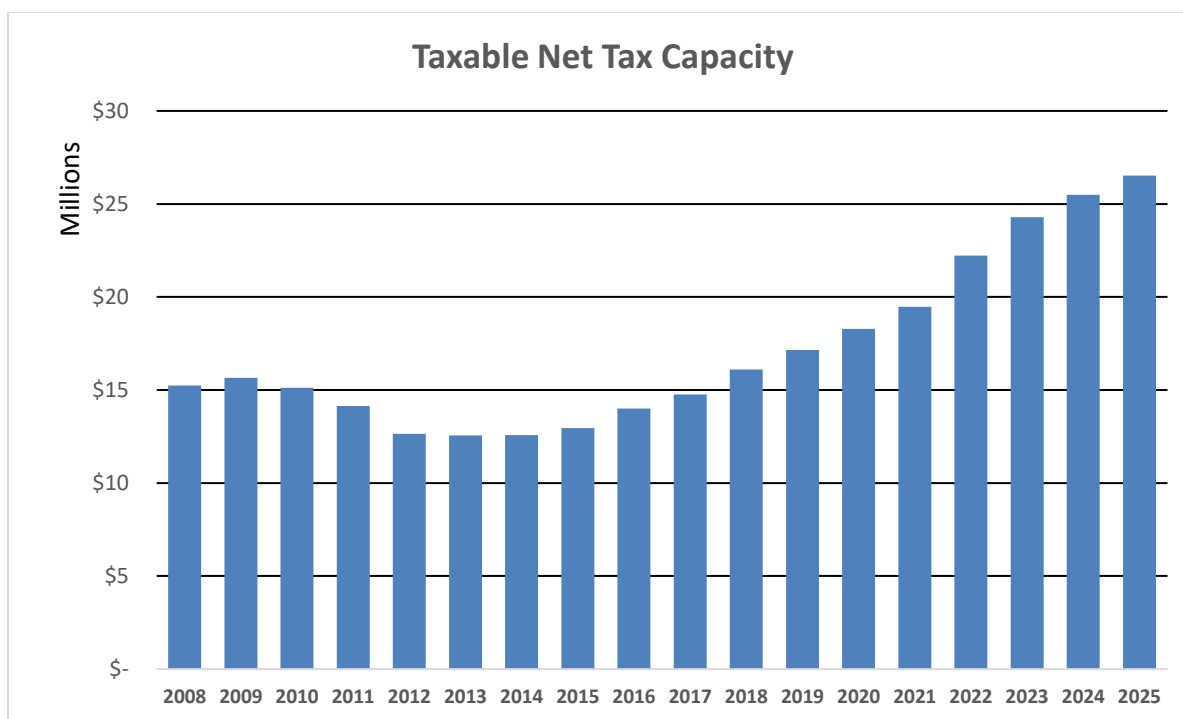
housing and care facilities. All of Minnesota's baby boomers will be 65 or older by year end 2028. According to state agency forecasts, the 65+ population will now exceed the number of children under 18 in the state between 2031 and 2035.

According to recent forecast data from the MN State Economist at Minnesota Management and Budget (MMB), the state has already experienced reduced starts in new home construction due to high interest rates, and the outlook does not improve before 2028 given national policy uncertainties affected by tariffs and changes in immigration and energy policy. MMB economic forecasts show a softening in the temporary employment market, demonstrable shifts downward in hours worked per week per worker, and a very tight labor market with far more job openings than unemployed workers. Given the state's trend toward higher labor market participation than the national average and uncertainty in immigration policies, forecasts through 2029 show a significant stall in employment growth and a higher likelihood that businesses will not invest in fixed improvements until uncertainty in the market is reduced.

Other concerns regarding the economic outlook include:

- Higher inflation will likely negatively impact nominal consumer spending predictions which could have an implication for sales tax revenues.
- Longer-term interest rates will likely come down more slowly as a new set of inflation expectations are calculated.
- Consumers and lenders are both reporting expectations of higher-than-anticipated inflation.
- Minnesota is highly dependent upon migration for its labor force, including immigrants. This includes highly skilled workers in medical and technical fields as well as seasonal and farm laborers.

The City's tax base in tax capacity values is shown below:



The residential sector is moderately increasing; commercial and industrial values are gaining. We anticipate the base capacity to be stable with a modest increase over the next year.

To the Honorable Mayor and City Council
City of Northfield, Minnesota

Major Employers - Northfield is known for the quality educational institutions that have been landmarks in the community for over 100 years. Northfield's heritage dates back to 1855 when the City was established on the banks of the Cannon River. Soon a dam was constructed to power the Ames Flour Mill, which turned wheat from nearby fields into flour. Today, the Ames Flour Mill is the location of Post Consumer Brands, formerly Malt-O-Meal, a food manufacturer producing a significant part of the nation's breakfast cereals. The educational institutions and the mill remain major employers in Northfield.

Major employers in Northfield are as follows:

Employer	Products/Services	Employees
Post Consumer Products	Grain & Oilseed Milling	878
Carleton College	Education	860
St Olaf College	Education	860
ISD 659	Education	576
McLane Minnesota Inc.	Grocery Distribution	550
Lutheran Home - The Cannon Valley	Retirement Community	500
Northfield Hospital	General Medical & Surgical Hospital	481
Multek Flexible Circuits	Technology & Manufacturing	450
Taylor Truck Line, Inc.	Transportation	360
Three Links Care Center	Skilled Nursing Care Facility	250

Table 16 in the Statistical Section also details the principal employers for the current year along with a comparison from nine years ago.

Financing General Fund operations - The City's General Fund operations continue to be supported by two major categories of revenue. They are general property taxes at 55 percent, and intergovernmental revenues at 26 percent. Intergovernmental revenue includes state aids, such as local government aid, highway maintenance aid, fire relief aid and police aid; county grants include highway aid and support of library operations. Local Government Aid (LGA) is the single largest revenue source within the category of intergovernmental revenues. 2020, 2021 and 2022 also included revenue from COVID-related funding from the CARES Act and American Rescue Plan (ARPA). 2023 included one-time State Police Aid.

The history and ratio to total budget of property taxes and intergovernmental revenues are shown below. The City of Northfield is heavily dependent upon state aid to support General Fund operations. Monitoring state legislative activity and the state's own fiscal condition has been a continual focus.

	General Fund			
	Property Tax Revenue	Percent of Total	Intergovernmental Revenue	Percent of Total
2025	\$ 11,567,178	56.94%	\$ 5,325,291	26.22%
2024	10,475,474	54.68%	5,072,800	26.48%
2023	10,171,986	53.95%	5,278,887	28.00%
2022	8,425,519	50.15%	5,496,701	32.71%
2021	7,404,234	48.23%	5,306,210	34.56%
2020	7,214,743	46.75%	5,692,340	36.89%
2019	6,583,221	49.84%	3,852,999	29.17%
2018	6,133,235	48.68%	3,829,758	30.40%
2017	5,624,778	47.81%	3,659,007	31.10%
2016	5,454,266	47.10%	3,674,908	31.73%

To the Honorable Mayor and City Council
City of Northfield, Minnesota

Long-term Financial Planning

In 2025, a utility rate study was conducted by Baker Tilly, formerly Springsted Incorporated. That study laid out a plan for our Water, Sewer, Stormwater and Garbage rates for the next 5-10 years based on operating expense and anticipated capital projects. This study will be updated in the future if CIP/CEP assumptions change. Based on this study, the Council authorized Water, Waste Water, Storm Water and Garbage rates to increase by 9.0 percent, 3.0 percent, 5.0 percent and 6.5%, respectively, in 2026. A drinking water treatment facility study was completed in 2021. In January of 2025, the Council voted not to accept bids on a new water treatment plant. However, the City continues to explore State and Federal Funding grant opportunities to offset capital costs to construct the facility and to reduce the impact on water rates in 2026 and beyond.

PFM Asset Management manages the majority of the City's investment portfolio. A smaller portion is kept in the 4M fund for cash flow and is managed in-house.

Major Initiatives

In 2025, the City adopted the 2025–2028 City of Northfield Strategic Plan, a renewed roadmap designed to guide the community toward a stronger, more inclusive, and more resilient future. Grounded in shared values and shaped by community input, the plan reflects the collective hopes, needs, and priorities of Northfield residents. The Strategic Plan also identifies key initiatives that will be undertaken to achieve targeted outcomes across four priority areas.

- **Improve Financial Strength**

A financially responsible organization focused on long-term fiscal sustainability through responsible budgeting, economic growth, and diversified revenue sources to maintain quality City services while minimizing additional burdens on residents and businesses.

- o Develop and implement Northwest Area shovel-ready and recruitment plan
- o Strategies to develop high potential commercial/industrial properties
- o Create a revenue diversification program (new and updates)
- o Implement a coordinated 2-year budget and aligned financial management plan
- o 5-year financial management alignment with service level strategy

- **Increase Housing Availability**

Addressing housing affordability and expanding housing options for all stages of life and income levels to keep Northfield welcoming and livable for everyone.

- o Develop and implement single-family home expansion strategy and recruitment plan
- o Implement new and existing housing stabilization program
- o Create a strategy to reduce homeownership disparity
- o Create development subsidy standards and policy
- o Create a plan for publicly owned high priority redevelopment sites

- **Achieve Infrastructure Sustainability**

Investing in resilient infrastructure, safer streets, flood mitigation, and long-term improvements that support community needs today and into the future.

- o Implement neighborhood flood improvements
- o Implement downtown flood improvements
- o Implement citywide pedestrian crossing improvement plan

To the Honorable Mayor and City Council
City of Northfield, Minnesota

- o Create pedestrian and biking crossing improvement plan for Highway 3
 - o Create a safe street for all plan
 - o Create a dam removal strategy
- Enhance Service Delivery

Improving the efficiency, accessibility, and responsiveness of City services while strengthening community engagement and the overall resident experience.

- o Earned our 16th consecutive GFOA Award for Excellence in Financial Reporting and maintained the City's "AA" Bond rating with S&P Global Ratings.
- o Identify long-term service delivery needs.
- o Defined service levels in core services.
- o Review and update communications plan.
- o Develop a survey framework.

The City has a website located at www.northfieldmn.gov for use by citizens and other interested parties. Information is continuously provided here in a convenient manner. Updates are made continually and include progress reports on the City's major initiatives.

Acknowledgements

The preparation of this report could not have been completed without the efficient services of the Finance Department staff and the consultation of the City's auditing firm. Particularly, Mary Grant, Accounting Coordinator in the Finance Department and others in the City have our sincere appreciation for their contribution to the preparation of this report.

We also want to express our appreciation to the Mayor, members of the City Council, and City Administrator for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Brenda Angelstad
Finance Director

City of Northfield, Minnesota
Principal City Officials
For the Year Ended December 31, 2025

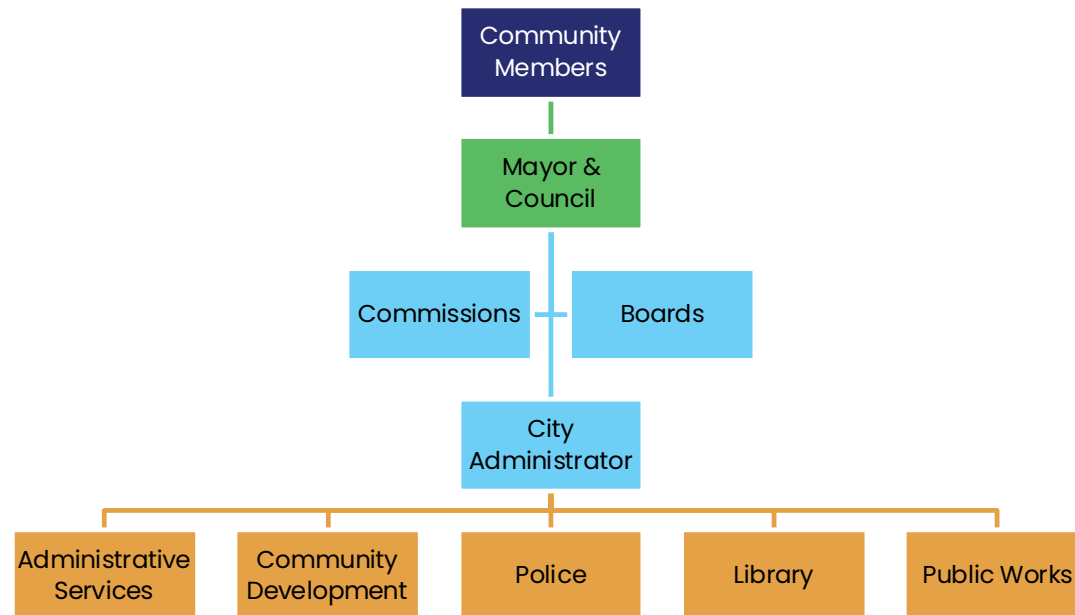
Elected

Name	Title	Term Expires
Erica Zweifel	Mayor	12/31/28
Kathleen Holmes	Council Member First Ward	12/31/26
Chad Beumer	Council Member Second Ward	12/31/28
Peter Dahlen	Council Member Third Ward	12/31/28
Jessica Peterson White	Council Member Fourth Ward	12/31/26
Brad Ness	Council Member At Large	12/31/28
Davin Sokup	Council Member At Large	12/31/26

Appointed

Ben Martig	City Administrator
Brenda Angelstad	Finance Director
Lynette Peterson	City Clerk
Sara Hoffman	Deputy City Clerk/Executive Administrative Assistant
Chris Hood	City Attorney
Flaherty & Hood, P.A.	Assistant City Attorney
Jeff Schroepfer	Police Chief
David Bennett	Public Works Director / City Engineer
Scott Wopata	Community Development/Planning Director
Natalie Draper	Library / IT Director
Michelle Mahowald	Human Resources / Communications Director

Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Northfield
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Executive Director/CEO

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FINANCIAL SECTION
CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Northfield, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Northfield, Minnesota, (the City) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2025, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Municipal Hospital, which is a discretely presented component unit of the City and represents 30 percent, 23 percent and 72 percent, respectively, of the City's assets, net position and revenues. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in the City, is based solely on the report of the other auditors.

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 of Northfield 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.

Emphasis of Matter - Restatement

As discussed in Note 9 to the financial statements, the City restated beginning net position for governmental activities and beginning fund balance for the 2019 and 2024 capital project funds to correct errors in the previously issued financial statements. Our opinions were not modified with respect to this matter.

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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Northfield'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 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 25 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions, the related note disclosures and the Schedule of Changes in the City's OPEB Liability and Related Ratios, the respective budgetary comparison schedule and related note disclosures starting on page 104 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining 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 related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining, individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the 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 statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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Mankato, Minnesota
May 26, 2026



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Management's Discussion and Analysis

As management of the City of Northfield (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, 2025. 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 on page 8 of this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The 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

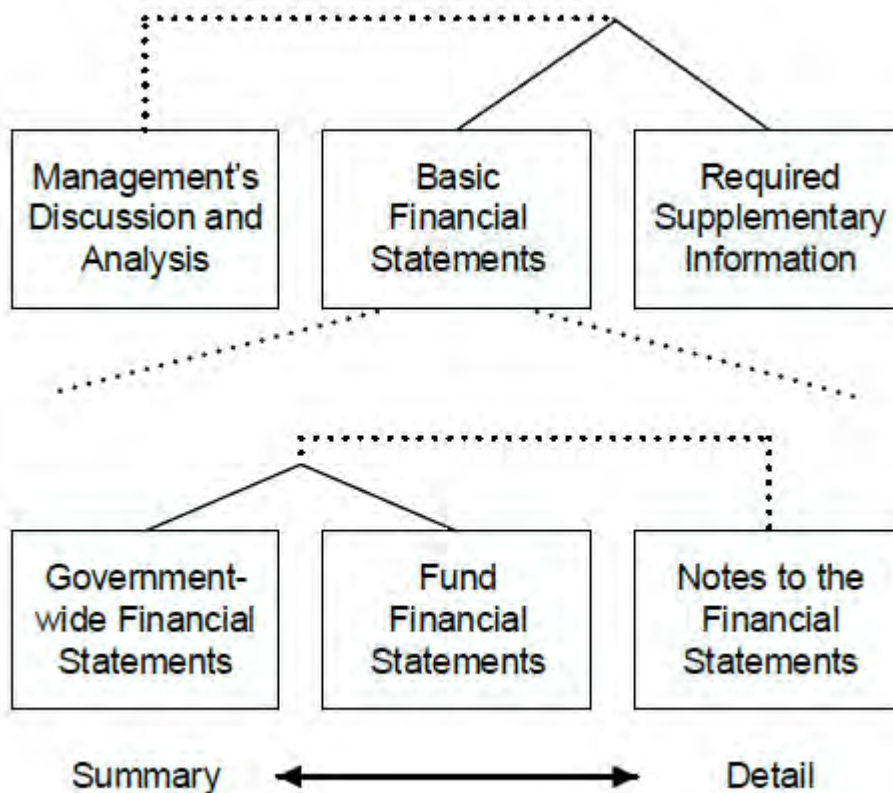


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

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

The *statement of net position* presents information on all of the City's assets and 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, transit and miscellaneous activities. The business-type activities of the City include water, wastewater, garbage, storm water and municipal liquor store.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the Housing Redevelopment Authority and Municipal Hospital for which the City is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

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 governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains various individual governmental funds, several of which are Debt Service 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, Debt Service fund, 2025 Capital Project fund, and Ice Arena Construction fund. 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 basic governmental fund financial statements can be found starting on page 44 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, garbage, storm water, and liquor store operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its information technology and insurance operations. Because both of these services predominantly benefit governmental rather than *business-type functions*, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of its operations that are considered to be major funds of the City. Both internal service fund balances have been incorporated into the functions of the governmental activities that benefited from these services. Individual fund data for the internal services 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 50 of this report.

Notes 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 55 of this report.

Required Supplementary Information. The required supplementary information can be found starting on page 104 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found starting on page 116 of this report.

Government-wide Financial Analysis

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

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, infrastructure, 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 Northfield's Summary of Net Position

	Governmental Activities			Business-type Activities			Total	
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024
Assets								
Current and other assets	\$ 56,786,346	\$ 33,793,672	\$ 22,992,674	\$ 24,019,538	\$ 26,636,365	\$ (2,616,827)	\$ 80,805,884	\$ 60,430,037
Capital assets	100,444,322	86,259,283	14,185,039	59,724,560	49,412,914	10,311,646	160,168,882	135,672,197
Total Assets	157,230,668	120,052,955	37,177,713	83,744,098	76,049,279	7,694,819	240,974,766	196,102,234
Deferred outflows of resources	4,196,433	5,262,507	(1,066,074)	238,063	205,310	32,753	4,434,496	5,467,817
Liabilities								
Long-term liabilities outstanding	69,684,313	46,152,371	23,531,942	20,980,279	21,690,164	(709,885)	90,664,592	67,842,535
Other liabilities	6,807,364	3,950,225	2,857,139	2,699,573	1,935,555	764,018	9,506,937	5,885,780
Total Liabilities	76,491,677	50,102,596	26,389,081	23,679,852	23,625,719	54,133	100,171,529	73,728,315
Deferred inflows of resources	6,025,701	9,593,755	(3,568,054)	890,571	553,299	337,272	6,916,272	10,147,054
Net Position								
Net investment in capital assets	52,517,292	48,120,220	4,397,072	38,692,175	31,902,536	6,789,639	91,209,467	80,022,756
Restricted	12,070,591	9,043,580	3,027,011	-	-	-	12,070,591	9,043,580
Unrestricted	14,321,840	8,455,311	5,866,529	20,719,563	20,173,035	546,528	35,041,403	28,628,346
Total Net Position	\$ 78,909,723	\$ 65,619,111	\$ 13,290,612	\$ 59,411,738	\$ 52,075,571	\$ 7,336,167	\$ 138,321,461	\$ 117,694,682
Net Position as a Percent of Total								
Net investment in capital assets	66.6 %	73.3 %		65.1 %	61.3 %			
Restricted	15.3	13.8		0.0	0.0			
Unrestricted	18.1	12.9		34.9	38.7			
Total	100.0 %	100.0 %		100.0 %	100.0 %			

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

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

Governmental Activities. Governmental activities increased the City's net position as shown below. Key elements of these changes are as follows:

City of Northfield's Changes in Net Position

	Governmental Activities			Business-type Activities			Total	
	2025	Restated 2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	Restated 2024
Revenues								
Program Revenues								
Charges for services	\$ 3,541,486	\$ 3,763,671	\$ (222,185)	\$ 15,140,198	\$ 13,328,808	\$ 1,811,390	\$ 18,681,684	\$ 17,092,479
Operating grants and contributions	2,343,738	1,407,437	936,301	-	-	-	2,343,738	1,407,437
Capital grants and contributions	7,429,772	2,867,355	4,562,417	-	-	-	7,429,772	2,867,355
General Revenues								
Property taxes/ tax increments	20,218,454	17,255,237	2,963,217	-	-	-	20,218,454	17,255,237
Grants and contributions not restricted to specific programs	4,208,796	3,984,260	224,536	-	-	-	4,208,796	3,984,260
Unrestricted investment earnings	1,191,205	968,018	223,187	966,383	1,216,486	(250,103)	2,157,588	2,184,504
Other	140,489	1,130,406	(989,917)	-	14,474	(14,474)	140,489	1,144,880
Total Revenues	<u>39,073,940</u>	<u>31,376,384</u>	<u>7,697,556</u>	<u>16,106,581</u>	<u>14,559,768</u>	<u>1,546,813</u>	<u>55,180,521</u>	<u>45,936,152</u>
Expenses								
General government	4,423,803	4,951,881	(528,078)	-	-	-	4,423,803	4,951,881
Public safety	7,362,726	7,752,181	(389,455)	-	-	-	7,362,726	7,752,181
Public works	6,825,000	6,659,029	165,971	-	-	-	6,825,000	6,659,029
Culture and recreation	5,450,039	5,173,993	276,046	-	-	-	5,450,039	5,173,993
Housing and economic development	1,107,745	732,379	375,366	-	-	-	1,107,745	732,379
Transit	30,864	108,463	(77,599)	-	-	-	30,864	108,463
Miscellaneous	366,663	215,642	151,021	-	-	-	366,663	215,642
Interest on long-term debt	1,916,181	1,116,224	799,957	-	-	-	1,916,181	1,116,224
Water	-	-	-	2,192,341	2,455,327	(262,986)	2,192,341	2,455,327
Wastewater	-	-	-	4,581,157	4,548,062	33,095	4,581,157	4,548,062
Garbage	-	-	-	1,049,120	1,065,066	(15,946)	1,049,120	1,065,066
Storm water	-	-	-	1,022,476	814,983	207,493	1,022,476	814,983
Liquor store	-	-	-	2,657,974	2,734,247	(76,273)	2,657,974	2,734,247
Total Expenses	<u>27,483,021</u>	<u>26,709,792</u>	<u>773,229</u>	<u>11,503,068</u>	<u>11,617,685</u>	<u>(114,617)</u>	<u>38,986,089</u>	<u>38,327,477</u>
Increase in Net Position Before Transfers	11,590,919	4,666,592	6,924,327	4,603,513	2,942,083	1,661,430	16,194,432	7,608,675
Transfers	(2,732,654)	3,742,067	(6,474,721)	2,732,654	(3,742,067)	6,474,721	-	-
Change in Net Position	<u>8,858,265</u>	<u>8,408,659</u>	<u>449,606</u>	<u>7,336,167</u>	<u>(799,984)</u>	<u>8,136,151</u>	<u>16,194,432</u>	<u>7,608,675</u>
Net Position, January 1, as Previously Presented	65,619,111	57,210,452	8,408,659	52,075,571	52,875,555	(799,984)	117,694,682	110,086,007
Change to the Financial Reporting Entity (Note 9)								
Change from discrete to blended component unit	2,152,032	-	2,152,032	-	-	-	2,152,032	-
Correction of Error (Note 9)	2,280,315	-	2,280,315	-	-	-	2,280,315	-
Net Position, January 1, as Restated	<u>70,051,458</u>	<u>57,210,452</u>	<u>12,841,006</u>	<u>52,075,571</u>	<u>52,875,555</u>	<u>(799,984)</u>	<u>122,127,029</u>	<u>110,086,007</u>
Net Position - December 31	<u>\$ 78,909,723</u>	<u>\$ 65,619,111</u>	<u>\$ 13,290,612</u>	<u>\$ 59,411,738</u>	<u>\$ 52,075,571</u>	<u>\$ 7,336,167</u>	<u>\$ 138,321,461</u>	<u>\$ 117,694,682</u>

Key elements of this increase are as follows:

- Increases in property taxes/tax increments
- Increases in capital grants/contributions

Property Taxes and Tax Increments

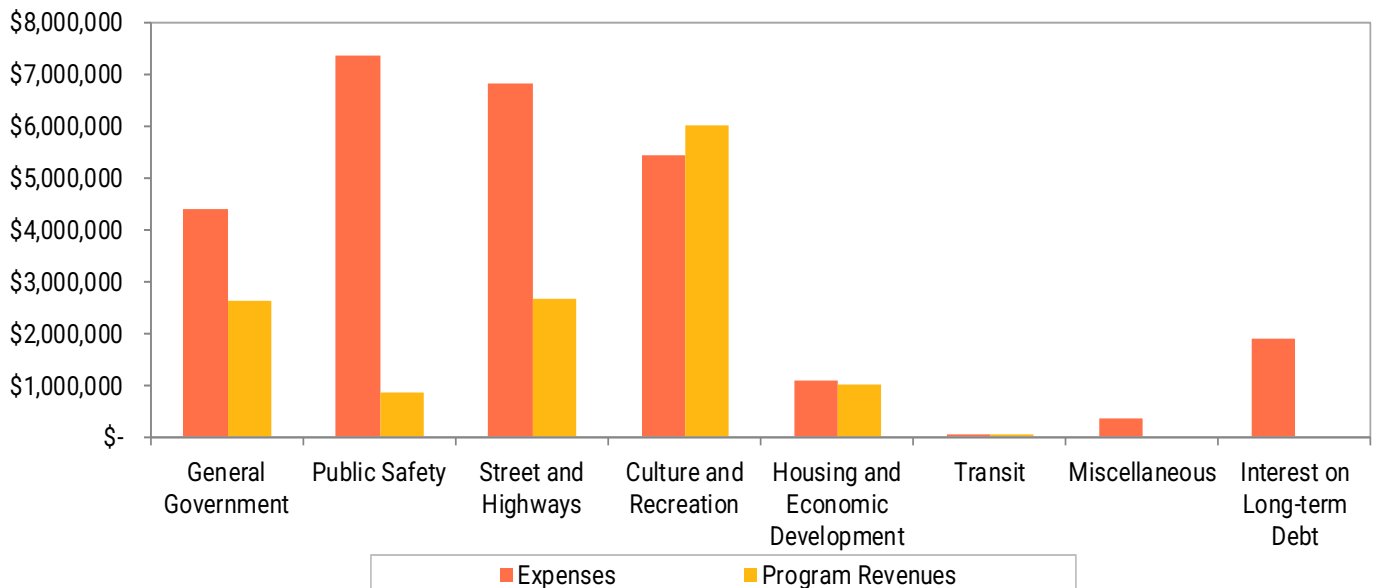
On December 3rd, 2024, the City Council approved a 15.8% increase in their 2025 levy. This increase was required to be within their 2025-2028 strategic plan to improve financial strength, increase housing availability, achieve infrastructure sustainability, and enhance service delivery.

Capital Grants and Contributions

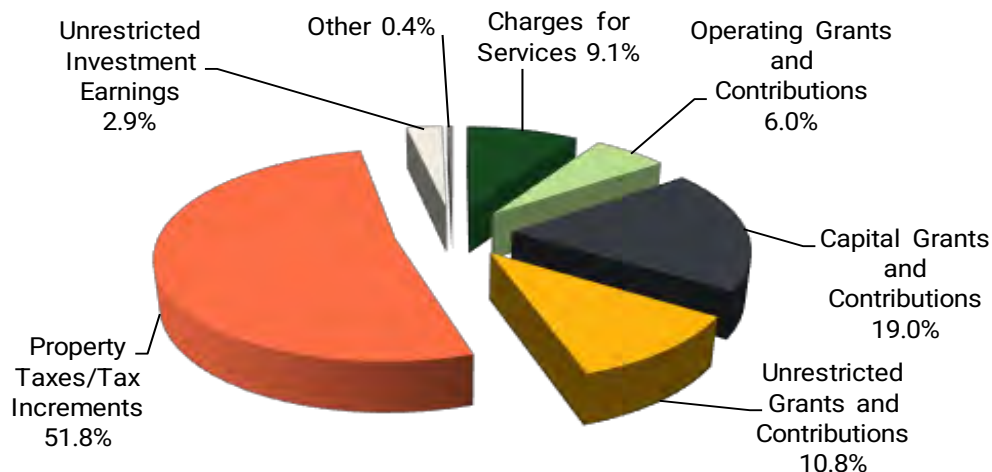
During the fiscal year, the City received significant donations related to the ice arena project. These donations totaled \$2,091,652. The City also received a one-time state-awarded grant related to the Mill Town Trail Project in the amount of \$2,157,813.

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

Expenses and Program Revenues - Governmental Activities



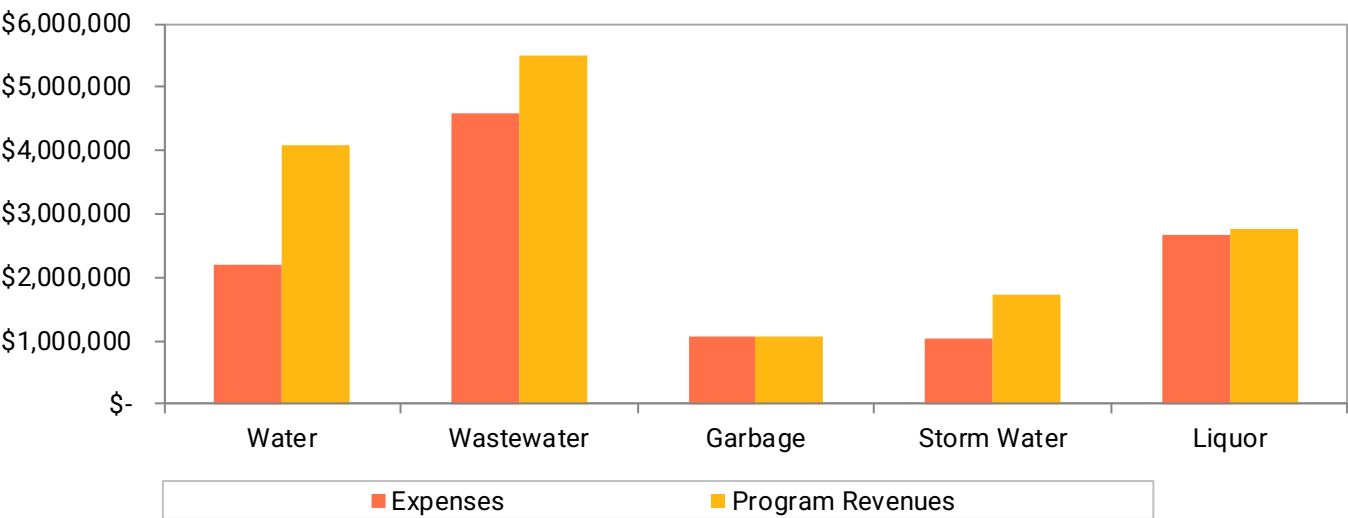
Revenues by Source - Governmental Activities



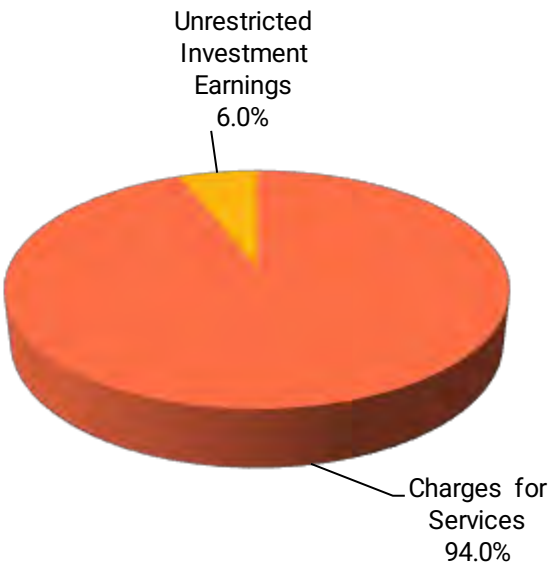
Business-type Activities. Business-type activities increased the City’s net position as shown above. Key elements of this increase are as follows:

- Increased charges for services due to increase utility rates ranging from 1.0 - 28.0 percent in 2025 to fund future infrastructure improvements.
- Decreased transfers out relating to funding improvement projects in the current fiscal year.

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, 2025:

	General Fund	Debt Service Fund	2025 Capital Project Fund	Ice Arena Construction	Other Governmental Funds	Total	Restated Prior Year Total	Increase/ (Decrease)
Fund Balances								
Nonspendable	\$ 162,284	\$ -	\$ -	\$ -	\$ 4,511	\$ 166,795	\$ 374,738	\$ (207,943)
Restricted	22,288	7,285,186	-	14,004,036	5,049,022	26,360,532	10,647,751	15,712,781
Committed	-	-	-	-	2,343,757	2,343,757	2,039,992	303,765
Assigned	-	-	-	-	4,213,757	4,213,757	3,431,467	782,290
Unassigned	11,805,925	-	(1,094,585)	-	(2,007,231)	8,704,109	7,793,450	910,659
Total	<u>\$ 11,990,497</u>	<u>\$ 7,285,186</u>	<u>\$ (1,094,585)</u>	<u>\$ 14,004,036</u>	<u>\$ 9,603,816</u>	<u>\$ 41,788,950</u>	<u>\$ 24,287,398</u>	<u>\$ 17,501,552</u>

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 1 starting on page 65 of this report.

The *General fund* is the chief operating fund of the City. At the end of the current year the total 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	\$ 162,284	\$ 155,456	\$ 6,828
Restricted	22,288	22,038	250
Unassigned	11,805,925	11,085,502	720,423
Total	<u>\$ 11,990,497</u>	<u>\$ 11,262,996</u>	<u>\$ 727,501</u>
General Fund expenditures	\$ 19,648,202	\$ 18,763,642	
Unassigned as a percent of expenditures	60.1%	59.1%	
Total Fund Balance as a percent of expenditures	61.0%	60.0%	

The fund balance of the City's General fund increased as shown above. The increase in fund balance was due to increased property tax revenues during the year as noted in the governmental activities above.

Other major governmental fund analysis is shown below:

	December 31, 2025	December 31, 2024	Increase (Decrease)
Debt Service fund	\$ 7,285,186	\$ 6,392,774	\$ 892,412
<i>The Debt Service fund increase in fund balance during the year was due to increased investment earnings and increased tax revenue.</i>			
2025 Capital Project fund	\$ (1,094,585)	\$ (1,247,732)	\$ 153,147
<i>The 2025 Capital Project total fund balance increased as a result of a bond issuance during the fiscal year and the receipt of additional local grant funding.</i>			
Ice Arena Construction fund	\$ 14,004,036	\$ (215,575)	\$ 14,219,611
<i>The Ice Arena Construction total fund balance increased as a result of a bond issuance during the fiscal year and the receipt of contributions and donations.</i>			

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

	Ending Net Position 2025	Ending Net Position 2024	Increase/ (Decrease)
Water	\$ 17,246,823	\$ 14,072,427	\$ 3,174,396
<i>The increase is primarily the result of higher charges for services driven by utility rate increases, along with capital contributions received during the year.</i>			
Wastewater	\$ 30,173,367	\$ 27,874,990	\$ 2,298,377
<i>The increase is primarily the result of higher charges for services driven by utility rate increases, along with capital contributions received during the year.</i>			
Storm Water	\$ 7,866,523	\$ 6,240,356	\$ 1,626,167
<i>The increase is primarily the result of higher charges for services driven by utility rate increases, along with capital contributions received during the year.</i>			

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, 2025 is shown in the table below (net of accumulated depreciation). This investment in net assets includes land, buildings, infrastructure, machinery, and equipment.

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

- Completion of College & Water Project
- 2023 Reclamation & Overlay
- Completion of Bluff View
- Disposal of 2009 Caterpillar
- Purchase of JD Tractor snow attachment
- 2025 Elgin Pelican
- Completion of Storm Structure
- Lincoln Box Culvert
- Purchase of 2024 F-150
- Completion of library study room
- Completion of council chamber improvements
- Completion of Babcock Shelter/Ballfield
- Completion of TH246

Capital Asset and Debt Administration (Continued)

- Disposal of various tractors, snowblowers, trucks, and skid-steer loader
- Completion of Sprinkler System – NCRC
- Completion of Honey Locust ECRT
- Completion of outdoor pool pump
- Purchase of various police vehicles
- Construction in progress of the Ice Arena
- Construction in progress of the Mill Town State Trail
- Construction in progress of the 2025 Reclamation and Overlay
- Construction in progress of the transit hub
- Construction in progress of Wall Street improvement

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

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

	Governmental Activities			Business-type Activities			Total		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Land	\$ 1,465,130	\$ 1,465,130	\$ -	\$ 1,661,718	\$ 1,661,718	\$ -	\$ 3,126,848	\$ 3,126,848	\$ -
Buildings and Improvements	13,345,194	14,169,616	(824,422)	8,944,745	10,230,688	(1,285,943)	22,289,939	24,400,304	(2,110,365)
Infrastructure	47,478,189	41,890,044	5,588,145	25,220,606	19,747,194	5,473,412	72,698,795	61,637,238	11,061,557
Machinery, Equipment and Vehicles	4,403,776	3,387,570	1,016,206	1,786,967	1,596,529	190,438	6,190,743	4,984,099	1,206,644
Construction in Progress	33,752,033	25,346,923	8,405,110	22,110,524	16,176,785	5,933,739	55,862,557	41,523,708	14,338,849
Total	<u>\$ 100,444,322</u>	<u>\$ 86,259,283</u>	<u>\$ 14,185,039</u>	<u>\$ 59,724,560</u>	<u>\$ 49,412,914</u>	<u>\$ 10,311,646</u>	<u>\$ 160,168,882</u>	<u>\$ 135,672,197</u>	<u>\$ 24,496,685</u>
Percent increase (decrease)									18.1%

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

City of Northfield's Outstanding Debt

	Governmental Activities			Business-type Activities			Total		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
General Obligation Bonds	\$ 32,045,000	\$ 29,400,000	\$ 2,645,000	\$ -	\$ -	\$ -	\$ 32,045,000	\$ 29,400,000	\$ 2,645,000
General Obligation Improvement Bonds	5,365,000	6,630,000	(1,265,000)	-	-	-	5,365,000	6,630,000	(1,265,000)
General Obligation Tax Increment Bonds	-	60,000	(60,000)	-	-	-	-	60,000	(60,000)
General Obligation Revenue Bonds	21,700,000	-	21,700,000	19,010,000	19,550,000	(540,000)	40,710,000	19,550,000	21,160,000
Notes	303,575	460,166	(156,591)	-	-	-	303,575	460,166	(156,591)
Total	<u>\$ 59,413,575</u>	<u>\$ 36,550,166</u>	<u>\$ 22,863,409</u>	<u>\$ 19,010,000</u>	<u>\$ 19,550,000</u>	<u>\$ (540,000)</u>	<u>\$ 78,423,575</u>	<u>\$ 56,100,166</u>	<u>\$ 22,323,409</u>
Percent increase (decrease)									39.8%

The City's total debt increased during the current fiscal year due to issuance of General Obligation bonds, series 2025A and 2025B. The City's bond rating was 'AA' from Standard & Poor's for their 2025 issues.

Minnesota statutes limit the amount of net general obligation debt a City may issue up to three percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limit for the City is \$65,501,598, 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 3E starting on page 77 of this report.

Currently Known Facts, Decisions, or Conditions

- The 2025 unemployment rate for Rice County, where the City is located, was 3.9 percent, which was an increase from 3.1 percent in the prior year. This is favorable to the State's average unemployment rate of 4.3 percent and also to the national average rate of 4.3 percent.
- Inflationary trends in the region are slightly above national indices. Minnesota was 2.8 percent versus the United States at 2.6 percent.

All of these factors were considered in preparing the City's budget for the 2026 fiscal year.

During the current fiscal year, unassigned fund balance in the General fund increased to \$11,990,494. This unassigned fund balance is designated for cash flow purposes and revenue stabilization.

The City's tax levy was increased by 9.9 percent for 2026.

For 2026, water rates are set to increase 9.0 percent. Wastewater rates are set to increase 3.0 percent. Storm water rates are set to increase 5.0 percent. Garbage rates are set to increase 6.5 percent.

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 Northfield, 801 Washington Street, Northfield, Minnesota 55057-2598.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Northfield, Minnesota
Statement of Net Position
December 31, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Housing Redevelopment Authority	Municipal Hospital
Assets					
Cash and temporary investments	\$ 31,984,736	\$ 19,875,865	\$ 51,860,601	\$ 433,915	\$ 43,794,063
Cash held with fiscal agent	-	-	-	-	17,824
Restricted cash and investments	16,207,812	-	16,207,812	-	-
Receivables					
Interest	105,994	97,185	203,179	1,555	-
Delinquent taxes	158,005	-	158,005	3,634	-
Accounts, net of allowances	507,217	1,835,882	2,343,099	-	26,861,942
Leases	81,721	424,760	506,481	-	-
Notes, net of allowance	728,809	-	728,809	-	-
Special assessments	1,132,827	15,305	1,148,132	-	-
Intergovernmental	1,635,022	4,678	1,639,700	1,725	-
Internal balances	(1,376,317)	1,376,317	-	-	-
Inventories	571	370,271	370,842	-	2,210,488
Prepaid items	189,188	19,275	208,463	2,442	1,683,350
Other assets	-	-	-	-	335,412
Land held for resale	263,171	-	263,171	1,233,576	-
Capital assets					
Nondepreciable	35,217,163	23,772,242	58,989,405	56,994	3,211,831
Depreciable	65,227,159	35,952,318	101,179,477	175,134	24,286,059
Investment in joint venture	5,167,590	-	5,167,590	-	-
Total Assets	157,230,668	83,744,098	240,974,766	1,908,975	102,400,969
Deferred Outflows of Resources					
Deferred pension resources	3,909,336	182,966	4,092,302	15,432	4,850,943
Deferred other postemployment benefit resources	287,097	55,097	342,194	6,024	-
Total Deferred Outflows of Resources	4,196,433	238,063	4,434,496	21,456	4,850,943
Liabilities					
Accounts payable	2,375,457	1,852,210	4,227,667	14,346	4,299,766
Contracts payable	2,700,726	344,974	3,045,700	-	-
Deposits payable	186,976	-	186,976	700	-
Due to other governments	41,462	42,010	83,472	-	-
Accrued interest payable	925,436	357,367	1,282,803	-	56,749
Accrued wages payable	408,266	70,574	478,840	6,442	9,496,134
Unearned revenue	-	-	-	-	27,483
Noncurrent liabilities					
Due within one year					
Long-term liabilities	3,711,115	967,153	4,678,268	-	951,713
Other postemployment benefit liability	169,041	32,438	201,479	3,547	-
Due in more than one year					
Long-term liabilities	60,156,173	19,146,171	79,302,344	-	15,189,508
Net pension liability	4,545,313	622,910	5,168,223	52,529	21,151,031
Other postemployment benefit liability	1,271,712	244,045	1,515,757	26,685	-
Total Liabilities	76,491,677	23,679,852	100,171,529	104,249	51,172,384
Deferred Inflows of Resources					
Deferred pension resources	5,665,670	414,148	6,079,818	34,923	15,304,394
Deferred other postemployment benefit resources	284,997	54,691	339,688	5,980	-
Deferred lease resources	75,034	421,732	496,766	-	-
Total Deferred Inflows of Resources	6,025,701	890,571	6,916,272	40,903	15,304,394
Net Position					
Net investment in capital assets	52,517,292	38,692,175	91,209,467	232,128	11,356,669
Restricted					
Affordable housing	-	-	-	106,941	-
Police forfeitures	22,288	-	22,288	-	-
Debt service	6,989,368	-	6,989,368	-	17,824
Library	329,238	-	329,238	-	-
Public safety activities	46,845	-	46,845	-	-
Arts and culture	224,483	-	224,483	-	-
Redevelopment and housing	193,008	-	193,008	-	-
Economic development	2,265,809	-	2,265,809	-	-
Capital projects	1,999,552	-	1,999,552	-	-
Unrestricted	14,321,840	20,719,563	35,041,403	1,446,210	29,400,641
Total Net Position	\$ 78,909,723	\$ 59,411,738	\$ 138,321,461	\$ 1,785,279	\$ 40,775,134

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

City of Northfield, Minnesota
Statement of Activities
For the Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 4,423,803	\$ 2,658,660	\$ -	\$ -
Public safety	7,362,726	98,130	753,883	-
Public works	6,825,000	155,747	289,693	2,224,041
Culture and recreation	5,450,039	628,949	270,425	5,136,014
Housing and economic development	1,107,745	-	1,029,737	-
Transit	30,864	-	-	69,717
Miscellaneous	366,663	-	-	-
Interest on long-term debt	1,916,181	-	-	-
Total Governmental Activities	27,483,021	3,541,486	2,343,738	7,429,772
Business-type Activities				
Water	2,192,341	4,071,264	-	-
Wastewater	4,581,157	5,501,550	-	-
Garbage	1,049,120	1,060,228	-	-
Storm water	1,022,476	1,738,909	-	-
Liquor stores	2,657,974	2,768,247	-	-
Total Business-type Activities	11,503,068	15,140,198	-	-
Total Primary Government	<u>\$ 38,986,089</u>	<u>\$ 18,681,684</u>	<u>\$ 2,343,738</u>	<u>\$ 7,429,772</u>
Component Units				
Housing Redevelopment Authority	<u>\$ 632,792</u>	<u>\$ 9,600</u>	<u>\$ 17,129</u>	<u>\$ 31,885</u>
Municipal Hospital	<u>\$ 136,497,751</u>	<u>\$ 137,641,118</u>	<u>\$ 219,329</u>	<u>\$ 102,797</u>

General Revenues

Property taxes, levied for general purposes
Property taxes, levied for debt service
Tax increments
Franchise taxes
Lodging taxes
Property taxes, levied for economic development
Property taxes, levied for housing redevelopment
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Other revenues
Gain on sale of capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1, as Previously Presented

Change to the Financial Reporting Entity (Note 9)

Change from discrete to blended component unit

Correction of Error (Note 9)

Net Position, 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

Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Economic Development Authority	Housing Redevelopment Authority	Municipal Hospital
\$ (1,765,143)	\$ -	\$ (1,765,143)		\$ -	\$ -
(6,510,713)	-	(6,510,713)		-	-
(4,155,519)	-	(4,155,519)		-	-
585,349	-	585,349		-	-
(78,008)	-	(78,008)		-	-
38,853	-	38,853		-	-
(366,663)	-	(366,663)		-	-
(1,916,181)	-	(1,916,181)		-	-
(14,168,025)	-	(14,168,025)		-	-
-	1,878,923	1,878,923		-	-
-	920,393	920,393		-	-
-	11,108	11,108		-	-
-	716,433	716,433		-	-
-	110,273	110,273		-	-
-	3,637,130	3,637,130		-	-
(14,168,025)	3,637,130	(10,530,895)			
				(574,178)	-
				-	1,465,493
13,513,627	-	13,513,627		-	-
3,614,238	-	3,614,238		-	-
1,017,972	-	1,017,972		-	-
1,474,830	-	1,474,830		-	-
202,421	-	202,421		-	-
395,366	-	395,366		-	-
-	-	-		403,417	-
4,208,796	-	4,208,796		-	-
1,191,205	966,383	2,157,588		14,286	2,862,844
30,092	-	30,092		223,947	-
110,397	-	110,397		-	263,244
(2,732,654)	2,732,654	-		-	-
23,026,290	3,699,037	26,725,327		641,650	3,126,088
8,858,265	7,336,167	16,194,432		67,472	4,591,581
65,619,111	52,075,571	117,694,682	2,152,032	1,717,807	36,183,553
2,152,032	-	2,152,032	(2,152,032)	-	-
2,280,315	-	2,280,315	-	-	-
70,051,458	52,075,571	122,127,029	-	1,717,807	36,183,553
<u>\$ 78,909,723</u>	<u>\$ 59,411,738</u>	<u>\$ 138,321,461</u>	<u>\$ -</u>	<u>\$ 1,785,279</u>	<u>\$ 40,775,134</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Northfield, Minnesota

Balance Sheet
Governmental Funds
December 31, 2025

	General	Debt Service	Formerly Nonmajor 2025 Capital Project Fund	Formerly Nonmajor Ice Arena Construction	Other Governmental Funds	Total
Assets						
Cash and temporary investments	\$ 11,471,500	\$ 7,346,367	\$ -	\$ -	\$ 10,899,858	\$ 29,717,725
Restricted cash and investments	-	-	-	16,207,812	-	16,207,812
Receivables						
Interest	32,847	23,179	-	-	39,596	95,622
Delinquent taxes	154,299	-	-	-	3,706	158,005
Accounts	117,215	-	-	-	390,002	507,217
Notes, net of allowances	-	-	-	-	728,809	728,809
Leases	-	-	-	-	81,721	81,721
Special assessments	-	933,370	-	-	199,457	1,132,827
Intergovernmental	71,234	1,351	-	-	1,562,437	1,635,022
Due from other funds	1,448,600	-	-	-	-	1,448,600
Inventories	571	-	-	-	-	571
Prepaid items	161,713	-	-	-	4,511	166,224
Land held for resale	-	-	-	-	263,171	263,171
Total Assets	<u>\$ 13,457,979</u>	<u>\$ 8,304,267</u>	<u>\$ -</u>	<u>\$ 16,207,812</u>	<u>\$ 14,173,268</u>	<u>\$ 52,143,326</u>
Liabilities						
Accounts payable	\$ 817,937	\$ 85,888	\$ 149,857	\$ -	\$ 1,219,302	\$ 2,272,984
Contracts payable	-	-	283,925	2,203,776	213,025	2,700,726
Due to other governments	13	-	-	-	41,449	41,462
Deposits payable	115,011	-	-	-	71,965	186,976
Accrued wages payable	380,222	-	-	-	15,907	396,129
Due to other funds	-	-	660,803	-	787,797	1,448,600
Advance from other funds	-	-	-	-	1,268,107	1,268,107
Total Liabilities	<u>1,313,183</u>	<u>85,888</u>	<u>1,094,585</u>	<u>2,203,776</u>	<u>3,617,552</u>	<u>8,314,984</u>
Deferred Inflows of Resources						
Unavailable revenue						
Taxes	154,299	-	-	-	3,706	158,005
Special assessments	-	933,193	-	-	199,457	1,132,650
Intergovernmental resources	-	-	-	-	673,703	673,703
Deferred lease resources	-	-	-	-	75,034	75,034
Total Deferred Inflows of Resources	<u>154,299</u>	<u>933,193</u>	<u>-</u>	<u>-</u>	<u>951,900</u>	<u>2,039,392</u>
Fund Balances						
Nonspendable						
Inventories	571	-	-	-	-	571
Prepaid items	161,713	-	-	-	4,511	166,224
Land held for resale	-	-	-	-	-	-
Restricted						
Police forfeitures	22,288	-	-	-	-	22,288
Debt service	-	7,285,186	-	-	-	7,285,186
Library	-	-	-	-	329,238	329,238
Public safety activities	-	-	-	-	46,845	46,845
Arts and culture	-	-	-	-	224,483	224,483
Redevelopment and housing	-	-	-	-	193,008	193,008
Economic development	-	-	-	-	2,265,809	2,265,809
Capital projects	-	-	-	14,004,036	1,989,639	15,993,675
Committed						
Carbon reduction	-	-	-	-	291,533	291,533
Utility franchise fees	-	-	-	-	1,371,064	1,371,064
Motor vehicle operations	-	-	-	-	501,763	501,763
Communications	-	-	-	-	179,397	179,397
Assigned						
Capital projects	-	-	-	-	4,213,757	4,213,757
Unassigned	11,805,925	-	(1,094,585)	-	(2,007,231)	8,704,109
Total Fund Balances	<u>11,990,497</u>	<u>7,285,186</u>	<u>(1,094,585)</u>	<u>14,004,036</u>	<u>9,603,816</u>	<u>41,788,950</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 13,457,979</u>	<u>\$ 8,304,267</u>	<u>\$ -</u>	<u>\$ 16,207,812</u>	<u>\$ 14,173,268</u>	<u>\$ 52,143,326</u>

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

City of Northfield, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2025

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	\$ 41,788,950
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	100,375,708
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Compensated absences payable	(1,317,560)
Bonds payable	(58,785,000)
Notes payable	(303,575)
Net pension liability	(4,425,493)
Other postemployment benefit liability	(1,736,010)
Bond premium, net of accumulated amortization	(3,136,153)
Investment in joint ventures are not financial resources, and therefore, are not reported in the funds	5,167,590
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	158,005
Special assessments receivable	1,132,650
Intergovernmental receivable	673,703
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	3,874,141
Deferred inflows of pension resources	(5,586,006)
Governmental funds do not report long-term amounts related to other postemployment benefits.	
Deferred outflows of other postemployment benefit resources	281,170
Deferred inflows of other postemployment benefit resources	(279,114)
Governmental funds do not report a liability for accrued interest until due and payable.	(925,436)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	<u>1,952,153</u>
Total Net Position - Governmental Activities	<u>\$ 78,909,723</u>

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

City of Northfield, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	General	Debt Service	Formerly Major 2019 Capital Project Fund	Formerly Major 2024 Capital Project Fund
Revenues				
Taxes	\$ 11,812,389	\$ 4,236,948		
Special assessments	-	548,391		
Licenses and permits	713,658	-		
Intergovernmental	5,325,291	-		
Charges for services	1,683,169	-		
Fines and forfeits	112,155	-		
Investment earnings	307,449	208,145		
Miscellaneous	144,592	81,078		
Total Revenues	<u>20,098,703</u>	<u>5,074,562</u>		
Expenditures				
Current				
General government	3,813,578	-		
Public safety	7,729,577	-		
Public works	3,822,623	-		
Culture and recreation	4,008,324	-		
Housing and economic development	-	126,094		
Miscellaneous	188,493	-		
Capital outlay				
General government	-	-		
Public safety	-	-		
Public works	-	-		
Culture and recreation	85,607	-		
Housing and economic development	-	-		
Transit	-	-		
Debt service				
Principal	-	2,951,591		
Interest and other charges	-	1,244,465		
Bond issuance costs	-	-		
Total Expenditures	<u>19,648,202</u>	<u>4,322,150</u>		
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>450,501</u>	<u>752,412</u>		
Other Financing Sources (Uses)				
Sale of capital assets	-	-		
Transfers in	277,000	140,000		
Bonds issued	-	-		
Premium on bonds issued	-	-		
Transfers out	-	-		
Total Other Financing Sources (Uses)	<u>277,000</u>	<u>140,000</u>		
Net Change in Fund Balances	<u>727,501</u>	<u>892,412</u>		
Fund Balances, January 1, as Previously Presented	11,262,996	6,392,774	(1,479,088)	68,859
Change to the Financial Reporting Entity (Note 9)				
Change from nonmajor to major fund	-	-	-	-
Change from major to nonmajor fund	-	-	1,479,088	(68,859)
Change from discrete to blended component unit				
Error Correction (Note 9)	-	-	-	-
Fund Balances, January 1, as Restated	<u>11,262,996</u>	<u>6,392,774</u>	<u>-</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 11,990,497</u>	<u>\$ 7,285,186</u>	<u>\$ -</u>	<u>\$ -</u>

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

Formerly Nonmajor 2025 Capital Project Fund	Formerly Nonmajor Ice Arena Construction	Formerly Major 5th Street Redevelopment	Other Governmental Funds	Total
\$ -	\$ -		\$ 4,078,440	\$ 20,127,777
-	-		60,057	608,448
-	-		-	713,658
1,201,694	-		3,386,300	9,913,285
-	-		808,267	2,491,436
-	-		-	112,155
-	196,789		478,822	1,191,205
-	2,091,652		1,235,616	3,552,938
<u>1,201,694</u>	<u>2,288,441</u>		<u>10,047,502</u>	<u>38,710,902</u>
-	-		673,398	4,486,976
-	-		17,156	7,746,733
-	-		-	3,822,623
-	-		660,787	4,669,111
-	-		874,805	1,000,899
-	-		178,170	366,663
-	-		141,400	141,400
-	-		281,595	281,595
5,467,269	-		1,468,346	6,935,615
-	10,553,374		3,247,791	13,886,772
-	-		7,647	7,647
-	-		647,980	647,980
-	-		-	2,951,591
26,554	-		6,040	1,277,059
55,694	319,066		2,663	377,423
<u>5,549,517</u>	<u>10,872,440</u>		<u>8,207,778</u>	<u>48,600,087</u>
<u>(4,347,823)</u>	<u>(8,583,999)</u>		<u>1,839,724</u>	<u>(9,889,185)</u>
-	-		110,397	110,397
500,000	-		149,817	1,066,817
3,740,000	21,700,000		375,000	25,815,000
260,970	1,103,610		35,600	1,400,180
-	-		(1,001,657)	(1,001,657)
<u>4,500,970</u>	<u>22,803,610</u>		<u>(330,843)</u>	<u>27,390,737</u>
<u>153,147</u>	<u>14,219,611</u>		<u>1,508,881</u>	<u>17,501,552</u>
-	-	(2,197,119)	5,718,575	19,766,997
(1,247,732)	(215,575)	-	1,463,307	-
-	-	2,197,119	(3,607,348)	-
-	-	-	2,240,086	2,240,086
-	-	-	2,280,315	2,280,315
<u>(1,247,732)</u>	<u>(215,575)</u>	<u>-</u>	<u>8,094,935</u>	<u>24,287,398</u>
<u>\$ (1,094,585)</u>	<u>\$ 14,004,036</u>	<u>\$ -</u>	<u>\$ 9,603,816</u>	<u>\$ 41,788,950</u>

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

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City of Northfield, 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, 2025

	<u>Primary Government</u>
Amounts reported for governmental activities in the statement of activities are different because	
Net change in fund balances - governmental funds	\$ 17,501,552
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	21,769,657
Depreciation expense	(4,769,972)
Capital contributions to business-type activities	(2,797,814)
The City has an equity interest in joint ventures. The net allocated gain or (loss) and contributions from this investment is not a current financial resource and therefore is not reported in the governmental funds.	703,375
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are delayed and amortized in the statement of activities.	
Principal repayments	2,951,591
Debt issued	(25,815,000)
Premium on bonds issued, net of amortization expense	(1,230,406)
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.	(431,473)
Long-term pension activity is not reported in governmental funds.	
Pension expense	560,213
Direct aid contributions	61,285
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Property taxes	63,983
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.	
Special assessments	(477,150)
Intergovernmental grants	673,703
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Other postemployment benefit costs	75,286
Compensated absences	(118,634)
Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain of the internal activities of internal service funds are reported in governmental	138,069
Change in Net Position - Governmental Activities	<u>\$ 8,858,265</u>

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

City of Northfield, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2025

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	601	602	604	Nonmajor Proprietary Funds	Total	
	Water	Wastewater	Storm Water			
Assets						
Current Assets						
Cash and temporary investments	\$ 1,193,160	\$ 12,828,630	\$ 2,056,950	\$ 3,797,125	\$ 19,875,865	\$ 2,267,011
Receivables						
Interest	14,833	56,533	9,691	16,128	97,185	10,372
Accounts	628,520	879,953	162,182	165,227	1,835,882	-
Leases	8,966	-	-	-	8,966	-
Intergovernmental	1,396	1,900	346	1,036	4,678	-
Advance to other funds - current	27,389	-	-	-	27,389	-
Inventories	41,619	-	-	328,652	370,271	-
Prepaid items	8,493	3,640	1,754	5,388	19,275	22,964
Total Current Assets	1,924,376	13,770,656	2,230,923	4,313,556	22,239,511	2,300,347
Noncurrent Assets						
Special assessments receivable - noncurrent	-	15,305	-	-	15,305	-
Advance to other funds - noncurrent	1,240,718	-	-	-	1,240,718	-
Lease receivable - noncurrent	415,794	-	-	-	415,794	-
Capital assets						
Land	853,454	5,250	803,014	-	1,661,718	-
Buildings	1,563,528	27,230,512	-	214,187	29,008,227	-
Infrastructure	13,687,448	14,420,935	14,090,798	56,835	42,256,016	-
Machinery, equipment and vehicles	811,733	1,654,673	574,720	432,413	3,473,539	459,349
Construction in progress	8,191,465	13,180,456	738,603	-	22,110,524	-
Less accumulated depreciation	(8,850,774)	(24,304,941)	(5,221,599)	(408,150)	(38,785,464)	(390,735)
Total Capital Assets	16,256,854	32,186,885	10,985,536	295,285	59,724,560	68,614
Total Noncurrent Assets	17,913,366	32,202,190	10,985,536	295,285	61,396,377	68,614
Total Assets	19,837,742	45,972,846	13,216,459	4,608,841	83,635,888	2,368,961
Deferred Outflows of Resources						
Deferred pension resources	60,868	64,498	12,427	45,173	182,966	35,195
Deferred other postemployment benefit resources	20,032	17,228	6,046	11,791	55,097	5,927
Total Deferred Outflows of Resources	80,900	81,726	18,473	56,964	238,063	41,122
Liabilities						
Current Liabilities						
Accounts payable	1,492,809	140,176	2,215	217,010	1,852,210	102,473
Contracts payable	229,780	115,194	-	-	344,974	-
Due to other governments	1,975	-	-	40,035	42,010	-
Accrued interest payable	-	266,976	90,391	-	357,367	-
Accrued wages payable	22,272	25,308	4,931	18,063	70,574	12,137
Compensated absences payable - current portion	17,419	42,028	611	22,095	82,153	-
Bonds payable - current portion	-	630,000	255,000	-	885,000	-
Other postemployment benefits liability - current portion	11,794	10,143	3,559	6,942	32,438	3,490
Total Current Liabilities	1,776,049	1,229,825	356,707	304,145	3,666,726	118,100
Noncurrent Liabilities						
Compensated absences payable, net of current portion	20,395	74,358	-	24,868	119,621	-
Bonds payable, net of current portion	-	14,118,045	4,908,505	-	19,026,550	-
Net pension liability	207,239	219,578	42,300	153,793	622,910	119,820
Other postemployment benefits liability	88,731	76,310	26,775	52,229	244,045	26,253
Total Noncurrent Liabilities	316,365	14,488,291	4,977,580	230,890	20,013,126	146,073
Total Liabilities	2,092,414	15,718,116	5,334,287	535,035	23,679,852	264,173
Deferred Inflows of Resources						
Deferred pension resources	137,788	145,987	28,122	102,251	414,148	79,664
Deferred other postemployment benefit resources	19,885	17,102	6,000	11,704	54,691	5,883
Deferred lease resources	421,732	-	-	-	421,732	-
Total Deferred Inflows of Resources	579,405	163,089	34,122	113,955	890,571	85,547
Net Position						
Net investment in capital assets	14,649,246	17,925,613	5,822,031	295,285	38,692,175	68,614
Unrestricted	2,597,577	12,247,754	2,044,492	3,721,530	20,611,353	1,991,749
Total Net Position	\$ 17,246,823	\$ 30,173,367	\$ 7,866,523	\$ 4,016,815	59,303,528	\$ 2,060,363

Adjustments to reflect the consolidation
of internal service fund activities related
to enterprise funds.

108,210

Net position of business-type activities

\$ 59,411,738

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

City of Northfield, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	601	602	604	Nonmajor Proprietary Funds	Total	
	Water	Wastewater	Storm Water			
Operating Revenues						
Sales	\$ -	\$ -	\$ -	\$ 3,820,998	\$ 3,820,998	\$ -
Cost of sales	-	-	-	(1,974,156)	(1,974,156)	-
Gross Profit	-	-	-	1,846,842	1,846,842	-
Charges for services	3,610,879	5,486,595	1,732,878	-	10,830,352	1,600,898
Other income	457,357	14,955	4,372	7,564	484,248	-
Total Operating Revenues	4,068,236	5,501,550	1,737,250	1,854,406	13,161,442	1,600,898
Operating Expenses						
Personal services	712,610	824,948	170,756	551,861	2,260,175	728,398
Pension expense	(41,729)	5,707	12,192	(2,999)	(26,829)	-
Supplies	275,632	985,985	52,311	24,326	1,338,254	153,551
Other services and charges	486,971	598,292	196,880	1,113,428	2,395,571	659,092
Insurance	19,800	27,167	1,220	9,112	57,299	-
Utilities	202,328	377,913	-	17,003	597,244	-
Depreciation	538,389	1,137,071	428,664	21,184	2,125,308	26,215
Total Operating Expenses	2,194,001	3,957,083	862,023	1,733,915	8,747,022	1,567,256
Operating Income (Loss)	1,874,235	1,544,467	875,227	120,491	4,414,420	33,642
Nonoperating Revenues (Expenses)						
Investment income	152,505	552,897	98,512	162,469	966,383	108,694
Lease income	3,028	-	-	-	3,028	-
Interest expense	-	(642,547)	(222,389)	-	(864,936)	-
Bond premium amortization	-	16,836	63,515	-	80,351	-
Total Nonoperating Revenues (Expenses)	155,533	(72,814)	(60,362)	162,469	184,826	108,694
Income Before Contributions and Transfers	2,029,768	1,471,653	814,865	282,960	4,599,246	142,336
Capital Contributions						
From Other Funds	1,151,077	830,382	816,355	-	2,797,814	-
Transfers Out	(6,449)	(3,658)	(5,053)	(50,000)	(65,160)	-
Total Contributions and Transfers	1,144,628	826,724	811,302	(50,000)	2,732,654	-
Change in Net Position	3,174,396	2,298,377	1,626,167	232,960	7,331,900	142,336
Net Position, January 1	14,072,427	27,874,990	6,240,356	3,783,855	51,971,628	1,918,027
Net Position, December 31	<u>\$ 17,246,823</u>	<u>\$ 30,173,367</u>	<u>\$ 7,866,523</u>	<u>\$ 4,016,815</u>	<u>\$ 59,303,528</u>	<u>\$ 2,060,363</u>
Change in net position as shown above					\$ 7,331,900	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>4,267</u>	
Change in net position of business-type activities					<u>\$ 7,336,167</u>	

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

City of Northfield, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601	602	604	Nonmajor Proprietary Funds	
	Water	Wastewater	Storm Water		Total
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 3,506,161	\$ 5,589,158	\$ 1,714,402	\$ 3,815,332	\$ 14,625,053
Payments to suppliers and vendors	(1,013,386)	(2,121,899)	(401,643)	(3,107,422)	(6,644,350)
Payments to and on behalf of employees	(875,124)	(830,350)	(156,016)	(588,088)	(2,449,578)
Other receipts	457,357	14,955	4,372	7,564	484,248
Net Cash Provided (Used) by Operating Activities	2,075,008	2,651,864	1,161,115	127,386	6,015,373
Cash Flows from Noncapital Financing Activities					
(Increase) decrease in advances to other funds	986,878	-	-	-	986,878
Transfers to other funds	(6,449)	(3,658)	(5,053)	(50,000)	(65,160)
Net Cash Provided (Used) by Noncapital Financing Activities	980,429	(3,658)	(5,053)	(50,000)	921,718
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(4,547,865)	(3,008,920)	(824,634)	(188,565)	(8,569,984)
Principal paid on revenue bonds payable	-	(420,000)	(120,000)	-	(540,000)
Interest paid	-	(649,509)	(218,363)	-	(867,872)
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,547,865)	(4,078,429)	(1,162,997)	(188,565)	(9,977,856)
Cash Flows from Investing Activities					
Investment income received	152,704	562,666	99,156	159,443	973,969
Net Increase (Decrease) in Cash and Cash Equivalents	(1,339,724)	(867,557)	92,221	48,264	(2,066,796)
Cash and Cash Equivalents, January 1	2,532,884	13,696,187	1,964,729	3,748,861	21,942,661
Cash and Cash Equivalents, December 31	<u>\$ 1,193,160</u>	<u>\$ 12,828,630</u>	<u>\$ 2,056,950</u>	<u>\$ 3,797,125</u>	<u>\$ 19,875,865</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 1,874,235	\$ 1,544,467	\$ 875,227	\$ 120,491	\$ 4,414,420
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	538,389	1,137,071	428,664	21,184	2,125,308
(Increase) decrease in assets					
Accounts receivable	(105,215)	102,538	(18,480)	(5,680)	(26,837)
Due from other governments	497	25	4	14	540
Inventories	(5,329)	-	-	12,062	6,733
Prepaid items	560	4,004	378	(784)	4,158
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	578	(7,696)	(3,329)	(4,226)	(14,673)
Deferred other postemployment benefit resources	(6,614)	(3,752)	(3,686)	(4,028)	(18,080)
Increase (decrease) in liabilities					
Accounts payable	(65,563)	(130,839)	(139,418)	15,880	(319,940)
Due to other governments	(52)	-	-	446	394
Accrued wages payable	(351)	3,444	595	2,833	6,521
Other postemployment benefits liability	(3,321)	(17,839)	12,073	(914)	(10,001)
Compensated absences payable	(64,035)	58,998	472	2,689	(1,876)
Net pension liability	(44,595)	(13,223)	5,014	(14,030)	(66,834)
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	(41,180)	(19,456)	1,624	(17,015)	(76,027)
Deferred other postemployment benefit resources	(2,996)	(5,878)	1,977	(1,536)	(8,433)
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,075,008</u>	<u>\$ 2,651,864</u>	<u>\$ 1,161,115</u>	<u>\$ 127,386</u>	<u>\$ 6,015,373</u>
Schedule of Noncash Investing Capital and Financing Activities					
Capital assets acquired on account	\$ 1,607,608	\$ 115,194	\$ -	\$ -	\$ 1,722,802
Capital assets contributed by (to) other funds	<u>\$ 1,151,077</u>	<u>\$ 830,382</u>	<u>\$ 816,355</u>	<u>\$ -</u>	<u>\$ 2,797,814</u>
Amortization of bond premium, net	<u>\$ -</u>	<u>\$ (16,836)</u>	<u>\$ (63,515)</u>	<u>\$ -</u>	<u>\$ (80,351)</u>

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

City of Northfield, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2025

	Private-Purpose Trust Fund	Custodial Fund
	851	
	Whittier Trust Fund	Deputy Registrar
Assets		
Cash and temporary investments	\$ 377,822	\$ -
Receivables		
Accrued interest	1,680	-
Total Assets	<u>\$ 379,502</u>	<u>\$ -</u>
Net Position		
Restricted		
Individuals and Other Governments	<u>\$ 379,502</u>	<u>\$ -</u>

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

City of Northfield, Minnesota
Statement of Changes Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2025

	Private-Purpose Trust Fund	Custodial Fund
	851	
	Whittier Trust Fund	Deputy Registrar
Additions		
Fees collected on behalf of the state	\$ -	\$ 3,334,117
Investment earnings	17,196	-
Total Additions	<u>17,196</u>	<u>3,334,117</u>
Deductions		
Current		
Culture and recreation	3,400	-
Payments to state	-	3,334,117
Total Deductions	<u>3,400</u>	<u>3,334,117</u>
Net Increase (Decrease) in Fiduciary Net Position	13,796	-
Net Position, January 1	<u>365,706</u>	<u>-</u>
Net Position, December 31	<u>\$ 379,502</u>	<u>\$ -</u>

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

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Northfield (the City) was incorporated in 1875. The City operates under a Home Rule Charter as defined by Minnesota Statutes which provides for a Mayor-Council form of government. The Council exercises legislative authority and determines all matters of policy. The Council appoints the city administrator who is 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. Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City. Each discretely presented component unit has a December 31 year end.

Blended Component Unit. The Northfield Economic Development Authority (EDA) was created pursuant to Minnesota Statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The seven-member board consists of two Council members and five other Council-approved members. The EDA may not exercise any of the powers enumerated by the authorizing Statutes without prior approval of the City Council. The EDA issued debt during 2025 with the specific financial burden on the primary government. The EDA is reported as a special revenue fund and debt service fund of the City.

Discretely Presented Component Units. The component unit columns in the combined financial statements include the financial data of the Housing and Redevelopment Authority and the Northfield Municipal Hospital. These component units are presented in separate columns to emphasize that they are legally separate from the City.

The Northfield 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 certain redevelopment projects. The governing board, which is comprised of five members, one of which is a City Council member, is appointed by the Mayor and approved by the City Council. The Council reviews and approves HRA tax levies, and the City provides major community development financing for HRA activities. The HRA is reported as a governmental fund type. Separate financial statements are not issued for this component unit. Condensed statement information for the HRA is presented starting on page 174 of these financial statements.

The Northfield Municipal Hospital board of directors is appointed by the City Council. The Hospital has its own budget review and prepares its own financial statements. The City can impose its will on the Hospital, and the outstanding bonded indebtedness is the hospital's debt and is not the responsibility of the City. The Hospital is reported as a discretely presented enterprise fund. Complete financial statements may be obtained at the entity's administrative offices, Northfield Municipal Hospital, 2000 North Avenue, Northfield, MN 55057.

Joint Venture and Joint Powers Agreement. The cities of Northfield and Dundas, Minnesota and the townships of Bridgewater, Northfield, Webster, Forest, Waterford, Sciota and Greenvale, Minnesota (Rural Fire) formed the Northfield Area Fire and Rescue Service, Northfield, Minnesota (NAFRS), established under Minnesota Statutes, section 471.59 on April 1, 2014 to provide fire protection, suppression, prevention, technical rescue and non-transport emergency medical services to these communities. The Board consists of eight voting Board members which consists of five board members appointed by the Northfield City Council, two Board members appointed by Rural Fire and one Board member appointed by the Dundas City Council. There are also 5 ex-officio (nonvoting) Board members. The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the Organization's activities. Funding is provided by the communities at a ratio of 72.8 percent for Northfield, 6.0 percent for Dundas and 21.2 percent for Rural Fire. The percentages will be updated every two years based on their annual budget.

Note 1: Summary of Significant Accounting Policies (Continued)

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 activities of the City and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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

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

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

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements 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.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The City reports the following major governmental funds:

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

The *Debt Service fund* accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *2025 Capital Project fund* accounts for project costs and funding for the 2025 street projects.

The *Ice Arena Construction fund* accounts for project costs and funding for the Ice Arena which was bonded by the EDA.

The City reports the following major proprietary funds:

The *Water fund* accounts for the water service charges which are used to finance the water system operating expenses.

The *Wastewater fund* accounts for the wastewater service charges which are used to finance the sanitary sewer system operating expenses.

The *Storm Water fund* accounts for revenues and expenses with storm water disposal.

Additionally, the City reports the following fund types:

Internal Service funds are used to provide insurance coverage and data processing to other departments of the City.

Fiduciary Funds

The fiduciary funds use the accrual basis of accounting. Revenues are recognized with earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

The Private-Purpose Trust fund accounts for money held by the City in the capacity of trustees for others. The fund is used for the activity of the City's Whittier Trust.

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. They use the *economic resources measurement focus*. The City's Custodial fund accounts for the activities of the Deputy Registrar.

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.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water, 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.

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 non-operating 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 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.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

9. Guaranteed investment contracts (GICs) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The 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, 2025:

- Commercial Backed Securities and US Treasury securities of \$21,512,607 are valued using quoted market prices (Level 1 inputs)
- Commercial paper, Mortgage-backed securities and Municipal securities of \$3,165,428 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 an 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 contacting League of Minnesota Cities Finance Department at 145 University Avenue West, St. Paul, Minnesota, 55103-2044.

The City's investment policy follows Minnesota Statutes, which reduce 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, 2025 all investments were insured or registered, or securities were held by the City or its agent in the City's name.
- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The City's investment policy does not further limit the ratings of their investments.
- *Concentration Risk* - 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. The Hospital does not place a limit on the amount of the total portfolio that may be invested in any one depository or issuer. The Finance Department is responsible for the formulation, documentation, and monitoring of investment strategy consistent with the investment policy.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

- *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 Hospital has a formal investment policy that addresses permissible investments, portfolio diversification and instrument maturities. Within these parameters, the liquidity of the investments is a concern maximizing income and the quality of the investments is paramount.

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2025. 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. All trade receivables for the Municipal Hospital are shown net of an allowance for uncollectible accounts.

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.

Patient Receivables

The Municipal Hospital provides an allowance for uncollectible accounts using management's judgment. Acute-care patients are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of the invoice. Past due accounts are individually analyzed for collectability, and then turned over to collection agents. Accounts for which no payments have been received are analyzed and after approval are written off. In addition, an allowance is estimated for other accounts based on historical experience of the Municipal Hospital. At December 31, 2025, the allowance for uncollectible accounts was \$11,783,000.

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.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Interfund Receivables and Payables

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

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

Inventories and Prepaid Items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method except for the governmental funds which are recorded at cost or 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 in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expense when consumed rather than when purchased.

Assets Held for Resale

Land was acquired by the City and EDA for subsequent resale for redevelopment purposes. Land held for resale is an asset recorded at the lower of cost or realizable value in the fund that acquired it.

Restricted Assets

Restricted assets include assets set aside by the Hospital Board of Directors for future capital improvements, assets set aside under bond indenture agreements and assets set aside under employee health insurance arrangements.

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 government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of one year. The Hospital's capitalization threshold is \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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 at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

Assets	Years
Land Improvements	10 - 30
Building and Improvements	20 - 40
Infrastructure	10 - 30
Machinery, Equipment and Vehicles	5 - 20

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources are reported only in the statement of net position. The items result from actuarial calculations and current year pension 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. Compensated absences are measured using FIFO, reflecting the City's estimate of future leave usage and payouts, consistent with updated guidance under GASB 101. 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 General fund is typically used to liquidate governmental compensated absences payable.

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 a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at January 1, 2025. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Pensions

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

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

The total pension expense for the GERP, PEPFP, and DCP is as follows:

	Public Employees Retirement Association of Minnesota (PERA)			Total
	GERP	PEPFP	DCP	
City's proportionate share				
Primary Government	\$ (28,304)	\$ 437,703	\$ 1,680	\$ 411,079
Discretely Presented Component Units				
Housing Redevelopment Authority	(525)	-	-	(525)
Municipal Hospital	779,441	-	-	779,441
Proportionate share of State's contribution				
Primary Government	(10,438)	38,491	-	28,053
Discretely Presented Component Units				
Housing Redevelopment Authority	(194)	-	-	(194)
Municipal Hospital	510,229	-	-	510,229
Total pension expense	\$ 1,250,208	\$ 476,194	\$ 1,680	\$ 1,728,082

Leases

The City and Hospital determines if an arrangement is a lease at inception. Leases are included in lease receivables, assets and lease liabilities in the statement of net position.

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.

Lease assets represent the Hospital's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the Hospital's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Hospital will exercise that option. The Hospital has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position. The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Hospital has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

The Hospital accounts for contracts containing both lease and non-lease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and non-lease components, and it is impractical to estimate the price of such components, the Hospital treats the components as a single lease unit.

Note 1: Summary of Significant Accounting Policies (Continued)

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 amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are an expense in the period incurred.

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

Deferred Inflows of Resources

In addition to liabilities, the statement 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 City has the following items listed below reported in the statement of net position and governmental funds balance sheet:

- *Unavailable revenues* are presented in the governmental funds from three sources: property taxes, special assessments and intergovernmental revenue. These arise only under a modified accrual basis of accounting that qualifies for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- *Deferred pension resources* are reported only in the statements of net position and result from actuarial calculations.
- *Deferred other postemployment benefit resources* are reported only in the statements of net position and result from actuarial calculations.
- *Deferred lease resources* are reported in the governmental funds balance sheet and are deferred to the period the amounts become available. This item is also reported in the statement of net position.

Net Patient and Resident Service Revenue

Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods, as final settlements are determined.

Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Contributions

From time to time, the Hospital receives contributions from individuals and private organizations. Revenue contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Contributions may be restricted to either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

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.

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 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 of 40 percent of budgeted operating expenditures for cash-flow timing needs.

Net Position

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

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquiring capital assets.
- b. Restricted net position - Consists of net position balances restricted by limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

- 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 and special revenue funds except the Arts and Culture fund, TZD Enforcement fund, Jefferson Square TIF fund, Utility Franchise Fee, Carbon Reduction Fund, Spring Creek TIF fund, Aurora TIF fund, Washington TIF fund, Maple Brook TIF fund, Spring Creek TIF fund, and Kraewood TIF fund, which are not legally obligated to prepare budgets. 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 30th, 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, and a final tax levy is prepared and adopted in early December.

The City's legal level of budgetary control is at the fund level for funds other than the General fund. The legal level of budgetary control for the General fund is at the department level. The City's department heads may make transfers of appropriations within a department with the approval of the City Administrator. Transfers of appropriations between departments require the approval of the Administrator. Transfers of appropriations between funds require the approval of the Council. Budgeted amounts are as originally adopted, or as amended by the Council. There were no amendments made to the budget.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2025, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special Revenue			
Motor Vehicle	\$ 284,809	\$ 301,134	\$ 16,325
Communication	368,829	372,264	3,435
Library Gift	12,500	52,976	40,476
C.C. Cloherty	200	233	33

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 2: Stewardship, Compliance and Accountability (Continued)

These over expenditures were funded by revenues in excess of budget and available fund balance.

C. Deficit Fund Balance

The following funds had fund deficits at December 31, 2025:

Fund	Amount
Major	
Capital Projects	
2025 Capital Project	\$ 1,094,585
Nonmajor	
Special Revenue	
Community Resource Center	60,481
Community Development Block Grant	14,085
Archer TIF	350
Capital Projects	
2022 Capital Project	165,730
2023 Capital Project	447
2026 Capital Project	526,457
5th Street Redevelopment	1,239,681

The above deficits will be eliminated through future intergovernmental revenues, taxes, tax increments, assessments and future bond proceeds.

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;

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

- 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 government entity.

At year end, the City's carrying amount of deposits was \$2,729,362 and the bank balance was \$2,791,431. The bank balance was covered by federal depository insurance totaling \$500,000. The remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name.

Investments

As of December 31, 2025, the City had the following investments that are insured or registered, or securities held by the city or its agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled Investments at Amortized Costs					
Broker Money Market Accounts	N/A	less than 1 year	\$ 16,775,450		
4M Fund	N/A	less than 1 year	24,693,753		
Non-pooled Investments at Fair Value					
Commercial Paper	P-1	less than 1 year	1,895,554	\$ -	\$ 1,895,554
Commercial paper	N/A	less than 1 year	624,542	-	624,542
US Treasuries	Aa1	less than 1 year	6,122,904	6,122,904	-
US Treasuries	Aa1	1 to 5 years	12,962,725	12,962,725	-
Municipal Securities	Aa2	less than 1 year	121,102	-	121,102
Municipal Securities	Aa1	1 to 5 years	71,230	-	71,230
Municipal Securities	Aa2	1 to 5 years	138,314	-	138,314
Municipal Securities	A1	1 to 5 years	111,393	-	111,393
Federal Agency Securities					
Mortgage Backed Securities	Aa1	1 to 5 years	63,490	-	63,490
Mortgage Backed Securities	Aa1	Greater than 5 years	73,072	-	73,072
Federal Collateralized					
Mortgage Securities	AA+	1 to 5 years	32,945	-	32,945
Mortgage Securities	AA+	Greater than 5 years	33,786	-	33,786
Commercial Backed Securitie	AA+	less than 1 year	612,457	612,457	-
Commercial Backed Securitie	AA+	1 to 5 years	1,814,721	1,814,721	-
Total Investments			\$ 66,147,438	\$ 21,512,807	\$ 3,165,428

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

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

N/A Indicates not applicable or available.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

Cash on Hand

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

	<u>Total</u>
Deposits - City Pooled Account	\$ 2,729,362
Investments - City Pooled Account	66,147,438
Cash on Hand	<u>3,350</u>
Total	<u><u>\$ 68,880,150</u></u>
Cash and Investments - Primary Government	\$ 51,860,601
Restricted Cash and Investments - Primary Government	16,207,812
Cash and Investments - Component Unit - HRA	433,915
Cash and Investments - Fiduciary Funds	<u>377,822</u>
Total	<u><u>\$ 68,880,150</u></u>

Component Unit - Municipal Hospital

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.

The Hospital's deposits in banks at December 31, 2025 had a carrying value of \$6,859,871 and were entirely covered by Federal depository insurance or by collateral held by the Hospital's custodial bank in the Hospital's name.

The Hospital had the following investments at December 31, 2025:

	Amount	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Federal Home Loan Bank	\$ 1,711,032	\$ -	\$ 1,711,032	\$ -
Federal National Mortgage Association	2,949,156	-	2,949,156	-
Federal Home Loan Mortgage Corp	2,773,758	-	2,773,758	-
Federal Farm Credit Bank	3,872,004	-	3,872,004	-
U.S. Treasury Notes	3,656,845	-	3,656,845	-
U.S. Government Obligations	3,499,671	-	3,499,671	-
Collateralized Mortgage Obligations	8,189,522	-	8,189,522	-
Certificate of Deposit	339,279	339,279	-	-
U.S. Equities	4,463,239	4,463,239	-	-
International Equities	976,129	976,129	-	-
Taxable Fixed Income	4,123,859	4,123,859	-	-
Other Assets	397,522	397,522	-	-
Total	<u><u>\$ 36,952,016</u></u>	<u><u>\$ 10,300,028</u></u>	<u><u>\$ 26,651,988</u></u>	<u><u>\$ -</u></u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

- Federal Home Loan Bank: Consists of discount notes and notes with interest rates of 1.00% to 5.1% maturing from 2026 to 2033 and have AA+ ratings by Standard & Poor's.
- Federal National Mortgage Association: Consists of discount notes and notes with interest rates ranging from 1.50% to 3.50% maturing from 2029 to 2039 and have AA+ ratings by Standard & Poor's.
- Federal Home Loan Mortgage Corp: Consists of discount notes with interest rates ranging from 1.50% to 4.01% maturing from 2027 to 2041 and have AA+ ratings by Standard & Poor's.
- Federal Farm Credit Bank: Consists of discount notes with interest rates ranging from 0.90% to 5.29% maturing from 2026 to 2034 and have AA+ ratings by Standard & Poor's.
- US Treasury Notes: Consists of discount notes with interest rates ranging from 0% to 4.875% maturing from 2025 to 2030 and have AA+ ratings by Standard & Poor's.
- Certificates of Deposits (CD): Consists of deposits with interest rates ranging from 0% to 5% maturing in 2026.
- U.S. Government Obligations: Consists of discount notes with interest rates ranging from 0% to 5.00% maturing from 2024 to 2028 and have BBB – AA+ ratings by Standard & Poor's.
- Collateralized Mortgage Obligations: Consists of discount notes with interest rates ranging from 3.11% to 5.25% maturing from 2024 to 2028 and have BBB – AA+ ratings by Standard & Poor's.
- Equity Investments: Consists of common stocks of U.S. companies, American Depositary Receipts, U.S. dollar denominated foreign equity securities and foreign equity securities of foreign companies that are listed on a major domestic stock exchange or traded in the over-the-counter markets.

Cash and Investments Summary

A reconciliation of cash and investments as shown on the Statement of Net Position for the Component Unit - Municipal Hospital is as follows:

Deposits	\$ 6,859,871
Investments	<u>36,952,016</u>
Total	<u><u>\$ 43,811,887</u></u>
Cash and Investments	\$ 43,794,063
Restricted Assets	<u>17,824</u>
Total	<u><u>\$ 43,811,887</u></u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

B. Receivables

The Hospital provides an allowance for uncollectible accounts based on the allowance method using management's judgment. Patients and residents are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of the invoice. Past due accounts are individually analyzed for collectability, and then turned over to collection agents. Accounts for which no payments have been received are analyzed and after approval are written off. In addition, an allowance is estimated for other accounts based on the historical experience of the Hospital. At December 31, 2025, the allowance for uncollectible accounts was \$11,783,000.

Patient Receivables

Patient receivables reported as current assets by the Hospital at December 31, 2025 consist of the following:

Receivable from Patients and their Insurance Carriers	\$ 32,560,553
Receivable from Medicare	4,541,539
Receivables from Medicaid	<u>1,346,052</u>
Total Patient Receivables	<u>38,448,144</u>
Less: Allowance for Doubtful Accounts	<u>(11,783,000)</u>
Patient Receivables, Net	<u><u>\$ 26,665,144</u></u>

There are other accounts receivable in the amount of \$196,798 for 2025.

Notes

The EDA - component unit has several business subsidy loans to local businesses. The terms of repayment vary with each loan. The total of these notes receivable for December 31, 2025 is \$728,809.

Lease Receivable

The City leases various land, buildings and office spaces to others. These agreements contain various renewal and extension options. The latest maturity date is projected to be in 2031; however, the City anticipates new or revised leasing arrangements to occur in the future.

Long-term lease activity for the year ended December 31, 2025 was as follows:

Description	Issue Date	Discount Rate		Current Year Inflow of Resources	Balance at Year End
Tower Land Agreement	08/17/25	5.00 %	\$	7,123	\$ 424,760
Rice County - Office Space	11/01/21	1.41		12,863	<u>81,721</u>
					<u><u>\$ 506,481</u></u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

C. Capital Assets

Capital asset activity for primary government for the year ended December 31, 2025 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 1,465,130	\$ -	\$ -	\$ 1,465,130
Construction in progress	25,346,923	20,743,319	(12,338,209)	33,752,033
 Total Capital Assets not Being Depreciated	 26,812,053	 20,743,319	 (12,338,209)	 35,217,163
Capital Assets being Depreciated				
Buildings and improvements	30,495,523	63,604	-	30,559,127
Infrastructure	105,077,782	8,831,000	-	113,908,782
Machinery, equipment and vehicles	10,740,383	1,681,512	(529,955)	11,891,940
 Total Capital Assets Being Depreciated	 146,313,688	 10,576,116	 (529,955)	 156,359,849
Less Accumulated Depreciation				
Buildings and improvements	(16,325,907)	(888,026)	-	(17,213,933)
Infrastructure	(63,187,738)	(3,242,855)	-	(66,430,593)
Machinery, equipment and vehicles	(7,352,813)	(665,306)	529,955	(7,488,164)
 Total Accumulated Depreciation	 (86,866,458)	 (4,796,187)	 529,955	 (91,132,690)
 Total Capital Assets Being Depreciated, Net	 59,447,230	 5,779,929	 -	 65,227,159
 Governmental Activities Capital Assets, Net	 \$ 86,259,283	 \$ 26,523,248	 \$ (12,338,209)	 \$ 100,444,322

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 1,661,718	\$ -	\$ -	\$ 1,661,718
Construction in progress	16,176,785	11,203,039	(5,269,300)	22,110,524
Total Capital Assets not Being Depreciated	17,838,503	11,203,039	(5,269,300)	23,772,242
Capital Assets being Depreciated				
Buildings and improvements	29,008,227	-	-	29,008,227
Infrastructure	36,170,361	6,085,655	-	42,256,016
Machinery, equipment, and vehicles	3,148,962	417,560	(92,983)	3,473,539
Total Capital Assets Being Depreciated	68,327,550	6,503,215	(92,983)	74,737,782
Less Accumulated Depreciation				
Buildings and improvements	(18,777,539)	(1,285,943)	-	(20,063,482)
Infrastructure	(16,423,167)	(612,243)	-	(17,035,410)
Machinery, equipment, and vehicles	(1,552,433)	(227,122)	92,983	(1,686,572)
Total Accumulated Depreciation	(36,753,139)	(2,125,308)	92,983	(38,785,464)
Total Capital Assets Being Depreciated, Net	31,574,411	4,377,907	-	35,952,318
Business-type Activities Capital Assets, Net	<u>\$ 49,412,914</u>	<u>\$ 15,580,946</u>	<u>\$ (5,269,300)</u>	<u>\$ 59,724,560</u>

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

Governmental Activities	
General government	\$ 147,027
Public safety	549,716
Public works, including depreciation of general infrastructure assets	3,073,320
Culture and recreation	866,009
Housing and economic development	105,000
Miscellaneous	28,900
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	26,215
Total Depreciation Expense - Governmental Activities	<u>\$ 4,796,187</u>
Business-type Activities	
Water	\$ 538,389
Wastewater	1,137,071
Garbage	17,164
Storm Water	428,664
Municipal Liquor Store	4,020
Total Depreciation Expense - Business-type Activities	<u>\$ 2,125,308</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

Discretely Presented Component Units

Capital asset activity for the Municipal Hospital for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Municipal Hospital				
Capital Assets not being Depreciated				
Land	\$ 2,931,772	\$ -	\$ -	\$ 2,931,772
Construction in progress	613,655	1,375,869	(1,709,465)	280,059
Total Capital Assets not Being Depreciated	<u>3,545,427</u>	<u>1,375,869</u>	<u>(1,709,465)</u>	<u>3,211,831</u>
Capital Assets being Depreciated and Amortized				
Land improvements	2,313,108	19,277	(75,126)	2,257,259
Buildings	71,346,333	537,490	-	71,883,823
Building equipment	3,967,021	111,172	(140,494)	3,937,699
Movable equipment	32,219,661	1,480,374	(1,552,694)	32,147,341
Lease facilities	419,595	271,261	(209,796)	481,060
Lease equipment	892,109	60,460	(39,344)	913,225
Other real estate	105,396	-	(105,396)	-
Total Capital Assets Being Depreciated and Amortized	<u>111,263,223</u>	<u>2,480,034</u>	<u>(2,122,850)</u>	<u>111,620,407</u>
Less Accumulated Depreciation and Amortization for				
Land improvements	(1,438,361)	(158,965)	47,729	(1,549,597)
Buildings	(50,141,028)	(3,295,393)	-	(53,436,421)
Building equipment	(3,078,777)	(217,257)	108,807	(3,187,227)
Movable equipment	(28,315,323)	(1,391,681)	1,540,952	(28,166,052)
Lease facilities	(301,622)	(149,880)	209,798	(241,704)
Lease equipment	(497,934)	(267,590)	12,177	(753,347)
Other real estate	(105,396)	-	105,396	-
Total Accumulated Depreciation and Amortized	<u>(83,878,441)</u>	<u>(5,480,766)</u>	<u>2,024,859</u>	<u>(87,334,348)</u>
Total Capital Assets Being Depreciated and Amortized, Net	<u>27,384,782</u>	<u>(3,000,732)</u>	<u>(97,991)</u>	<u>24,286,059</u>
Municipal Hospital Capital Assets, Net	<u><u>\$ 30,930,209</u></u>	<u><u>\$ (1,624,863)</u></u>	<u><u>\$ (1,807,456)</u></u>	<u><u>\$ 27,497,890</u></u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

Capital asset activity for the HRA for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
HRA				
Capital Assets not being Depreciated				
Land	\$ 56,994	\$ -	\$ -	\$ 56,994
Capital Assets being Depreciated				
Buildings and structures	361,892	-	-	361,892
Less Accumulated Depreciation for Buildings and structures	(173,614)	(13,144)	-	(186,758)
Total Capital Assets being Depreciated, Net	188,278	(13,144)	-	175,134
HRA Capital Assets, Net	\$ 245,272	\$ (13,144)	\$ -	\$ 232,128

Depreciation expense was charged to functions/programs of the discretely presented component units as follows:

Discretely Presented Component Units	
Municipal Hospital	\$ 5,480,766
HRA	\$ 13,144

Construction Commitments

The City has active construction projects as of December 31, 2025. The projects include street construction and various public facilities. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Wall Street Improvements	\$ 4,314,371	\$ 216,814
Mills town Trail	2,609,328	2,570,361
Jefferson Parkway West Mill & Overlay & Mills Towns Trail Improvements	2,470,070	82,340
Ice Arena	9,817,336	12,832,708
2025 Reclamation & Overlay	2,017,583	91,170
Jefferson Parkway & Extension	4,365,815	3,925,879
Wastewater Treatment Facility	1,404,235	6,887,459
Total	\$ 26,998,739	\$ 15,793,392

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances at December 31, 2025 is as follows:

Receivable Fund	Payable Fund	Amount
Governmental		
General	2025 Capital Project	\$ 660,803
	Nonmajor Governmental Funds	787,797
		<u>1,448,600</u>
Total		<u>\$ 1,448,600</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, temporary capital loans and special assessment collections in the subsequent year.

Advances to/from Other Funds

The Water fund loaned the City Facilities fund \$271,722 to cover the construction of the street department roof. The loan is to be paid back with semi-annual payments to be made on August 1 and February 1. Payments commenced on 2/1/2020, at an interest rate of 1.9 percent. The balance of these advances at December 31, 2025 was \$116,365. Additionally, the Water fund advanced \$2,111,742 to the 5th Street Redevelopment fund during 2022 for capital expenditures. The balance of this advance as of December 31, 2025 was \$1,151,742. There are no formal repayment terms; rather, dollars will be remitted upon future developer contributions.

Interfund Transfers

	Transfers In				Total
	General Fund	Debt Service Fund	2025 Capital Project Fund	Nonmajor Governmental Funds	
Transfers Out					
Nonmajor governmental funds	\$ 227,000	\$ 140,000	\$ 500,000	\$ 134,657	\$ 1,001,657
Water fund	-	-	-	6,449	6,449
Wastewater fund	-	-	-	3,658	3,658
Storm water fund	-	-	-	5,053	5,053
Nonmajor proprietary funds	50,000	-	-	-	50,000
Total	<u>\$ 277,000</u>	<u>\$ 140,000</u>	<u>\$ 500,000</u>	<u>\$ 149,817</u>	<u>\$ 1,066,817</u>

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 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.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

The following transfers were made during 2025:

- From the Liquor fund (\$50,000) and the Utility Franchise Fee fund (\$160,000) and the Economic Development Authority (\$67,000) to the General fund for operations
- From the Capital Reserve fund (\$34,657), Water fund (\$6,449), Wastewater fund (\$3,658), and Stormwater fund (\$5,053) to the Arts and Culture fund for capital needs.
- From the Utility Franchise Fee fund (\$100,000) to the Carbon Reduction fund.
- From the Utility Franchise Fee fund (\$140,000) to the 2021A Bonds fund.
- From the Utility Franchise Fee Fund (\$500,000) to the 2025 Capital Project Fund for financing of the project.

E. 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.

Primary Government Debt

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Bonds of 2018A	\$ 4,195,000	3.00 - 3.30 %	06/07/18	02/01/39	\$ 3,190,000
G.O. Bonds of 2018B	240,000	3.00	10/11/18	02/01/29	105,000
G.O. Bonds of 2019A	4,450,000	2.10 - 4.00	10/10/19	02/01/33	3,070,000
G.O. Bonds of 2020A	1,370,000	1.00 - 3.00	07/23/20	02/01/31	875,000
G.O. Bonds of 2021A	2,710,000	1.00 - 2.00	09/09/21	02/01/32	1,915,000
G.O. Bonds of 2022A	4,020,000	3.00 - 4.00	08/04/22	02/01/35	3,585,000
G.O. Bonds of 2023B	7,350,000	5.00	10/26/23	02/01/39	7,175,000
G.O. Bonds of 2024A	8,015,000	4.00 - 5.00	09/12/24	02/01/45	8,015,000
G.O. Bonds of 2025A	4,115,000	4.38 - 5.00	08/14/25	02/01/41	4,115,000
Total General Obligation Bonds					<u>\$ 32,045,000</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

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

Year Ending December 31	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2026	\$ 1,875,000	\$ 1,239,173	\$ 3,114,173
2027	2,215,000	1,172,349	3,387,349
2028	2,380,000	1,089,024	3,469,024
2029	2,480,000	1,003,499	3,483,499
2030	2,460,000	919,261	3,379,261
2031 - 2035	11,005,000	3,292,384	14,297,384
2036 - 2040	7,165,000	1,302,126	8,467,126
2041 - 2045	2,465,000	228,481	2,693,481
Total	<u>\$ 32,045,000</u>	<u>\$ 10,246,297</u>	<u>\$ 42,291,297</u>

G.O. Special Assessment (Improvement) Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2015A	\$ 1,595,000	2.00 - 2.15 %	11/03/15	02/01/26	\$ 170,000
G.O. Improvement Bonds of 2016C	795,000	1.55 - 2.00	09/15/16	02/01/27	170,000
G.O. Improvement Bonds of 2017A	945,000	2.00 - 2.25	09/07/17	02/01/28	285,000
G.O. Improvement Bonds of 2018B	1,470,000	3.00	10/11/18	02/01/29	635,000
G.O. Improvement Bonds of 2019A	1,885,000	2.10 - 4.00	10/10/19	02/01/30	1,000,000
G.O. Improvement Bonds of 2020A	2,990,000	1.00 - 3.00	07/23/20	02/01/31	1,880,000
G.O. Improvement Bonds of 2021A	1,545,000	1.00 - 2.00	09/09/21	02/01/33	1,225,000
Total G.O. Special Assessments Bonds					<u>\$ 5,365,000</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

The 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		
	Principal	Interest	Total
2026	\$ 1,155,000	\$ 99,144	\$ 1,254,144
2027	990,000	71,262	1,061,262
2028	925,000	45,874	970,874
2029	845,000	25,955	870,955
2030	680,000	13,615	693,615
2031 - 2033	770,000	9,725	779,725
Total	<u>\$ 5,365,000</u>	<u>\$ 265,575</u>	<u>\$ 5,630,575</u>

G.O. Revenue Bonds

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

The EDA has issued public project lease revenue bonds for financing the Ice Arena project in accordance with Minnesota Statutes. The agreements are supported by activity between the EDA and the City. The bonds will be paid back with future property tax levies and lease revenues from the School District and the City of Dundas.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Utility Revenue Bonds of 2010A	\$ 887,100	0.65 - 6.30 %	12/28/10	02/01/26	\$ 60,000
G.O. Utility Revenue Bonds of 2016C	1,185,000	1.55 - 2.00	09/15/16	02/01/27	235,000
G.O. Utility Revenue Bonds of 2020A	665,000	1.00 - 3.00	07/23/20	02/01/31	425,000
G.O. Utility Revenue Bonds of 2023A	17,240,000	5.00	10/11/23	02/01/44	16,940,000
G.O. Utility Revenue Bonds of 2024A	1,350,000	5.00	09/12/24	02/01/35	<u>1,350,000</u>
Total Business-type					<u>19,010,000</u>
EDA Lease Revenue Bonds 2025B	21,700,000	2.48 - 5.00	09/04/25	02/01/46	<u>21,700,000</u>
Total Governmental-type					<u>21,700,000</u>
Total G.O. Revenue Bonds					<u>\$ 40,710,000</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

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

Year Ending December 31	G.O. Revenue Bonds Business-type Activities			G.O. Revenue Bonds Governmental-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 885,000	\$ 844,808	\$ 1,729,808	\$ -	\$ 970,787	\$ 970,787
2027	895,000	806,071	1,701,071	255,000	1,062,381	1,317,381
2028	810,000	766,856	1,576,856	705,000	1,038,381	1,743,381
2029	850,000	727,456	1,577,456	740,000	1,002,256	1,742,256
2030	895,000	686,675	1,581,675	775,000	964,381	1,739,381
2031 - 2035	4,800,000	2,757,125	7,557,125	4,505,000	4,183,906	8,688,906
2036 - 2040	5,020,000	1,580,766	6,600,766	5,745,000	2,908,906	8,653,906
2041 - 2045	4,855,000	422,981	5,277,981	7,300,000	1,326,803	8,626,803
2046	-	-	-	1,675,000	41,877	1,716,877
Total	<u>\$ 19,010,000</u>	<u>\$ 8,592,738</u>	<u>\$ 27,602,738</u>	<u>\$ 21,700,000</u>	<u>\$ 13,499,678</u>	<u>\$35,199,678</u>

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

	Wastewater	Storm Water
Revenue	\$ 5,501,550	\$ 1,737,250
Principal and Interest	1,069,509	338,363
Percent of Revenue	19.4 %	19.5 %

Notes Payable.

This note was issued to fund the Crossing Tax increment district project.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Taxable Tax increment Note of 2006 - The Crossing	\$ 2,035,776	3.89 %	08/01/08	08/01/27	<u>\$ 303,575</u>

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

Year Ending December 31	Notes Payable Governmental Activities		
	Principal	Interest	Total
2026	\$ 167,878	\$ 6,830	\$ 174,708
2027	135,697	1,269	136,966
Total	<u>\$ 303,575</u>	<u>\$ 8,099</u>	<u>\$ 311,674</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 29,400,000	\$ 4,115,000	\$ (1,470,000)	\$ 32,045,000	\$ 1,875,000
General obligation special assessment bonds	6,630,000	-	(1,265,000)	5,365,000	1,155,000
General obligation tax increment bonds	60,000	-	(60,000)	-	-
General obligation revenue bonds	-	21,700,000	-	21,700,000	-
Plus amounts for unamortized premiums	1,905,747	1,400,180	(169,774)	3,136,153	-
Total Bonds Payable	37,995,747	27,215,180	(2,964,774)	62,246,153	3,030,000
Notes from Direct Borrowings and Direct Placements	460,166	-	(156,591)	303,575	167,878
Compensated Absences Payable *	1,198,926	118,634	-	1,317,560	513,237
Governmental Activity Long-term Liabilities	\$ 39,654,839	\$ 27,333,814	\$ (3,121,365)	\$ 63,867,288	\$ 3,711,115
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 19,550,000	\$ -	\$ (540,000)	\$ 19,010,000	\$ 885,000
Plus amounts for unamortized premiums	981,901	-	(80,351)	901,550	-
Total Bonds Payable	20,531,901	-	(620,351)	19,911,550	885,000
Compensated Absences Payable*	203,650	-	(1,876)	201,774	82,153
Business-type Activity Long-term Liabilities	\$ 20,735,551	\$ -	\$ (622,227)	\$ 20,113,324	\$ 967,153

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

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

The City's outstanding notes from direct borrowings and direct placements related to governmental activities of \$303,575 contain a provision that in an event of default, the City shall find feasible and responsible parties who will assume the obligation of making or completing the minimum improvements as specified by the development plan. The City will reimburse the developer, its successors or transferee in the amount of the purchase price paid by the developer less any amounts the City is required to pay to the holder of any mortgage encumbering the parcel. Upon resale of the parcel, the proceeds should first be applied to reimburse the City for all costs and expenses incurred, second to reimburse the developer up to amounts allowed by the development plan, followed by any remaining balance being retained by the City.

Conduit Debt Obligations

From time to time, the City has issued Housing Revenue Bonds, Health Care Facilities Revenue Bonds and School Facilities Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of rental housing, educational or health care 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.

As of December 31, 2025, the total conduit debt issued for issues outstanding totaled \$347,288.

Component Unit Debt

Revenue Bonds - Municipal Hospital

The following bonds were issued to provide partial funding for the construction of the Farmington Clinic, Campus Clinic, and purchase of the Northfield Hospital and to extinguish the Hospital Revenue Bonds Series 2001C, Series 2006, and Series 2015B. They will be retired from net revenues of the Hospital.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Hospital Revenue Bonds of 2016	\$ 25,000,000	2.56 %	08/05/16	08/01/31	\$ 1,112,046
Hospital Revenue Bonds of 2024	11,190,000	4.45	12/20/24	12/31/29	10,850,000
Hospital Revenue Bonds of 2025	3,805,000	3.94	10/16/26	09/01/32	3,773,266
					<u>\$ 15,735,312</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

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

Year Ending December 31	Revenue Bonds		
	Component Unit - Municipal Hospital		
	Principal	Interest	Total
2026	\$ 687,844	\$ 658,304	\$ 1,346,148
2027	712,744	631,120	1,343,864
2028	737,885	604,678	1,342,563
2029	10,023,846	573,776	10,597,622
2030	354,889	133,136	488,025
2031-2033	3,218,104	208,693	3,426,797
Total	<u>\$ 15,735,312</u>	<u>\$ 2,809,707</u>	<u>\$ 18,545,019</u>

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

	Hospital
Revenue	\$ 137,641,118
Principal and Interest	5,499,401
Percent of Revenue	4.00 %

Leases Payable – Municipal Hospital

The Hospital leases facilities and computers for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2028 and provide for renewal options ranging from six months to two years. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

Total future minimum lease payments under lease agreements are as follows:

Year Ending December 31	Leases		
	Component Unit - Municipal Hospital		
	Principal	Interest	Total
2026	\$ 263,869	\$ 8,683	\$ 272,552
2027	118,486	2,440	120,926
2028	23,554	211	23,765
Total	<u>\$ 405,909</u>	<u>\$ 11,334</u>	<u>\$ 417,243</u>

Right-to-use assets acquired through outstanding leases are shown in Note 3C. There were no impairment losses in 2025.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on all Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component Unit Activities-					
Municipal Hospital					
Bonds Payable					
Revenue bonds	\$ 16,287,002	\$ 3,805,000	\$ (4,356,690)	\$ 15,735,312	\$ 687,844
Lease Assets	521,378	331,721	(447,190)	405,909	263,869
Component Unit Long-term Liabilities	<u>\$ 16,808,380</u>	<u>\$ 4,136,721</u>	<u>\$ (4,803,880)</u>	<u>\$ 16,141,221</u>	<u>\$ 951,713</u>

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan

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

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.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

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

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. 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% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3% 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% each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. 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 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% of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.50% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were \$620,461. The City's contributions were equal to the required contributions as set by state Statute.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

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

The discretely presented component unit – Municipal Hospital had contributions of approximately \$4,609,969 for the year ending December 31, 2025.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2025 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2025, were \$545,374. The City's contributions were equal to the required contributions as set by state Statute.

D. Pension costs

General Employees Fund Pension Costs

At December 31, 2025, the City and its component units reported a liability of \$24,076,887 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 \$580,810.

	Primary Government	Component Units		Total
		Housing Redevelopment Authority	Municipal Hospital	
City's Proportionate Share of the Net Pension Liability	\$ 2,873,327	\$ 52,529	\$ 21,151,031	\$ 24,076,887
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	68,760	1,821	510,229	580,810
Total	<u>\$ 2,942,087</u>	<u>\$ 54,350</u>	<u>\$ 21,661,260</u>	<u>\$ 24,657,697</u>

The net pension liability was measured as of June 30, 2025, 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, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0883% at the end of the measurement period and 0.0867% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of negative \$750,611 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$499,597 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.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

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

At December 31, 2025, the City reported its proportionate share of the General Employees Fund's deferred outflows of resources and deferred inflows of resources, related to pension from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 273,741	\$ -
Changes in Actuarial Assumptions	69,234	661,063
Net Difference Between Projected and Actual Earnings on Plan Investments	-	1,143,389
Changes in Proportion	198,303	105,378
Contributions Paid to PERA Subsequent to the Measurement Date	303,285	-
Total	<u>\$ 844,563</u>	<u>\$ 1,909,830</u>

The \$303,285 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ (224,961)
2026	(582,016)
2027	(378,619)
2028	(207,974)

At December 31, 2025, the City's component units reported its proportionate share of the General Employees Fund's deferred outflows of resources and deferred inflows of resources, related to pension from the following sources:

	Component Units			
	Housing Redevelopment Authority		Municipal Hospital	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 5,029	\$ -	\$ 2,015,230	\$ -
Changes in Actuarial Assumptions	1,262	12,166	509,616	4,866,779
Net Difference Between Projected and Actual Earnings on Plan Investments	-	20,837	-	8,416,197
Changes in Proportion	3,614	1,920	24,163	2,021,418
Contributions to GERP Subsequent To the Measurement Date	5,527	-	2,301,934	-
Total	<u>\$ 15,432</u>	<u>\$ 34,923</u>	<u>\$ 4,850,943</u>	<u>\$ 15,304,394</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

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

The \$5,527, and \$2,301,934 reported and deferred outflows of resources related to pensions resulting from the HRA and Municipal Hospital's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Component Units	
	Housing Redevelopment Authority	Municipal Hospital
2026	\$ (4,026)	\$ (3,123,660)
2027	(10,417)	(4,755,350)
2028	(6,776)	(3,372,932)
2029	(3,799)	(1,503,443)

Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of \$2,294,496 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1959% at the end of the measurement period and 0.2133% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2025. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2024. The direct state aid payment will increase by \$17.7 million which was paid on October 1, 2025. Thereafter, by October 1 of each year, the state will pay \$26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). The \$9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100% funded for three consecutive years (on an actuarial value of assets basis). The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$79,552.

	Primary Government
City's Proportionate Share of the Net Pension Liability	\$ 2,294,896
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>79,552</u>
Total	<u><u>\$ 2,374,448</u></u>

For the year ended December 31, 2025, the City recognized pension expense of \$437,703 for its proportionate share of the Police and Fire Plan's pension expense. The city recognized \$38,491 as grant revenue and pension expense for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire special funding situation."

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

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

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan allocation schedules for the \$9 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$17,628 for the year ended December 31, 2025 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, 2025, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,060,315	\$ -
Changes in Actuarial Assumptions	1,740,267	2,875,409
Net Difference Between Projected and Actual Earnings on Plan Investments	-	1,024,244
Changes in Proportion	162,668	270,335
Contributions Paid to PERA Subsequent to the Measurement Date	284,489	-
	<u>\$ 3,247,739</u>	<u>\$ 4,169,988</u>
Total		

The \$284,489 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ 531,651
2027	(495,267)
2028	(1,141,807)
2029	(111,487)
2030	10,172

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

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

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	<u>100.00 %</u>	

F. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range

- Inflation is assumed to be 2.25% for the General Employees Plan and Police & Fire Plan.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan and 1%

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3% after 23 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 & Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan was reviewed in 2024. The assumption changes were adopted by the board and became effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

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

General Employees Fund

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested, terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

Police and Fire Fund

Changes in Actuarial Assumptions:

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

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

Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2024 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.00%. 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. 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.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

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

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:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund			
Primary government	\$ 6,979,257	\$ 2,873,327	\$ (457,211)
Component Unit - HRA	127,188	52,529	(8,332)
Component Unit - Municipal Hospital	51,372,537	21,151,031	(3,365,410)
	City Proportionate Share of NPL		
	1 Percent Decrease (4.40%)	Current (5.40%)	1 Percent Increase (6.40%)
Police and Fire Fund			
Primary government	\$ 6,013,114	\$ 2,294,896	\$ (758,348)

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.

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

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses; therefore, there is no future liability to the employer. *Minnesota Statutes*, chapter 353d.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. 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.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

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

Total contributions made by the City during the fiscal year 2025 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,680	\$ 1,680	5.00 %	5.00 %	5.00 %

The City and council members contributions to the DCP plan for the years ending December 31, 2025, 2024 and 2023 were \$1,680, \$2,115, and \$2,046, respectively.

Note 6: 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 component unit is included in the City's plan. The Retiree Health Plan does not issue a publicly available financial report. There are no assets accumulated in a GASB-compliant trust.

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	7
Spouses Receiving Payments	4
Active Plan Members	<u>115</u>
Total Plan Members	<u><u>126</u></u>

B. Funding Policy

Contribution requirements are also negotiated between the City and union representatives. The City does not contribute to the cost of current-year premiums for eligible retired plan members and their spouses. For the year ended December 31, 2025, the City's average contribution rate was 16.06 percent of covered-employee payroll. For the year 2025, the City directly contributed \$120,023 to the Plan, while implicit contributions totaled \$52,399.

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$1,747,468 was measured as of January 1, 2025, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2025, of which the primary government and HRA portions were calculated at \$1,717,236 and \$30,232, respectively.

The total OPEB liability in the January 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.20%
20-Year Municipal Bond Yield	4.20%
Inflation Rate	2.50%
Salary Increases	Service graded table
Medical Trend Rate	6.50% as of January 1, 2025 grading to 5.00% over 6 years and then to 4.00% over the next 48 years

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 6: Postemployment Benefits Other Than Pensions (Continued)

The discount rate used to measure the total OPEB liability was 4.20 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale to the Pub-2010 Public retirement Plan Headcount-Weighted Mortality Tables (General, Safety with MP-2021 Generational Improvement Scale.

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

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at January 1, 2025	\$ 1,703,790
Changes for the Year:	
Service cost	68,058
Interest	62,983
Differences between expected and actual experience	148,725
Changes in assumptions or other inputs	(95,578)
Benefit payments	(140,510)
Net Changes	43,678
Balances at December 31, 2025	\$ 1,747,468
Primary Government	\$ 1,717,236
Component Unit - HRA	30,232
Total OPEB Obligation	\$ 1,747,468

Since the prior measurement date, the following assumptions changed:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The retirement, withdrawal, and salary increase rates for non-police were updated to reflect the latest experience study.
- The discount rate was changed from 3.70% to 4.20%.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 6: Postemployment Benefits Other Than Pensions (Continued)

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 (3.20 percent) or one percentage point higher (5.20 percent) than the current discount rate:

	1 Percent Decrease (3.2%)	Current (4.2%)	1 Percent Increase (5.2%)
Primary government	\$ 1,805,662	\$ 1,717,236	\$ 1,633,165
Component Unit - HRA	31,789	30,232	28,752

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 Rate that is one percentage point lower (5.50 percent decreasing to 4.00 percent) or one percentage-point higher (7.50 percent decreasing to 6.00 percent) than the current cost trend rate:

	1 Percent Decrease (5.5% Decreasing to 3%)	Healthcare Cost Trend Rates (6.5% Decreasing to 4%)	1 Percent Increase (7.5% Decreasing to 5%)
Primary Government	\$ 1,609,752	\$ 1,717,236	\$ 1,837,642
Component Unit - HRA	28,340	30,232	32,352

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

For the year ended December 31, 2025, the City recognized OPEB expense of negative \$114,123. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit Housing Redevelopment Authority	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 47,473	\$ 154,557	\$ 836	\$ 2,721
Net Difference Between Expected and Actual Experience	125,273	185,131	2,205	3,259
Contributions to OPEB Subsequent to the Measurement Date	169,448	-	2,983	-
Total	<u>\$ 342,194</u>	<u>\$ 339,688</u>	<u>\$ 6,024</u>	<u>\$ 5,980</u>

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 6: Postemployment Benefits Other Than Pensions (Continued)

Deferred outflows of resources totaling \$172,431 related to OPEB 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Primary Government	Component Unit Housing Redevelopment Authority
2026	\$ (65,724)	\$ (1,157)
2027	(81,021)	(1,426)
2028	(19,245)	(339)
2029	(19,241)	(339)
2030	10,836	191
Thereafter	7,453	131

Note 7: Commitments and Contingent Liabilities

A. Land Lease

The Hospital leases the land on which the facility is located from a local college. The lease term is for 60 years with two 20-year options. The annual rent expense for the first twenty years of the lease is approximately \$6,000. The rent expense in subsequent years will be equal to 5 percent of the appraised market price for rural agricultural land in the Dakota/Rice County Region. The rent expense would be adjusted to current market rates if certain events were to occur, such as the sale of the Hospital.

B. Self-insurance Plan

The Hospital self-insures their employee health and dental insurance program. The Hospital has entered into an agreement with an insurance company to provide stop-loss insurance, to limit the losses on individual and aggregate claims and to provide claims processing and other administrative functions. Claims are accrued as incurred. The amounts charged to expense include administration fees, stop-loss insurance premiums, claims paid, and accruals for claims incurred but not yet paid at year end. Insurance expense for the year ended December 31, 2025 was \$5,671,121.

C. Medical Malpractice Insurance

The Hospital purchases medical malpractice insurance under claims made policy on a fixed-premium basis. The Hospital is responsible for any individual claims exceeding \$1,000,000, and for aggregate claims exceeding \$3,000,000 for a policy year. Should this policy lapse and not be replaced with equivalent coverage, claims based upon occurrence during its term, but reported subsequent thereto, will be uninsured.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant reduction in insurance coverage from the previous year in any of the Hospital's policies. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Note 7: Commitments and Contingent Liabilities (Continued)

The Hospital is involved in legal proceedings which resulted through the normal course of providing health care services and other matters. The litigation is in the early stages and too premature to determine the degree of liability, if any, to the Hospital. Management has assessed its coverage under medical malpractice and other insurances and believes at the point of the proceedings adequate provisions have been made for any amounts it may be responsible to pay under the respective policies deductible amounts.

Healthcare Legislation and Regulation

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse Statutes and regulations by healthcare providers. Violation of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of The Medicare Recovery Audit Contractor (RAC) program. During fiscal year 2007, the RAC identified and corrected a significant amount of improper overpayments to providers in the demonstration states, which did not include Minnesota. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states. While the hospital was selected for a RAC audit during 2017 and 2016, they were not materially impacted and appear to have appropriate policies and procedures to mitigate the risks related to RAC reviews.

Management believes that the Hospital is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Note 8: Net Patient Service Revenue

The Hospital has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The bases for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. Revenue is recorded at established billing rates, net of contractual adjustments, resulting from agreements with third-party payors.

A. Medicare

Inpatient acute care and outpatient services provided to Medicare beneficiaries are reimbursed at respectively determined rates per visit. These rates vary based on patient classification systems that consider clinical, diagnostic, and other factors. The Hospital is reimbursed for certain cost-reimbursable items as tentative rates, with final settlement determined following the submission of annual Medicare cost reports and subsequent audits by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended December 31, 2023.

Inpatient acute care services provided to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 8: Net Patient Service Revenue (Continued)

Outpatient services provided to Medicare outpatient program beneficiaries are subject to the Ambulatory Payment Classification (APC) method. Medicare reimburses the Hospital a predetermined amount for most outpatient services. The following services are excluded from the APC payment methodology; services already paid on a fee schedule, certain drugs, biologicals and medical devices identified as pass-through items. The APC payments are not based on the provider's annual cost report.

Physician-Based Clinic services are reimbursed using the Medicare Physician Fee Schedule.

B. Medicaid

Inpatient acute care services provided to Medicaid beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary based on patient classification systems that consider clinical, diagnostic, and other factors. Outpatient services provided to Medicaid beneficiaries are reimbursed on a fee-for-service basis.

Other

The Hospital has also entered into payment agreements with Blue Cross and other commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates. As of August 1, 2014, the Hospital Blue Cross contract moved to APR-DRG for inpatient acute care services. As of January 1, 2024, the Hospital Blue Cross contract moved to a fee schedule for outpatient services.

Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Changes in estimated settlement amounts resulted in net patient revenue decreasing by approximately \$43,000 for the year ended December 31, 2025.

A summary of patient and resident revenues and contractual adjustments is as follows:

	<u>2025</u>
Total Patient and Resident Revenues	\$ 380,895,418
Contractual Adjustments	
Medicare	(68,372,896)
Medicaid	(4,338,279)
Commercial / HMO's	(149,084,635)
Provision of bad debts	(3,768,821)
Other	<u>(19,275,548)</u>
Total Contractual Adjustments	<u>(244,840,179)</u>
Net Patient and Resident Revenues	<u><u>\$ 136,055,239</u></u>

Note 9: Adjustments to and Restatement of Beginning Balances

Change within Major and Nonmajor Fund Reporting

During fiscal year 2025, the 2019 Capital Project fund, 2024 Capital Project fund, and 5th Street Redevelopment fund were determined to be nonmajor. The 2025 Capital Project Fund and Ice Arena Construction fund were determined to be major. The effects of the changes within the financial reporting entity are shown in the financial statements above.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 9: Adjustments to and Restatement of Beginning Balances (Continued)

Change in Classification of Component Unit

During fiscal year 2025, the Economic Development Authority issued the 2025 Lease Revenue Bonds which will be paid back through lease revenue through the City of Northfield. This resulted in economic dependence from the City which resulted in the reclassification to a blended component unit.

Error Correction

During the current fiscal year, the City identified an error in the timing of MSA revenue recognition in prior periods. To correct this error, beginning fund balance has been restated as follows:

- Fund 420: An adjustment of \$2,014,383 was recorded to recognize MSA revenue that should have been reported in the prior fiscal year.
- Fund 425: An adjustment of \$265,932 was recorded to recognize MSA revenue that should have been recorded in the appropriate fiscal period going forward.

The adjustments correct the timing of revenue recognition only and do not impact current-year financial activity or cash flows.

Note 10: Other Information

A. Risk Management

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

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

B. Contingent Liabilities

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

C. Federal and State Funds

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2025.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 10: Other Information (Continued)

D. Tax Increment Districts

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

E. Legal Debt Margin

In accordance with Minnesota Statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. As of December 31, 2025, the City is under the legal debt margin.

F. 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 2025 was \$3,870,140 for LGA. This accounted for 19.2 percent of General fund revenues.

G. Joint Powers Agreement

The cities of Northfield and Dundas, Minnesota and the townships of Bridgewater, Northfield, Webster, Forest, Waterford, Sciota and Greenvale, Minnesota (Rural Fire) formed the Northfield Area Fire and Rescue Service, Northfield, Minnesota (NAFRS), established under Minnesota Statutes, section 471.59 on April 1, 2014, to provide fire protection, suppression, prevention, technical rescue and non-transport emergency medical services to these communities. The Board consists of eight voting Board members which consists of five board members appointed by the Northfield City Council, two Board members appointed by Rural Fire and one Board member appointed by the Dundas City Council. There are also 5 ex-officio (nonvoting) Board members. The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the Organization's activities.

Funding is provided by the communities at a ratio of 72.9 percent for Northfield, 6.0 percent for Dundas and 21.1 percent for Rural Fire. The percentages will be updated every two years.

The net position of NAFRS as of December 31, 2025 was \$7,079,860. The City's portion of this is recorded as an investment in joint venture in the amount of \$5,167,590 at year end.

H. Tax Abatements

As of December 31, 2025, the City has three agreements entered into by the City listed below that abate City property taxes. Below is information specific to the agreement:

The City entered into a tax increment financing agreement (Jefferson Square TIF) on December 18, 2009, with a developer in which the developer incurred costs to rehab a 50-unit rental housing 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 \$505,551 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.1799) and has a maximum duration of December 31, 2037. The calculation of taxes abated during the fiscal year is noted in the chart below.

City of Northfield, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 10: Other Information (Continued)

The City entered into a tax increment financing agreement (Spring Creek TIF) on November 20, 2009, with a developer in which the developer incurred costs to facilitate construction of a 28-unit affordable rental housing development. 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 \$1,201,203 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.1799) and has a maximum duration of December 31, 2040. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (Aurora Pharmaceutical TIF) on September 7, 2018, with a developer in which the developer incurred costs to facilitate construction of an expansion to a facility within the "Master Development District". The pay-as-you-go TIF note was issued by the City to reimburse \$169,939 of the developer's expenses to expand the facility. As the City collects future tax increment for the increased property value and tax capacity related to the development, these dollars will be used to pay the Note. The tax increment payments are only obligated through February 1, 2029. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (5th and Washington) in October 2019, with a developer in which the developer incurred costs to facilitate construction of a multifamily rental housing facility within the "Master Development District". The pay-as-you-go agreement has a maximum return to the developer of \$1,800,000 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.1799) and has a maximum duration of February 1, 2048. 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, 2025, was as follows:

	City Tax Rate (Year of Establishment)	Captured Tax Capacity	Amount of Taxes Abated in the Fiscal Year
Tax Increment Districts (PAYGO)			
Jefferson Square TIF	38.405%	\$ 8,675	\$ 3,332
Spring Creek TIF	50.947%	17,414	8,872
5th and Washington	58.161%	139,786	81,301
Aurora Pharamaceutical	59.867%	642	384
Spring Creek Project	56.610%	14,927	8,450
Kraewood Project	59.867%	104,638	62,644
Total			<u>\$ 164,983</u>

Note 11: Subsequent Events

Subsequent to year-end, the Hospital entered into an agreement to acquire the Allina Clinic in Northfield, Minnesota in the amount of \$5,560,724. The acquisition was not completed as of the date of issuance, and its potential impact has not been reflected in the financial statements. The Hospital will issue a Taxable Hospital Subordinate Revenue Note, Series 2026C in the amount of \$3,560,724 to fund this purchase. The remaining \$2,000,000 will be paid in cash by the Hospital.

On February 10, 2026 the City issued General Obligation Water Revenue Bonds, Series 2026A in the amount of \$12,335,000 to finance various utility improvements, including extending water lines to the future water treatment plant and installing infrastructure and improvements serving interim areas.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Northfield, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2025

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/25	0.0883 %	\$ 24,076,887	\$ 580,810	\$24,657,697	\$ 69,869,120	34.5 %	90.8 %
06/30/24	0.0867	28,009,450	724,267	28,733,717	66,043,554	42.4	86.7
06/30/23	0.7801	43,622,320	1,202,509	44,824,829	66,142,059	66.0	83.1
06/30/22	0.7146	60,952,576	1,787,032	62,739,608	59,601,395	102.3	76.7
06/30/21	0.7116	30,388,509	927,963	31,316,472	59,622,002	51.0	87.0
06/30/20	0.7253	43,485,050	1,340,986	44,826,036	51,721,254	84.1	79.0
06/30/19	0.7354	40,603,332	1,261,945	41,865,277	52,532,689	77.3	80.2
06/30/18	0.7442	41,285,165	1,354,032	42,639,197	51,536,488	80.1	79.5
06/30/17	0.7455	46,939,073	598,475	47,537,548	51,298,616	91.5	75.9
06/30/16	0.7125	57,859,590	755,451	58,615,041	48,384,386	119.6	68.9

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2025	\$ 5,230,430	\$ 5,230,430	\$ -	\$ 70,145,613	7.5 %
12/31/2024	4,995,156	4,995,156	-	66,308,907	7.5
12/31/2023	4,957,112	4,957,112	-	66,100,452	7.5
12/31/2022	4,532,694	4,532,694	-	60,050,448	7.5
12/31/2021	4,176,540	4,176,540	-	59,829,788	7.0
12/31/2020	3,695,577	3,695,577	-	52,001,705	7.1
12/31/2019	3,985,018	3,985,018	-	52,834,725	7.5
12/31/2018	3,816,880	3,816,880	-	51,632,613	7.4
12/31/2017	3,653,609	3,653,609	-	51,299,443	7.1
12/31/2016	3,441,249	3,441,249	-	48,626,595	7.1

City of Northfield, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2025 - The combined service annuity loading factors increased from 15% to 19% for vested, terminated members and from 3% to 44% for non-vested, terminated members. The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): 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.

2023 - The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP 2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

City of Northfield, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

2025 - The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%. The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 - An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024, was eliminated. A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 - There were no changes in plan provisions since the previous valuation.

City of Northfield, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/25	0.1959 %	\$ 2,294,896	\$ 79,552	\$ 2,374,448	\$ 2,972,610	77.2 %	90.8 %
06/30/24	0.2133	2,805,677	106,951	2,912,628	2,953,106	95.0	87.0
06/30/23	0.2128	3,674,779	148,042	3,822,821	2,794,352	131.5	86.5
06/30/22	0.2007	8,733,671	381,412	9,115,083	2,437,503	358.3	70.5
06/30/21	0.1862	1,437,267	64,625	1,501,892	2,200,536	65.3	93.7
06/30/20	0.1936	2,551,855	60,099	2,611,954	2,184,797	116.8	87.2
06/30/19	0.1873	1,993,998	-	1,993,998	1,976,819	100.9	89.3
06/30/18	0.1800	1,918,615	-	1,918,615	1,897,321	101.1	88.8
06/30/17	0.1690	2,281,701	-	2,281,701	1,731,626	131.8	85.4
06/30/16	0.1760	7,063,186	-	7,063,186	1,697,313	416.1	63.9

Schedule of Employer's PERA Contributions - Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2025	\$ 545,374	\$ 545,374	\$ -	\$ 3,081,209	17.70 %
12/31/2024	529,324	529,324	-	5,990,533	8.84
12/31/2023	500,914	500,914	-	2,830,024	17.70
12/31/2022	460,425	460,425	-	2,601,272	17.70
12/31/2021	398,926	398,926	-	2,253,819	17.70
12/31/2020	406,257	406,257	-	2,295,239	17.70
12/31/2019	350,130	350,130	-	2,065,665	16.95
12/31/2018	315,132	315,132	-	1,945,261	16.20
12/31/2017	294,689	294,689	-	1,819,069	16.20
12/31/2016	273,813	273,813	-	1,690,205	16.20

City of Northfield, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2025 - Assumed rates of salary increases were reduced slightly. Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements. Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment. Assumed rates of disabled retirement were significantly increased, especially for ages over age 30. Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience. Percent married assumption for female retirees lowered from 70% to 65%. Minor changes were made to form of payment assumptions for retirees. Minor changes were made to assumptions made with respect to missing participant data. The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): 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.

2023 - The investment return assumption was changed from 6.5 percent to 7.0 percent. The single discount rate changed from 5.4 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50 to 5.40 percent.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to the form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

City of Northfield, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - Police and Fire Fund (Continued)

2017 - Assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

2025 - The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase). The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.

The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis). The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 20248 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048. Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

2024 - The State contribution of \$9.0 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 \$9.0 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).

2023 - An additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023. The vesting requirement for new hires after June 30, 2014 was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years increasing incrementally to 100 percent after 10 years. A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024. Psychological treatment is required effective July 1, 2023 prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation. The total and permanent duty disability benefit was increased, effective July 1, 2023.

City of Northfield, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - Police and Fire Fund (Continued)

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - There were no changes in plan provisions since the previous valuation.

2019 - There were no changes in plan provisions since the previous valuation.

2018 - As set by Statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019, and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019, and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 - There were no changes in plan provisions since the previous valuation.

City of Northfield, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 68,058	\$ 78,837	\$ 72,946	\$ 91,274	\$ 88,616	\$ 100,849	\$ 84,014	\$ 90,105
Interest	62,983	66,912	37,781	38,207	67,861	84,327	73,255	71,092
Differences between expected and actual experience	148,725	-	(82,430)	-	(494,523)	-	31,873	-
Changes in assumptions	(95,578)	24,056	(131,864)	-	54,482	108,962	(72,876)	-
Benefit payments	(140,510)	(118,787)	(118,952)	(145,802)	(151,411)	(170,090)	(98,299)	(80,972)
Net Change in Total OPEB Liability	43,678	51,018	(222,519)	(16,321)	(434,975)	124,048	17,967	80,225
Total OPEB Liability - Beginning	1,703,790	1,652,772	1,875,291	1,891,612	2,326,587	2,202,539	2,184,572	2,104,347
Total OPEB Liability - Ending	<u>\$ 1,747,468</u>	<u>\$ 1,703,790</u>	<u>\$ 1,652,772</u>	<u>\$ 1,875,291</u>	<u>\$ 1,891,612</u>	<u>\$ 2,326,587</u>	<u>\$ 2,202,539</u>	<u>\$ 2,184,572</u>
Primary Government	\$ 1,717,236	\$ 1,655,724	\$ 1,610,698	\$ 1,831,094	\$ 1,858,873	\$ 2,293,876	\$ 2,164,581	\$ 2,144,983
Component Unit - EDA	-	21,302	16,498	16,614	15,956	20,521	19,609	20,348
Component Unit - HRA	30,232	26,764	25,576	27,583	16,783	12,190	18,349	19,241
Total OPEB Obligation	<u>\$ 1,747,468</u>	<u>\$ 1,703,790</u>	<u>\$ 1,652,772</u>	<u>\$ 1,875,291</u>	<u>\$ 1,891,612</u>	<u>\$ 2,326,587</u>	<u>\$ 2,202,539</u>	<u>\$ 2,184,572</u>
Covered-Employee Payroll	\$ 10,878,858	\$ 9,450,543	\$ 9,175,284	\$ 7,222,133	\$ 6,266,456	\$ 5,733,488	\$ 5,733,488	\$ 5,733,488
City's Total OPEB Liability as a Percentage of Covered-Employee Payroll	16.06 %	18.03 %	18.01 %	25.97 %	30.19 %	40.58 %	38.42 %	38.10 %

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available. There are no assets accumulated in a GASB-compliant trust.

Notes to the Required Supplementary Information - Total OPEB Liability and Related Ratios

Changes in Actuarial Funding Method

2025 - No changes noted.

2024 - No changes noted.

2023 - No changes noted.

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

2018 - The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

City of Northfield, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - Total OPEB Liability and Related Ratios (Continued)

Changes in Actuarial Assumptions

2025 – The discount rate changed from 3.70% to 4.20%. The health care trend rates were updated. The retirement, withdrawal, and salary increase rates for non-police were updated to reflect the latest experience study.

2024 – The discount rate was changed from 4.00% to 3.70%.

2023 - The health care trend rates were changed to better anticipate short-term and long-term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale. The inflation rate was changed from 2.00% to 2.50%. The discount rate was changed from 2.00% to 4.00%. The retirement, withdrawal, and salary increase rates for public safety were updated to reflect the latest experience study.

2022 - No changes noted.

2021 - The health care trend rates were changed to better anticipate short-term and long-term medical increases. The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP - 2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale. The retirement and withdrawal rates for non-public safety employees were updated. The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and employee classification. The inflation rate changed from 2.50% to 2.00%. The discount rate was changed from 2.90% to 2.00%. These changes increased the liability \$54,482.

2020 - The discount rate was changed from 3.80% to 2.90%.

2019 - The healthcare trend rates were changed to better anticipate short-term and long-term medical increases. The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel). The retirement and withdrawal tables for Police and Fire Personnel were updated. The discount rate was changed from 3.30% to 3.80%.

2018 - The discount rate was changed from 3.50% to 3.30%.

City of Northfield, Minnesota
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Taxes	\$ 11,882,614	\$ 11,812,389	\$ (70,225)
Licenses and permits	645,200	713,658	68,458
Intergovernmental	4,810,254	5,325,291	515,037
Charges for services	1,596,655	1,683,169	86,514
Fines and forfeits	58,500	112,155	53,655
Investment earnings	250,000	307,449	57,449
Miscellaneous	216,023	144,592	(71,431)
Total Revenues	<u>19,459,246</u>	<u>20,098,703</u>	<u>639,457</u>
Expenditures			
Current			
General government	4,245,524	3,813,578	431,946
Public safety	7,698,899	7,729,577	(30,678)
Public works	3,762,683	3,822,623	(59,940)
Culture and recreation	3,919,007	4,008,324	(89,317)
Miscellaneous	287,787	188,493	99,294
Capital outlay			
General government	1,000	-	1,000
Public works	3,000	-	3,000
Culture and recreation	23,500	85,607	(62,107)
Debt service			
Principal	12,000	-	12,000
Interest and other	1,806	-	1,806
Total Expenditures	<u>19,955,206</u>	<u>19,648,202</u>	<u>307,004</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(495,960)	450,501	946,461
Other Financing Sources (Uses)			
Transfers in	<u>277,000</u>	<u>277,000</u>	<u>-</u>
Net Change in Fund Balances	(218,960)	727,501	946,461
Fund Balances, January 1	<u>11,262,996</u>	<u>11,262,996</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 11,044,036</u></u>	<u><u>\$ 11,990,497</u></u>	<u><u>\$ 946,461</u></u>

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

City of Northfield, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2025

Notes to the Required Supplementary Information - Budgetary Reporting

A. Budgetary Comparison Schedule

The budgetary comparison schedule presents the comparison of the original and legally amended budget with actual amounts on a departmental level for the General and Special Revenue funds. The departmental level budgets are adopted on a basis consistent with generally accepted accounting principles. The fund balance reports revenue in the period in which they become measurable and available.

B. Summary of Significant Budget Variances

The General fund revenues and expenditures varied significantly from final budget amounts as noted below:

Revenues

- Intergovernmental revenues were over budget due to receiving FEMA and EAB Shade Tree grants that were unbudgeted in 2025.

Expenditures

- General Government expenses varied significantly from budget due to budgeting for land development/zoning code that did not occur and will be moved into 2026.

C. Budgetary Compliance

There were no budgetary compliance violations for the fiscal year ending December 31, 2025.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Northfield, Minnesota
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2025

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
Assets			
Cash and temporary investments	\$ 4,432,781	\$ 6,467,077	\$ 10,899,858
Receivables			
Interest	15,715	23,881	39,596
Delinquent taxes	3,706	-	3,706
Accounts	390,002	-	390,002
Notes, net of allowances	728,809	-	728,809
Leases	81,721	-	81,721
Special assessments	-	199,457	199,457
Intergovernmental	1,728	1,560,709	1,562,437
Prepaid items	4,511	-	4,511
Land held for resale	213,234	49,937	263,171
Total Assets	\$ 5,872,207	\$ 8,301,061	\$ 14,173,268
Liabilities			
Accounts payable	\$ 350,348	\$ 868,954	\$ 1,219,302
Contracts payable	-	213,025	213,025
Due to other governments	41,449	-	41,449
Deposits payable	-	71,965	71,965
Accrued wages payable	15,907	-	15,907
Due to other funds	53,028	734,769	787,797
Advance from other funds	-	1,268,107	1,268,107
Total Liabilities	460,732	3,156,820	3,617,552
Deferred Inflows of Resources			
Unavailable revenue			
Taxes	3,706	-	3,706
Special assessments	-	199,457	199,457
Intergovernmental resources	-	673,703	673,703
Deferred lease resources	75,034	-	75,034
Total Deferred Inflows of Resources	78,740	873,160	951,900
Fund Balances			
Nonspendable			
Prepaid items	4,511	-	4,511
Land held for resale	-	-	-
Restricted			
Library	329,238	-	329,238
Public safety activities	46,845	-	46,845
Arts and culture	224,483	-	224,483
Redevelopment and housing	193,008	-	193,008
Economic development	2,265,809	-	2,265,809
Capital projects	-	1,989,639	1,989,639
Committed			
Carbon reduction	291,533	-	291,533
Utility franchise fees	1,371,064	-	1,371,064
Motor vehicle operations	501,763	-	501,763
Communications	179,397	-	179,397
Assigned			
Capital projects	-	4,213,757	4,213,757
Unassigned	(74,916)	(1,932,315)	(2,007,231)
Total Fund Balances	5,332,735	4,271,081	9,603,816
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,872,207	\$ 8,301,061	\$ 14,173,268

City of Northfield, Minnesota
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2025

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
Revenues			
Taxes			
Property taxes	\$ 722,362	\$ 1,425,486	\$ 2,147,848
Tax increment	455,762	-	455,762
Franchise fees	1,474,830	-	1,474,830
Special assessments	-	60,057	60,057
Intergovernmental			
Federal	37,196	-	37,196
State	48,000	3,301,104	3,349,104
Charges for services			
General government	370,810	-	370,810
Culture and recreation	405,867	4,896	410,763
Communication	26,694	-	26,694
Investment earnings	210,949	267,873	478,822
Miscellaneous			
Other	28,838	966,802	995,640
Contributions and donations	53,634	186,342	239,976
Total Revenues	<u>3,834,942</u>	<u>6,212,560</u>	<u>10,047,502</u>
Expenditures			
Current			
General government	673,398	-	673,398
Public safety	17,156	-	17,156
Culture and recreation	656,426	4,361	660,787
Housing and economic development	874,805	-	874,805
Miscellaneous	178,170	-	178,170
Capital outlay			
General government	-	141,400	141,400
Public safety	-	281,595	281,595
Public works	-	1,468,346	1,468,346
Culture and recreation	190,178	3,057,613	3,247,791
Housing and economic development	-	7,647	7,647
Transit	-	647,980	647,980
Debt service			
Interest and other charges	-	6,040	6,040
Issuance fees	-	2,663	2,663
Total Expenditures	<u>2,590,133</u>	<u>5,617,645</u>	<u>8,207,778</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,244,809</u>	<u>594,915</u>	<u>1,839,724</u>
Other Financing Sources (Uses)			
Sale of capital assets	-	110,397	110,397
Transfers in	149,817	-	149,817
Debt issued	-	375,000	375,000
Transfers out	(967,000)	(34,657)	(1,001,657)
Bond premiums	-	35,600	35,600
Total Other Financing Sources (Uses)	<u>(817,183)</u>	<u>486,340</u>	<u>(330,843)</u>
Net Change in Fund Balances	<u>427,626</u>	<u>1,081,255</u>	<u>1,508,881</u>
Fund Balances, January 1, as Previously Presented	2,665,023	3,053,552	5,718,575
Change to the financial reporting entity (Note 9)			
Change from nonmajor to major fund	-	1,463,307	1,463,307
Change from major to nonmajor fund	-	(3,607,348)	(3,607,348)
Change from discrete to blended component unit	2,240,086	-	2,240,086
Error correction (Note 9)	-	2,280,315	2,280,315
Fund Balances, January 1, as Restated	<u>4,905,109</u>	<u>3,189,826</u>	<u>8,094,935</u>
Fund Balances, December 31	<u>\$ 5,332,735</u>	<u>\$ 4,271,081</u>	<u>\$ 9,603,816</u>

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NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Community Resource Center - accounts for financial activity associated with the operations of the City's Community Resource Center.

Motor Vehicle - accounts for the issuance of licenses for motor vehicles, drivers and recreational vehicles.

Communication - accounts for the use of franchise fees.

Library Gift - accounts for donations received specifically for library purposes.

G.W. Bunday - accounts for bequests restricted for library purposes.

Scriver Memorial - accounts for the investment income to purchase library books and materials.

L.J. Gustafson - accounts for bequests restricted for library purposes.

Myrtle Houston Trust - established with a bequest from the Myrtle Houston Revocable Trust. The funds are designated for children's programs at the library.

C.C Cloherty Endowed Book - the funds are designated for programs at the library.

Arts and Culture - accounts for community grants related to the fine arts.

Community Development Block Grant - accounts for the use of CDBG funds.

TZD Enforcement - accounts for the federal grant dollars used to develop areas for improving traffic safety initiatives.

Jefferson Square TIF - accounts for the financial activity associated with the TIF District.

Master Development TIF - accounts for the financial activity of TIF District No. 4.

Utility Franchise Fee - accounts for the financial activity related to the utility franchise fee.

Carbon Reduction - accounts for the financial activity related to the Carbon reduction.

Economic Development Authority - accounts for the financial activity related to the blended component unit of the Economic Development Authority.

Spring Creek TIF – accounts for the activity associated with the TIF District.

Aurora TIF – accounts for the activity associated with the TIF District.

Washington TIF – accounts for the activity associated with the TIF District.

Maple Brook TIF – accounts for the activity associated with the TIF District.

Spring Creek II TIF – accounts for the activity associated with the TIF District.

Kraewood TIF – accounts for the activity associated with the TIF District.

Archer TIF – accounts for the activity associated with the TIF District.

Heritage Lofts Housing – accounts for the activity associated with the TIF District.

City of Northfield, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet (Continued on the Following Pages)
December 31, 2025

	211 Community Resource Center	215 Motor Vehicle Fund	229 Communication Fund	240 Library Gift Fund	241 G.W. Bunday Fund	242 Scriver Memorial Fund
Assets						
Cash and temporary investments	\$ -	\$ 540,119	\$ 143,600	\$ 51,275	\$ 29,933	\$ 159,563
Receivables						
Interest	-	2,780	1,073	221	132	706
Delinquent taxes	139	-	-	-	-	-
Accounts	12,091	8,024	38,579	-	-	-
Notes, net of allowances	-	-	-	-	-	-
Leases	81,721	-	-	-	-	-
Intergovernmental	37	-	-	-	-	-
Prepaid items	-	2,069	-	-	-	-
Land held for resale	-	-	-	-	-	-
Total Assets	<u>\$ 93,988</u>	<u>\$ 552,992</u>	<u>\$ 183,252</u>	<u>\$ 51,496</u>	<u>\$ 30,065</u>	<u>\$ 160,269</u>
Liabilities						
Accounts payable	\$ 40,553	\$ 36	\$ 124	\$ 5,341	\$ -	\$ -
Due to other governments	-	41,449	-	-	-	-
Accrued wages payable	-	7,675	3,731	-	-	-
Due to other funds	38,743	-	-	-	-	-
Total Liabilities	<u>79,296</u>	<u>49,160</u>	<u>3,855</u>	<u>5,341</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources						
Unavailable revenue						
Taxes	139	-	-	-	-	-
Deferred lease resources	75,034	-	-	-	-	-
Total Deferred Inflows of Resources	<u>75,173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances						
Nonspendable						
Prepaid items	-	2,069	-	-	-	-
Restricted						
Library	-	-	-	46,155	30,065	160,269
Public safety activities	-	-	-	-	-	-
Arts and culture	-	-	-	-	-	-
Redevelopment and housing	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-
Committed						
Carbon reduction	-	-	-	-	-	-
Future projects	-	-	-	-	-	-
Communications	-	-	179,397	-	-	-
Motor vehicle operations	-	501,763	-	-	-	-
Unassigned	(60,481)	-	-	-	-	-
Total Fund Balances	<u>(60,481)</u>	<u>503,832</u>	<u>179,397</u>	<u>46,155</u>	<u>30,065</u>	<u>160,269</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 93,988</u>	<u>\$ 552,992</u>	<u>\$ 183,252</u>	<u>\$ 51,496</u>	<u>\$ 30,065</u>	<u>\$ 160,269</u>

243 L.J. Gustafson Fund	244 Myrtle Houston Fund	245 C.C. Cloherty Endowed Book Fund	246 Arts and Culture Fund	250 Community Development Block Grant Fund	252 TZD Enforcement Fund	271 Jefferson Square TIF Fund	270 Master Development TIF Fund
\$ 30,493	\$ 46,628	\$ 15,229	\$ 225,733	\$ -	\$ 46,670	\$ 25,141	\$ 46,654
136	206	68	1,073	-	175	99	208
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 30,629</u>	<u>\$ 46,834</u>	<u>\$ 15,297</u>	<u>\$ 226,806</u>	<u>\$ -</u>	<u>\$ 46,845</u>	<u>\$ 25,240</u>	<u>\$ 46,862</u>
\$ -	\$ -	\$ 11	\$ 2,323	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	14,085	-	-	-
<u>-</u>	<u>-</u>	<u>11</u>	<u>2,323</u>	<u>14,085</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
30,629	46,834	15,286	-	-	-	-	-
-	-	-	-	-	46,845	-	-
-	-	-	224,483	-	-	-	-
-	-	-	-	-	-	25,240	46,862
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(14,085)	-	-	-
<u>30,629</u>	<u>46,834</u>	<u>15,286</u>	<u>224,483</u>	<u>(14,085)</u>	<u>46,845</u>	<u>25,240</u>	<u>46,862</u>
<u>\$ 30,629</u>	<u>\$ 46,834</u>	<u>\$ 15,297</u>	<u>\$ 226,806</u>	<u>\$ -</u>	<u>\$ 46,845</u>	<u>\$ 25,240</u>	<u>\$ 46,862</u>

City of Northfield, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet (Continued)
December 31, 2025

	255 Utility Franchise Fee Fund	257 Carbon Reduction Fund	290 Economic Development Authority	385 Spring Creek TIF Fund	386 Aurora TIF Fund
Assets					
Cash and temporary investments	\$ 1,118,168	\$ 290,695	\$ 1,329,670	\$ 45,456	\$ 39,139
Receivables					
Interest	6,141	1,084	832	161	180
Delinquent taxes	-	-	3,567	-	-
Accounts	331,308	-	-	-	-
Notes, net of allowances	-	-	728,809	-	-
Leases	-	-	-	-	-
Intergovernmental	-	-	1,691	-	-
Prepaid items	-	-	2,442	-	-
Land held for resale	-	-	213,234	-	-
Total Assets	<u>\$ 1,455,617</u>	<u>\$ 291,779</u>	<u>\$ 2,280,245</u>	<u>\$ 45,617</u>	<u>\$ 39,319</u>
Liabilities					
Accounts payable	\$ 84,553	\$ 246	\$ 3,926	\$ 11,335	\$ 285
Due to other governments	-	-	-	-	-
Accrued wages payable	-	-	4,501	-	-
Due to other funds	-	-	-	-	-
Total Liabilities	<u>84,553</u>	<u>246</u>	<u>8,427</u>	<u>11,335</u>	<u>285</u>
Deferred Inflows of Resources					
Unavailable revenue					
Taxes	-	-	3,567	-	-
Deferred lease resources	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>3,567</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable					
Prepaid items	-	-	2,442	-	-
Restricted					
Library	-	-	-	-	-
Public safety activities	-	-	-	-	-
Arts and culture	-	-	-	-	-
Redevelopment and housing	-	-	-	34,282	39,034
Economic Development	-	-	2,265,809	-	-
Committed					
Carbon reduction	-	291,533	-	-	-
Future projects	1,371,064	-	-	-	-
Communications	-	-	-	-	-
Motor vehicle operations	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>1,371,064</u>	<u>291,533</u>	<u>2,268,251</u>	<u>34,282</u>	<u>39,034</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,455,617</u>	<u>\$ 291,779</u>	<u>\$ 2,280,245</u>	<u>\$ 45,617</u>	<u>\$ 39,319</u>

387	388	389	390	391	392	
Washington TIF Fund	Maple Brook TIF Fund	Spring Creek II TIF Fund	Kraewood TIF Fund	Archer TIF Fund	Heritage Lofts Housing	Total
\$ 113,188	\$ 53,701	\$ 8,846	\$ 72,032	\$ -	\$ 848	\$ 4,432,781
194	97	2	147	-	-	15,715
-	-	-	-	-	-	3,706
-	-	-	-	-	-	390,002
-	-	-	-	-	-	728,809
-	-	-	-	-	-	81,721
-	-	-	-	-	-	1,728
-	-	-	-	-	-	4,511
-	-	-	-	-	-	213,234
<u>\$ 113,382</u>	<u>\$ 53,798</u>	<u>\$ 8,848</u>	<u>\$ 72,179</u>	<u>\$ -</u>	<u>\$ 848</u>	<u>\$ 5,872,207</u>
\$ 87,470	\$ 40,135	\$ 8,845	\$ 65,015	\$ 150	\$ -	\$ 350,348
-	-	-	-	-	-	41,449
-	-	-	-	-	-	15,907
-	-	-	-	200	-	53,028
<u>87,470</u>	<u>40,135</u>	<u>8,845</u>	<u>65,015</u>	<u>350</u>	<u>-</u>	<u>460,732</u>
-	-	-	-	-	-	3,706
-	-	-	-	-	-	75,034
-	-	-	-	-	-	78,740
-	-	-	-	-	-	4,511
-	-	-	-	-	-	329,238
-	-	-	-	-	-	46,845
-	-	-	-	-	-	224,483
25,912	13,663	3	7,164	-	848	193,008
-	-	-	-	-	-	2,265,809
-	-	-	-	-	-	291,533
-	-	-	-	-	-	1,371,064
-	-	-	-	-	-	179,397
-	-	-	-	-	-	501,763
-	-	-	-	(350)	-	(74,916)
<u>25,912</u>	<u>13,663</u>	<u>3</u>	<u>7,164</u>	<u>(350)</u>	<u>848</u>	<u>5,332,735</u>
<u>\$ 113,382</u>	<u>\$ 53,798</u>	<u>\$ 8,848</u>	<u>\$ 72,179</u>	<u>\$ -</u>	<u>\$ 848</u>	<u>\$ 5,872,207</u>

City of Northfield, Minnesota
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued on the Following Pages)
For the Year Ended December 31, 2025

	211 Community Resource Center	215 Motor Vehicle Fund	229 Communication Fund	240 Library Gift Fund	241 G.W. Bunday Fund	242 Scriver Memorial Fund
Revenues						
Taxes						
Property taxes	\$ 328,279	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment	-	-	-	-	-	-
Franchise fees	-	-	139,243	-	-	-
Intergovernmental						
Federal	-	-	-	-	-	-
State	-	-	-	-	-	-
Charges for services						
General government	-	370,810	-	-	-	-
Communication	-	-	26,694	-	-	-
Culture and recreation	405,867	-	-	-	-	-
Investment earnings (loss)	(888)	28,450	8,949	2,232	1,341	7,119
Miscellaneous						
Contributions and donations	-	-	-	53,634	-	-
Other	4,531	2,168	-	-	-	-
Total Revenues	<u>737,789</u>	<u>401,428</u>	<u>174,886</u>	<u>55,866</u>	<u>1,341</u>	<u>7,119</u>
Expenditures						
Current						
General government	-	301,134	372,264	-	-	-
Public safety	-	-	-	-	-	-
Culture and recreation	502,593	-	-	52,976	-	746
Housing and economic development	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Capital outlay						
Culture and recreation	190,178	-	-	-	-	-
Total Expenditures	<u>692,771</u>	<u>301,134</u>	<u>372,264</u>	<u>52,976</u>	<u>-</u>	<u>746</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>45,018</u>	<u>100,294</u>	<u>(197,378)</u>	<u>2,890</u>	<u>1,341</u>	<u>6,373</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>45,018</u>	<u>100,294</u>	<u>(197,378)</u>	<u>2,890</u>	<u>1,341</u>	<u>6,373</u>
Fund Balances, January 1, as Previously Presented	(105,499)	403,538	376,775	43,265	28,724	153,896
Change to the Financial Reporting Entity (Note 9) Change from discrete to blended component unit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, January 1, as Restated	<u>(105,499)</u>	<u>403,538</u>	<u>376,775</u>	<u>43,265</u>	<u>28,724</u>	<u>153,896</u>
Fund Balances, December 31	<u>\$ (60,481)</u>	<u>\$ 503,832</u>	<u>\$ 179,397</u>	<u>\$ 46,155</u>	<u>\$ 30,065</u>	<u>\$ 160,269</u>

243 L.J. Gustafson Fund	244 Myrtle Houston Fund	245 C.C. Cloherty Endowed Book Fund	246 Arts and Culture Fund	250 Community Development Block Grant Fund	252 TZD Enforcement Fund	271 Jefferson Square TIF Fund	270 Master Development TIF Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	8,937	-
-	-	-	-	-	-	-	-
-	-	-	-	2,737	34,459	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,367	2,075	691	10,587	-	1,861	902	2,182
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,367</u>	<u>2,075</u>	<u>691</u>	<u>10,587</u>	<u>2,737</u>	<u>36,320</u>	<u>9,839</u>	<u>2,182</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	17,156	-	-
988	-	233	98,890	-	-	-	-
-	-	-	-	17,239	-	4,240	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>988</u>	<u>-</u>	<u>233</u>	<u>98,890</u>	<u>17,239</u>	<u>17,156</u>	<u>4,240</u>	<u>-</u>
379	2,075	458	(88,303)	(14,502)	19,164	5,599	2,182
-	-	-	49,817	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>49,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
379	2,075	458	(38,486)	(14,502)	19,164	5,599	2,182
30,250	44,759	14,828	262,969	417	27,681	19,641	44,680
-	-	-	-	-	-	-	-
<u>30,250</u>	<u>44,759</u>	<u>14,828</u>	<u>262,969</u>	<u>417</u>	<u>27,681</u>	<u>19,641</u>	<u>44,680</u>
<u>\$ 30,629</u>	<u>\$ 46,834</u>	<u>\$ 15,286</u>	<u>\$ 224,483</u>	<u>\$ (14,085)</u>	<u>\$ 46,845</u>	<u>\$ 25,240</u>	<u>\$ 46,862</u>

City of Northfield, Minnesota
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended December 31, 2025

			Formerly Discretely Presented Component Unit		
	255 Utility Franchise Fee Fund	257 Carbon Reduction Fund	290 Economic Development Authority	385 Spring Creek TIF Fund	386 Aurora TIF Fund
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ 394,083	\$ -	\$ -
Tax increment	-	-	-	24,659	-
Franchise fees	1,335,587	-	-	-	-
Intergovernmental					
Federal	-	-	-	-	-
State	-	48,000	-	-	-
Charges for services					
General government	-	-	-	-	-
Communication	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Investment earnings (loss)	68,922	10,651	56,787	1,606	1,801
Miscellaneous					
Contributions and donations	-	-	-	-	-
Other	-	-	22,139	-	-
Total Revenues	<u>1,404,509</u>	<u>58,651</u>	<u>473,009</u>	<u>26,265</u>	<u>1,801</u>
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Housing and economic development	-	17,129	377,844	22,816	1,018
Miscellaneous	84,553	93,617	-	-	-
Capital outlay					
Culture and recreation	-	-	-	-	-
Total Expenditures	<u>84,553</u>	<u>110,746</u>	<u>377,844</u>	<u>22,816</u>	<u>1,018</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,319,956</u>	<u>(52,095)</u>	<u>95,165</u>	<u>3,449</u>	<u>783</u>
Other Financing Sources (Uses)					
Transfers in	-	100,000	-	-	-
Transfers out	(900,000)	-	(67,000)	-	-
Total Other Financing Sources (Uses)	<u>(900,000)</u>	<u>100,000</u>	<u>(67,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>419,956</u>	<u>47,905</u>	<u>28,165</u>	<u>3,449</u>	<u>783</u>
Fund Balances, January 1, as Previously Presented	951,108	243,628	-	30,833	38,251
Change to the Financial Reporting Entity (Note 9) Change from discrete to blended component unit	<u>-</u>	<u>-</u>	<u>2,240,086</u>	<u>-</u>	<u>-</u>
Fund Balances, January 1, as Restated	<u>951,108</u>	<u>243,628</u>	<u>2,240,086</u>	<u>30,833</u>	<u>38,251</u>
Fund Balances, December 31	<u>\$ 1,371,064</u>	<u>\$ 291,533</u>	<u>\$ 2,268,251</u>	<u>\$ 34,282</u>	<u>\$ 39,034</u>

387	388	389	390	391	392	
Washington TIF Fund	Maple Brook TIF Fund	Spring Creek II TIF Fund	Kraewood TIF Fund	Archer TIF Fund	Heritage Lofts Housing	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 722,362
183,066	83,838	19,296	135,137	-	829	455,762
-	-	-	-	-	-	1,474,830
-	-	-	-	-	-	37,196
-	-	-	-	-	-	48,000
-	-	-	-	-	-	370,810
-	-	-	-	-	-	26,694
-	-	-	-	-	-	405,867
1,989	1,006	68	1,232	-	19	210,949
-	-	-	-	-	-	53,634
-	-	-	-	-	-	28,838
<u>185,055</u>	<u>84,844</u>	<u>19,364</u>	<u>136,369</u>	<u>-</u>	<u>848</u>	<u>3,834,942</u>
-	-	-	-	-	-	673,398
-	-	-	-	-	-	17,156
-	-	-	-	-	-	656,426
176,177	80,840	17,590	159,562	350	-	874,805
-	-	-	-	-	-	178,170
-	-	-	-	-	-	190,178
<u>176,177</u>	<u>80,840</u>	<u>17,590</u>	<u>159,562</u>	<u>350</u>	<u>-</u>	<u>2,590,133</u>
<u>8,878</u>	<u>4,004</u>	<u>1,774</u>	<u>(23,193)</u>	<u>(350)</u>	<u>848</u>	<u>1,244,809</u>
-	-	-	-	-	-	149,817
-	-	-	-	-	-	(967,000)
-	-	-	-	-	-	(817,183)
<u>8,878</u>	<u>4,004</u>	<u>1,774</u>	<u>(23,193)</u>	<u>(350)</u>	<u>848</u>	<u>427,626</u>
17,034	9,659	(1,771)	30,357	-	-	2,665,023
-	-	-	-	-	-	2,240,086
<u>17,034</u>	<u>9,659</u>	<u>(1,771)</u>	<u>30,357</u>	<u>-</u>	<u>-</u>	<u>4,905,109</u>
<u>\$ 25,912</u>	<u>\$ 13,663</u>	<u>\$ 3</u>	<u>\$ 7,164</u>	<u>\$ (350)</u>	<u>\$ 848</u>	<u>\$ 5,332,735</u>

City of Northfield, Minnesota
Community Resource Center
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Taxes			
Property taxes	\$ 328,156	\$ 328,279	\$ 123
Charges for services			
Culture and recreation	322,275	405,867	83,592
Investment earnings (loss)	-	(888)	(888)
Miscellaneous			
Other	-	4,531	4,531
Total Revenues	<u>650,431</u>	<u>737,789</u>	<u>87,358</u>
Expenditures			
Current			
Culture and recreation			
Supplies	149,000	101,813	47,187
Other services and charges	415,800	400,780	15,020
Capital outlay			
Culture and recreation	133,000	190,178	(57,178)
Total Expenditures	<u>697,800</u>	<u>692,771</u>	<u>5,029</u>
Net Change in Fund Balances	(47,369)	45,018	92,387
Fund Balances, January 1	<u>(105,499)</u>	<u>(105,499)</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ (152,868)</u></u>	<u><u>\$ (60,481)</u></u>	<u><u>\$ 92,387</u></u>

City of Northfield, Minnesota
Motor Vehicle Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Charges for services			
General government	\$ 281,900	\$ 370,810	\$ 88,910
Investment earnings	3,000	28,450	25,450
Miscellaneous	-	2,168	2,168
Total Revenues	<u>284,900</u>	<u>401,428</u>	<u>116,528</u>
Expenditures			
Current			
General government			
Personal services	252,955	270,627	(17,672)
Supplies	2,500	2,064	436
Other services and charges	29,354	28,443	911
Total Expenditures	<u>284,809</u>	<u>301,134</u>	<u>(16,325)</u>
Net Change in Fund Balances	91	100,294	100,203
Fund Balances, January 1	<u>403,538</u>	<u>403,538</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 403,629</u></u>	<u><u>\$ 503,832</u></u>	<u><u>\$ 100,203</u></u>

City of Northfield, Minnesota
Communication Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Taxes			
Franchise fees	\$ 150,000	\$ 139,243	\$ (10,757)
Charges for services	30,000	26,694	(3,306)
Investment earnings	10,000	8,949	(1,051)
Total Revenues	<u>190,000</u>	<u>174,886</u>	<u>(15,114)</u>
Expenditures			
Current			
General government			
Personal services	233,687	214,681	19,006
Supplies	11,863	4,213	7,650
Other services and charges	123,279	153,370	(30,091)
Total Expenditures	<u>368,829</u>	<u>372,264</u>	<u>(3,435)</u>
Net Change in Fund Balances	(178,829)	(197,378)	(18,549)
Fund Balances, January 1	<u>376,775</u>	<u>376,775</u>	-
Fund Balances, December 31	<u><u>\$ 197,946</u></u>	<u><u>\$ 179,397</u></u>	<u><u>\$ (18,549)</u></u>

City of Northfield, Minnesota
Library Gift Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Investment earnings	\$ 500	\$ 2,232	\$ 1,732
Contributions and donations	12,000	53,634	41,634
Total Revenues	<u>12,500</u>	<u>55,866</u>	<u>43,366</u>
Expenditures			
Current			
Culture and recreation			
Other services and charges	<u>12,500</u>	<u>52,976</u>	<u>(40,476)</u>
Net Change in Fund Balances	-	2,890	2,890
Fund Balances, January 1	<u>43,265</u>	<u>43,265</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 43,265</u>	<u>\$ 46,155</u>	<u>\$ 2,890</u>

City of Northfield, Minnesota
G.W. Bunday Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Investment earnings	\$ 150	\$ 1,341	\$ 1,191
Expenditures			
Current			
Culture and recreation			
Other services and charges	4,000	-	4,000
Net Change in Fund Balances	(3,850)	1,341	5,191
Fund Balances, January 1	28,724	28,724	-
Fund Balances, December 31	<u>\$ 24,874</u>	<u>\$ 30,065</u>	<u>\$ 5,191</u>

City of Northfield, Minnesota
 Scriver Memorial Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Investment earnings	\$ 750	\$ 7,119	\$ 6,369
Expenditures			
Current			
Culture and recreation			
Other services and charges	750	746	4
Net Change in Fund Balances	-	6,373	6,373
Fund Balances, January 1	153,896	153,896	-
Fund Balances, December 31	<u>\$ 153,896</u>	<u>\$ 160,269</u>	<u>\$ 6,373</u>

City of Northfield, Minnesota
L.J. Gustafson Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2025

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Investment earnings	\$ 200	\$ 1,367	\$ 1,167
Expenditures			
Current			
Culture and recreation			
Other services and charges	<u>1,500</u>	<u>988</u>	<u>512</u>
Net Change in Fund Balances	(1,300)	379	1,679
Fund Balances, January 1	<u>30,250</u>	<u>30,250</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 28,950</u></u>	<u><u>\$ 30,629</u></u>	<u><u>\$ 1,679</u></u>

City of Northfield, Minnesota
Myrtle Houston Trust Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2025

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Investment earnings	\$ 250	\$ 2,075	\$ 1,825
Expenditures			
Current			
Miscellaneous			
Other services and charges	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Net Change in Fund Balances	(750)	2,075	2,825
Fund Balances, January 1	<u>44,759</u>	<u>44,759</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 44,009</u></u>	<u><u>\$ 46,834</u></u>	<u><u>\$ 2,825</u></u>

City of Northfield, Minnesota
C.C. Cloherty Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Investment earnings	\$ 200	\$ 691	\$ 491
Expenditures			
Current			
Culture and recreation			
Other services and charges	200	233	(33)
Net Change in Fund Balances	-	458	458
Fund Balances, January 1	14,828	14,828	-
Fund Balances, December 31	<u>\$ 14,828</u>	<u>\$ 15,286</u>	<u>\$ 458</u>

City of Northfield, Minnesota
Community Development Block Grant (CDBG) Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2025

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental			
Federal	\$ 52,720	\$ 2,737	\$ (49,983)
Expenditures			
Current			
Housing and economic development			
Other services and charges	<u>52,720</u>	<u>17,239</u>	<u>35,481</u>
Net Change in Fund Balances	-	(14,502)	(14,502)
Fund Balances, January 1	<u>417</u>	<u>417</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 417</u></u>	<u><u>\$ (14,085)</u></u>	<u><u>\$ (14,502)</u></u>

City of Northfield, Minnesota
 Master Development Tax Increment Financing Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Investment earnings	\$ -	\$ 2,182	\$ 2,182
Fund Balances, January 1	<u>46,000</u>	<u>44,680</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 46,000</u></u>	<u><u>\$ 46,862</u></u>	<u><u>\$ 2,182</u></u>

City of Northfield, Minnesota
Economic Development Authority Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Taxes			
Tax increment	\$ 395,848	\$ 394,083	\$ (1,765)
Investment earnings	11,500	56,787	45,287
Other	8,500	22,139	13,639
Total Revenues	<u>415,848</u>	<u>473,009</u>	<u>57,161</u>
Expenditures			
Current			
Housing and economic development			
Personal services	221,386	190,188	31,198
Supplies	500	458	42
Other services and charges	188,962	187,198	1,764
Total Expenditures	<u>410,848</u>	<u>377,844</u>	<u>33,004</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,000	95,165	90,165
Other Financing Sources (Uses)			
Transfers out	<u>(72,000)</u>	<u>(67,000)</u>	<u>5,000</u>
Net Change in Fund Balances	<u>(67,000)</u>	<u>28,165</u>	<u>95,165</u>
Fund Balances, January 1, as Previously Presented	-	-	-
Change to the Financial Reporting Entity (Note 9) Change from discrete to blended component unit	<u>2,240,086</u>	<u>2,240,086</u>	<u>-</u>
Fund Balances, January 1, as Restated	<u>2,240,086</u>	<u>2,240,086</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 2,173,086</u></u>	<u><u>\$ 2,268,251</u></u>	<u><u>\$ 95,165</u></u>

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NONMAJOR CAPITAL PROJECT FUNDS

The Capital Project Funds account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

2019 Capital Project - accounts for projects financed by the 2019A bond issue.

2022 Capital Project - accounts for projects financed by the 2022A bond issue.

2023 Capital Project - accounts for projects financed by the 2023 bond issue.

2024 Capital Project - accounts for projects financed by the 2024 bond issue.

2026 Capital Project - accounts for projects to be financed by a future 2026 bond issue.

Park - accounts for park dedication fees and other contributions for park purposes.

City Facilities - accounts for the accumulation of resources for city facility purposes.

Equipment and Vehicle Replacement - accounts for the accumulation of resources to be used for City vehicle and equipment replacement purposes.

Hauberg Park - accounts for donations received for future park improvements.

Mill Town Trail - accounts for the funding and project costs for the trail project.

5th Street Redevelopment - accounts for the funding and project costs for the 5th Street Redevelopment.

Capital Reserve - accounts for monies set aside to help finance future City facilities and other capital improvements.

City of Northfield, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued on the Following Page)
December 31, 2025

	420 <i>Formerly Major</i>	423	424	425 <i>Formerly Major</i>	427	451
	2019 Capital Project Fund	2022 Capital Project Fund	2023 Capital Project Fund	2024 Capital Project Fund	2026 Capital Project Fund	Park Fund
Assets						
Cash and temporary investments	\$ 557,258	\$ -	\$ -	\$ 276,290	\$ -	\$ 1,950,804
Receivables						
Interest	2,460	-	219	2,434	-	6,502
Special assessments						
Current	-	-	-	13,207	-	-
Noncurrent	-	-	-	-	-	-
Intergovernmental	-	-	-	-	673,703	-
Land held for resale	-	-	-	-	-	-
Total Assets	\$ 559,718	\$ -	\$ 219	\$ 291,931	\$ 673,703	\$ 1,957,306
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 688	\$ 59,017	\$ 12,139
Contracts payable	-	11,943	-	70,616	-	-
Deposits payable	-	-	-	-	-	-
Due to other funds	-	153,787	666	-	467,440	-
Advance from other funds	-	-	-	-	-	-
Total Liabilities	-	165,730	666	71,304	526,457	12,139
Deferred Inflows of Resources						
Unavailable revenue						
Special assessments	-	-	-	13,207	-	-
Intergovernmental	-	-	-	-	673,703	-
Total Deferred Inflows of Resources	-	-	-	13,207	673,703	-
Fund Balances						
Restricted						
Capital projects	-	-	-	44,472	-	1,945,167
Assigned						
Capital projects	559,718	-	-	162,948	-	-
Unassigned	-	(165,730)	(447)	-	(526,457)	-
Total Fund Balance	559,718	(165,730)	(447)	207,420	(526,457)	1,945,167
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 559,718	\$ -	\$ 219	\$ 291,931	\$ 673,703	\$ 1,957,306

454	455	456	458	465	475	
City Facilities Fund	Equipment and Vehicle Replacement	Hauberg Park	Mill Town Trail	5th Street Redevelopment	Capital Reserve Fund	Total
\$ 804,418	\$ 1,866,089	\$ 14,921	\$ -	\$ -	\$ 997,297	\$ 6,467,077
4,648	3,283	64	-	316	3,955	23,881
-	-	-	-	-	-	13,207
-	-	-	-	-	186,250	186,250
-	-	-	886,549	-	457	1,560,709
-	-	-	-	-	49,937	49,937
<u>\$ 809,066</u>	<u>\$ 1,869,372</u>	<u>\$ 14,985</u>	<u>\$ 886,549</u>	<u>\$ 316</u>	<u>\$ 1,237,896</u>	<u>\$ 8,301,061</u>
\$ -	\$ 202,563	\$ -	\$ 594,080	\$ 467	\$ -	\$ 868,954
-	-	-	130,466	-	-	213,025
-	-	-	-	7,149	64,816	71,965
-	-	-	32,237	80,639	-	734,769
116,365	-	-	-	1,151,742	-	1,268,107
<u>116,365</u>	<u>202,563</u>	<u>-</u>	<u>756,783</u>	<u>1,239,997</u>	<u>64,816</u>	<u>3,156,820</u>
-	-	-	-	-	186,250	199,457
-	-	-	-	-	-	673,703
-	-	-	-	-	186,250	873,160
-	-	-	-	-	-	1,989,639
692,701	1,666,809	14,985	129,766	-	986,830	4,213,757
-	-	-	-	(1,239,681)	-	(1,932,315)
<u>692,701</u>	<u>1,666,809</u>	<u>14,985</u>	<u>129,766</u>	<u>(1,239,681)</u>	<u>986,830</u>	<u>4,271,081</u>
<u>\$ 809,066</u>	<u>\$ 1,869,372</u>	<u>\$ 14,985</u>	<u>\$ 886,549</u>	<u>\$ 316</u>	<u>\$ 1,237,896</u>	<u>\$ 8,301,061</u>

City of Northfield, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued on the Following Pages)
For the Year Ended December 31, 2025

	420	423	424	425
	<i>Formerly Major</i>			<i>Formerly Major</i>
	2019 Capital Project Fund	2022 Capital Project Fund	2023 Capital Project Fund	2024 Capital Project Fund
Revenues				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
State	-	-	-	187,025
Special assessments	-	-	-	60,057
Charges for services				
Culture and recreation	-	-	-	-
Investment earnings (loss)	24,423	-	(5,098)	24,179
Miscellaneous				
Other	-	-	-	-
Contributions and donations	-	-	-	-
Total Revenues	<u>24,423</u>	<u>-</u>	<u>(5,098)</u>	<u>271,261</u>
Expenditures				
Current				
Culture and recreation	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	2,203	119,050	398,632
Culture and recreation	-	-	-	-
Housing and economic development	-	-	-	-
Transit	-	-	-	-
Debt service				
Interest and other	-	-	-	-
Bond issuance costs	-	-	-	-
Total Expenditures	<u>-</u>	<u>2,203</u>	<u>119,050</u>	<u>398,632</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>24,423</u>	<u>(2,203)</u>	<u>(124,148)</u>	<u>(127,371)</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Transfers out	-	-	-	-
Bond premiums	-	-	-	-
Bonds issued	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>24,423</u>	<u>(2,203)</u>	<u>(124,148)</u>	<u>(127,371)</u>
Fund Balances, January 1, as Previously Presented	-	(163,527)	123,701	-
Change to the Financial Reporting Entity (Note 9)				
Change from nonmajor to major fund	-	-	-	-
Change from major to nonmajor fund	(1,479,088)	-	-	68,859
Error Correction (Note 9)	2,014,383	-	-	265,932
Fund Balances, January 1, as Restated	<u>535,295</u>	<u>(163,527)</u>	<u>123,701</u>	<u>334,791</u>
Fund Balances, December 31	<u>\$ 559,718</u>	<u>\$ (165,730)</u>	<u>\$ (447)</u>	<u>\$ 207,420</u>

426 <i>Formerly Nonmajor</i>	427	451	454	455	456
2025 Capital Project Fund	2026 Capital Project Fund	Park Fund	City Facilities Fund	Equipment and Vehicle Replacement	Hauberg Park
	\$ -	\$ 444,344	\$ 287,106	\$ 494,864	\$ -
	-	-	69,717	-	-
	-	-	-	-	-
	-	4,896	-	-	-
	-	68,775	43,513	64,855	385
	-	-	-	332	1,310
	-	186,342	-	-	-
	-	704,357	400,336	560,051	1,695
	-	4,361	-	-	-
	-	-	141,400	-	-
	-	-	20,639	260,956	-
	372,501	-	-	575,960	-
	-	42,520	75,163	26,000	-
	-	-	-	-	-
	-	-	647,980	-	-
	-	-	2,703	3,337	-
	-	-	-	2,663	-
	372,501	46,881	887,885	868,916	-
	(372,501)	657,476	(487,549)	(308,865)	1,695
	-	-	-	110,397	-
	-	-	-	-	-
	-	-	-	35,600	-
	-	-	-	375,000	-
	-	-	-	520,997	-
	(372,501)	657,476	(487,549)	212,132	1,695
(1,247,732)	(153,956)	1,287,691	1,180,250	1,454,677	13,290
1,247,732	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	(153,956)	1,287,691	1,180,250	1,454,677	13,290
	\$ (526,457)	\$ 1,945,167	\$ 692,701	\$ 1,666,809	\$ 14,985

City of Northfield, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
(Continued) For the Year Ended December 31, 2025

	458	459 <i>Formerly Nonmajor</i>	465 <i>Formerly Major</i>	475	
	Mill Town Trail	Ice Arena Construction	5th Street Redevelopment	Capital Reserve Fund	Total
Revenues					
Taxes					
Property taxes	\$ -		\$ -	\$ 199,172	\$ 1,425,486
Intergovernmental					
State	3,044,362		-	-	3,301,104
Special assessments	-		-	-	60,057
Charges for services					
Culture and recreation	-		-	-	4,896
Investment earnings	2,691		5,085	39,065	267,873
Miscellaneous					
Other	5,160		960,000	-	966,802
Contributions and donations	-		-	-	186,342
Total Revenues	<u>3,052,213</u>		<u>965,085</u>	<u>238,237</u>	<u>6,212,560</u>
Expenditures					
Current					
Culture and recreation	-		-	-	4,361
Capital outlay					
General government	-		-	-	141,400
Public safety	-		-	-	281,595
Public works	-		-	-	1,468,346
Culture and recreation	2,913,930		-	-	3,057,613
Housing and economic development	-		7,647	-	7,647
Transit	-		-	-	647,980
Debt service					
Interest and other	-		-	-	6,040
Bond issuance costs	-		-	-	2,663
Total Expenditures	<u>2,913,930</u>		<u>7,647</u>	<u>-</u>	<u>5,617,645</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>138,283</u>		<u>957,438</u>	<u>238,237</u>	<u>594,915</u>
Other Financing Sources (Uses)					
Sale of capital assets	-		-	-	110,397
Transfers out	-		-	(34,657)	(34,657)
Bond premiums	-		-	-	35,600
Bonds issued	-		-	-	375,000
Total Other Financing Sources (Uses)	<u>-</u>		<u>-</u>	<u>(34,657)</u>	<u>486,340</u>
Net Change in Fund Balances	<u>138,283</u>		<u>957,438</u>	<u>203,580</u>	<u>1,081,255</u>
Fund Balances, January 1, as Previously Presented	(8,517)	(215,575)	-	783,250	3,053,552
Change to the financial reporting entity (Note 9)					
Change from nonmajor to major fund	-	215,575	-	-	1,463,307
Change from major to nonmajor fund	-		(2,197,119)	-	(3,607,348)
Error Correction (Note 9)	-		-	-	2,280,315
Fund Balances, January 1, as Restated	<u>(8,517)</u>		<u>(2,197,119)</u>	<u>783,250</u>	<u>3,189,826</u>
Fund Balances, December 31	<u>\$ 129,766</u>		<u>\$ (1,239,681)</u>	<u>\$ 986,830</u>	<u>\$ 4,271,081</u>

THE GENERAL FUND

The General fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund.

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City of Northfield, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on Following Pages)
For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Taxes			
Property taxes	\$ 11,702,614	\$ 11,609,968	\$ (92,646)
Hotel-motel tax	180,000	202,421	22,421
Total taxes	<u>11,882,614</u>	<u>11,812,389</u>	<u>(70,225)</u>
Licenses and permits			
Business	80,200	80,245	45
Nonbusiness	565,000	633,413	68,413
Total licenses and permits	<u>645,200</u>	<u>713,658</u>	<u>68,458</u>
Intergovernmental			
Federal			
FEMA	-	133,217	133,217
Coronavirus capital projects fund	-	25,586	25,586
Other	-	16,261	16,261
State			
Local government aid	3,870,133	3,870,140	7
Property tax credits	-	396	396
Street maintenance aid	205,000	289,693	84,693
Fire aid	219,718	286,047	66,329
Police aid	264,976	318,746	53,770
Other state aid	39,691	179,070	139,379
County			
Library aid	198,236	206,135	7,899
Highway	12,500	-	(12,500)
Total intergovernmental	<u>4,810,254</u>	<u>5,325,291</u>	<u>515,037</u>
Charges for services			
General government	1,005,205	1,038,008	32,803
Public safety	67,000	74,100	7,100
Streets and highways	119,850	144,965	25,115
Culture and recreation	404,600	426,096	21,496
Total charges for services	<u>1,596,655</u>	<u>1,683,169</u>	<u>86,514</u>
Fines and forfeits	<u>58,500</u>	<u>112,155</u>	<u>53,655</u>
Investment earnings	<u>250,000</u>	<u>307,449</u>	<u>57,449</u>
Miscellaneous			
Contributions and donations	1,477	5,900	4,423
Other	214,546	138,692	(75,854)
Total miscellaneous	<u>216,023</u>	<u>144,592</u>	<u>(71,431)</u>
Total Revenues	<u>19,459,246</u>	<u>20,098,703</u>	<u>639,457</u>

City of Northfield, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Expenditures			
Current			
General Government			
Mayor and Council			
Personal services	\$ 81,328	\$ 80,581	\$ 747
Supplies	4,750	3,727	1,023
Other services and charges	385,234	291,557	93,677
Total Mayor and Council	<u>471,312</u>	<u>375,865</u>	<u>95,447</u>
City clerk			
Personal services	256,119	255,086	1,033
Supplies	1,900	1,003	897
Other services and charges	36,817	15,579	21,238
Total city clerk	<u>294,836</u>	<u>271,668</u>	<u>23,168</u>
Administration			
Personal services	372,529	380,462	(7,933)
Supplies	4,600	575	4,025
Other services and charges	371,884	363,337	8,547
Total administration	<u>749,013</u>	<u>744,374</u>	<u>4,639</u>
Finance			
Personal services	672,941	626,367	46,574
Supplies	4,000	7,261	(3,261)
Other services and charges	176,328	125,301	51,027
Total finance	<u>853,269</u>	<u>758,929</u>	<u>94,340</u>
Elections			
Personal services	5,000	12	4,988
Supplies	1,500	1,095	405
Other services and charges	11,500	7,696	3,804
Total elections	<u>18,000</u>	<u>8,803</u>	<u>9,197</u>
Human resources			
Personal services	470,572	484,443	(13,871)
Supplies	2,497	361	2,136
Other services and charges	239,519	228,929	10,590
Total human resources	<u>712,588</u>	<u>713,733</u>	<u>(1,145)</u>
Community development			
Personal services	202,023	218,696	(16,673)
Supplies	3,000	4,010	(1,010)
Other services and charges	282,655	92,720	189,935
Total community development	<u>487,678</u>	<u>315,426</u>	<u>172,252</u>

City of Northfield, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Expenditures (Continued)			
Current (Continued)			
General Government (Continued)			
City hall operations			
Supplies	\$ 64,800	\$ 62,925	\$ 1,875
Other services and charges	104,421	101,808	2,613
Total City hall operations	<u>169,221</u>	<u>164,733</u>	<u>4,488</u>
Planning and zoning			
Personal services	285,483	259,538	25,945
Supplies	300	68	232
Other services and charges	12,661	9,278	3,383
Total planning and zoning	<u>298,444</u>	<u>268,884</u>	<u>29,560</u>
Insurance	<u>191,163</u>	<u>191,163</u>	<u>-</u>
Total General Government	<u>4,245,524</u>	<u>3,813,578</u>	<u>431,946</u>
Public Safety			
Police protection			
Personal services	5,307,936	5,134,174	173,762
Supplies	275,600	199,298	76,302
Other services and charges	573,669	539,307	34,362
Total police protection	<u>6,157,205</u>	<u>5,872,779</u>	<u>284,426</u>
Fire protection			
Personal services	219,718	286,047	(66,329)
Other services and charges	762,012	1,101,859	(339,847)
Total fire protection	<u>981,730</u>	<u>1,387,906</u>	<u>(406,176)</u>
Building inspection			
Personal services	504,466	431,928	72,538
Supplies	5,500	3,698	1,802
Other services and charges	49,998	33,266	16,732
Total building inspection	<u>559,964</u>	<u>468,892</u>	<u>91,072</u>
Total Public Safety	<u>7,698,899</u>	<u>7,729,577</u>	<u>(30,678)</u>
Public Works			
Engineering			
Personal services	731,722	756,628	(24,906)
Supplies	17,700	11,818	5,882
Other services and charges	147,370	156,824	(9,454)
Total engineering	<u>896,792</u>	<u>925,270</u>	<u>(28,478)</u>
Streets			
Personal services	1,309,531	1,189,063	120,468
Supplies	295,600	312,167	(16,567)
Other services and charges	607,180	642,363	(35,183)
Total streets	<u>2,212,311</u>	<u>2,143,593</u>	<u>68,718</u>

City of Northfield, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Expenditures (Continued)			
Current (Continued)			
Public Works (Continued)			
Street lighting			
Supplies	\$ 35,000	\$ 95,953	\$ (60,953)
Other services and charges	250,000	264,798	(14,798)
Total street lighting	<u>285,000</u>	<u>360,751</u>	<u>(75,751)</u>
Facilities			
Personal services	244,694	259,705	(15,011)
Supplies	11,700	16,906	(5,206)
Other services and charges	112,186	116,398	(4,212)
Total facilities	<u>368,580</u>	<u>393,009</u>	<u>(24,429)</u>
Total Public Works	<u>3,762,683</u>	<u>3,822,623</u>	<u>(59,940)</u>
Culture and Recreation			
Ice arena			
Personal services	165,669	156,324	9,345
Supplies	36,550	28,132	8,418
Other services and charges	235,651	239,339	(3,688)
Total ice arena	<u>437,870</u>	<u>423,795</u>	<u>14,075</u>
Swimming pool			
Personal services	159,516	145,797	13,719
Supplies	56,500	53,086	3,414
Other services and charges	55,800	63,600	(7,800)
Total swimming pool	<u>271,816</u>	<u>262,483</u>	<u>9,333</u>
General parks			
Personal services	235,795	221,914	13,881
Supplies	60,000	67,433	(7,433)
Other services and charges	419,100	444,597	(25,497)
Total general parks	<u>714,895</u>	<u>733,944</u>	<u>(19,049)</u>
Recreation administration			
Personal services	129,313	136,812	(7,499)
Other services and charges	154,313	154,133	180
Total recreation administration	<u>283,626</u>	<u>290,945</u>	<u>(7,319)</u>
Library			
Personal services	1,584,898	1,731,167	(146,269)
Supplies	75,500	72,104	3,396
Other services and charges	550,402	493,886	56,516
Total library	<u>2,210,800</u>	<u>2,297,157</u>	<u>(86,357)</u>
Total Culture and Recreation	<u>3,919,007</u>	<u>4,008,324</u>	<u>(89,317)</u>

City of Northfield, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Expenditures (Continued)			
Current (Continued)			
Miscellaneous			
Unallocated			
Other services and charges	<u>\$ 287,787</u>	<u>\$ 188,493</u>	<u>\$ 99,294</u>
Total Current	<u>19,913,900</u>	<u>19,562,595</u>	<u>351,305</u>
Capital outlay			
General government	1,000	-	1,000
Public works	3,000	-	3,000
Culture and recreation	23,500	85,607	(62,107)
Total capital outlay	<u>27,500</u>	<u>85,607</u>	<u>(58,107)</u>
Debt service			
Principal	12,000	-	12,000
Interest and other charges	1,806	-	1,806
Total debt service	<u>13,806</u>	<u>-</u>	<u>13,806</u>
Total Expenditures	<u>19,955,206</u>	<u>19,648,202</u>	<u>307,004</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(495,960)	450,501	946,461
Other Financing Sources (Uses)			
Transfers in	<u>277,000</u>	<u>277,000</u>	<u>-</u>
Net Change in Fund Balances	(218,960)	727,501	946,461
Fund Balances, January 1	<u>11,262,996</u>	<u>11,262,996</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 11,044,036</u>	<u>\$ 11,990,497</u>	<u>\$ 946,461</u>

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DEBT SERVICE FUNDS

Debt Service funds are used to account 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.

City of Northfield, Minnesota
Debt Service Funds
Combining Balance Sheet (Continued on the Following Pages)
December 31, 2025

	315	316	317	318	319
	2014A Bonds Fund	2015A Bonds Fund	2016C Bonds Fund	2017A Bonds Fund	2018B Bonds Fund
Assets					
Cash and temporary investments	\$ 37,032	\$ 199,797	\$ 224,540	\$ 180,346	\$ 334,943
Receivables					
Interest	206	613	1,005	605	995
Special assessments					
Current	-	1,782	7,027	38,796	38,457
Delinquent	240	-	-	-	-
Intergovernmental	-	-	-	-	-
Total Assets	<u>\$ 37,478</u>	<u>\$ 202,192</u>	<u>\$ 232,572</u>	<u>\$ 219,747</u>	<u>\$ 374,395</u>
Liabilities					
Accounts payable	\$ 150	\$ 5,150	\$ 150	\$ 150	\$ 150
Due to other funds	-	-	-	-	-
Total Liabilities	<u>150</u>	<u>5,150</u>	<u>150</u>	<u>150</u>	<u>150</u>
Deferred Inflows of Resources					
Unavailable revenue					
Special assessments	<u>240</u>	<u>1,782</u>	<u>7,027</u>	<u>38,764</u>	<u>38,457</u>
Fund Balances					
Restricted					
Debt service	<u>37,088</u>	<u>195,260</u>	<u>225,395</u>	<u>180,833</u>	<u>335,788</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 37,478</u>	<u>\$ 202,192</u>	<u>\$ 232,572</u>	<u>\$ 219,747</u>	<u>\$ 374,395</u>

320	321	322	323	324	325	352 2014A (2006A) Public Project Revenue Refunding Bonds
2019A Bonds Fund	2020A Bonds Fund	2021A Bonds Fund	2022A Bonds Fund	2023B Bonds Fund	2024A Bonds Fund	
\$ 333,997	\$ 1,608,823	\$ 1,112,069	\$ 429,557	\$ 608,049	\$ 300,906	\$ 9,109
776	6,077	5,725	943	1,030	287	41
156,450	148,479	503,674	-	-	-	-
404	1,614	36,393	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 491,627</u>	<u>\$ 1,764,993</u>	<u>\$ 1,657,861</u>	<u>\$ 430,500</u>	<u>\$ 609,079</u>	<u>\$ 301,193</u>	<u>\$ 9,150</u>
\$ 150	\$ 150	\$ 250	\$ 150	\$ 150	\$ 150	\$ -
-	-	-	-	-	-	-
<u>150</u>	<u>150</u>	<u>250</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>-</u>
156,854	150,002	540,067	-	-	-	-
334,623	1,614,841	1,117,544	430,350	608,929	301,043	9,150
<u>\$ 491,627</u>	<u>\$ 1,764,993</u>	<u>\$ 1,657,861</u>	<u>\$ 430,500</u>	<u>\$ 609,079</u>	<u>\$ 301,193</u>	<u>\$ 9,150</u>

City of Northfield, Minnesota
Debt Service Funds
Combining Balance Sheet (Continued)
December 31, 2025

	354	357	358	359
	2012 COPS Debt Fund	2018A NAFRS Debt Service	2021 Equipment Certificates	2022 Equipment Certificates
Assets				
Cash and temporary investments	\$ 399,145	\$ 438,251	\$ 87,439	\$ 69,538
Receivables				
Interest	729	1,243	227	147
Special assessments				
Current	-	-	-	-
Delinquent	-	-	-	-
Intergovernmental	-	-	-	-
Total Assets	<u>\$ 399,874</u>	<u>\$ 439,494</u>	<u>\$ 87,666</u>	<u>\$ 69,685</u>
Liabilities				
Accounts payable	\$ 150	\$ 625	\$ 150	\$ 150
Due to other funds	-	-	-	-
Total Liabilities	<u>150</u>	<u>625</u>	<u>150</u>	<u>150</u>
Deferred Inflows of Resources				
Unavailable revenue				
Special assessments	-	-	-	-
Fund Balances				
Restricted				
Debt service	<u>399,724</u>	<u>438,869</u>	<u>87,516</u>	<u>69,535</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 399,874</u>	<u>\$ 439,494</u>	<u>\$ 87,666</u>	<u>\$ 69,685</u>

360	361	379	382	
2023B Equipment Certificates	2024A Equipment Certificates	2017B Refunding TIF Bonds	Riverfront TIF Bonds	Total
\$ 73,112	\$ 105,479	\$ 396,628	\$ 397,607	\$ 7,346,367
227	126	1,232	945	23,179
54	-	-	-	894,719
-	-	-	-	38,651
-	-	1,315	36	1,351
<u>\$ 73,393</u>	<u>\$ 105,605</u>	<u>\$ 399,175</u>	<u>\$ 398,588</u>	<u>\$ 8,304,267</u>
\$ 150	\$ 150	\$ 150	\$ 77,613	\$ 85,888
-	-	-	-	-
<u>150</u>	<u>150</u>	<u>150</u>	<u>77,613</u>	<u>85,888</u>
-	-	-	-	933,193
<u>73,243</u>	<u>105,455</u>	<u>399,025</u>	<u>320,975</u>	<u>7,285,186</u>
<u>\$ 73,393</u>	<u>\$ 105,605</u>	<u>\$ 399,175</u>	<u>\$ 398,588</u>	<u>\$ 8,304,267</u>

City of Northfield, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued on the Following Pages)
For the Year Ended December 31, 2025

	315	316	317	318	319
	2014A Bonds Fund	2015A Bonds Fund	2016C Bonds Fund	2017A Bonds Fund	2018B Bonds Fund
Revenues					
Taxes					
Property taxes	\$ -	\$ 85,000	\$ -	\$ 55,000	\$ 175,000
Tax increment	-	-	-	-	-
Special assessments	1,047	25,156	7,173	21,650	18,656
Investment earnings (loss)	1,588	5,893	9,847	5,909	10,241
Miscellaneous	-	-	-	-	-
Total Revenues	<u>2,635</u>	<u>116,049</u>	<u>17,020</u>	<u>82,559</u>	<u>203,897</u>
Expenditures					
Current					
Housing and economic development	-	-	-	-	-
Debt service					
Principal	125,000	165,000	85,000	95,000	175,000
Interest and other charges	2,359	10,807	4,231	7,841	25,513
Total Expenditures	<u>127,359</u>	<u>175,807</u>	<u>89,231</u>	<u>102,841</u>	<u>200,513</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(124,724)	(59,758)	(72,211)	(20,282)	3,384
Other Financing Sources (Uses)					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(124,724)	(59,758)	(72,211)	(20,282)	3,384
Fund Balances, January 1	<u>161,812</u>	<u>255,018</u>	<u>297,606</u>	<u>201,115</u>	<u>332,404</u>
Fund Balances, December 31	<u>\$ 37,088</u>	<u>\$ 195,260</u>	<u>\$ 225,395</u>	<u>\$ 180,833</u>	<u>\$ 335,788</u>

320	321	322	323	324	325	352 2014A (2006A) Public Project Revenue Refunding Bonds
2019A Bonds Fund	2020A Bonds Fund	2021A Bonds Fund	2022A Bonds Fund	2023B Bonds Fund	2024A Bonds Fund	
\$ 215,000	\$ 390,000	\$ 129,000	\$ 393,300	\$ 729,438	\$ 589,900	\$ -
-	-	-	-	-	-	-
56,980	37,048	379,734	892	-	-	-
7,590	60,626	31,976	9,820	11,413	3,397	114
-	-	-	-	-	-	-
<u>279,570</u>	<u>487,674</u>	<u>540,710</u>	<u>404,012</u>	<u>740,851</u>	<u>593,297</u>	<u>114</u>
-	-	-	-	-	-	-
235,000	430,000	385,000	270,000	155,000	-	-
34,387	77,795	50,696	103,575	348,750	292,254	-
<u>269,387</u>	<u>507,795</u>	<u>435,696</u>	<u>373,575</u>	<u>503,750</u>	<u>292,254</u>	<u>-</u>
10,183	(20,121)	105,014	30,437	237,101	301,043	114
-	-	140,000	-	-	-	-
10,183	(20,121)	245,014	30,437	237,101	301,043	114
<u>324,440</u>	<u>1,634,962</u>	<u>872,530</u>	<u>399,913</u>	<u>371,828</u>	<u>-</u>	<u>9,036</u>
<u>\$ 334,623</u>	<u>\$ 1,614,841</u>	<u>\$ 1,117,544</u>	<u>\$ 430,350</u>	<u>\$ 608,929</u>	<u>\$ 301,043</u>	<u>\$ 9,150</u>

City of Northfield, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended December 31, 2025

	354	357	358	359
	2012 COPS Debt Fund	2018A NAFRS Debt Service	2021 Equipment Certificates	2022 Equipment Certificates
Revenues				
Taxes				
Property taxes	\$ 410,000	\$ 185,000	\$ 60,500	\$ 64,500
Tax increment	-	-	-	-
Special assessments	-	-	-	-
Investment earnings (loss)	7,472	12,449	2,337	1,519
Miscellaneous	-	81,078	-	-
Total Revenues	<u>417,472</u>	<u>278,527</u>	<u>62,837</u>	<u>66,019</u>
Expenditures				
Current				
Housing and economic development	-	-	-	-
Debt service				
Principal	315,000	180,000	50,000	50,000
Interest and other	71,173	104,208	5,050	12,800
Total Expenditures	<u>386,173</u>	<u>284,208</u>	<u>55,050</u>	<u>62,800</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	31,299	(5,681)	7,787	3,219
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	31,299	(5,681)	7,787	3,219
Fund Balances, January 1	<u>368,425</u>	<u>444,550</u>	<u>79,729</u>	<u>66,316</u>
Fund Balances, December 31	<u>\$ 399,724</u>	<u>\$ 438,869</u>	<u>\$ 87,516</u>	<u>\$ 69,535</u>

360	361	379	382	
2023B Equipment Certificates	2023B Equipment Certificates	2017B Refunding TIF Bonds	Riverfront TIF Bonds	Total
\$ 41,000	\$ 152,100	\$ -	\$ -	\$ 3,674,738
-	-	193,047	369,163	562,210
55	-	-	-	548,391
2,023	1,505	12,758	9,668	208,145
-	-	-	-	81,078
<u>43,078</u>	<u>153,605</u>	<u>205,805</u>	<u>378,831</u>	<u>5,074,562</u>
-	-	-	126,094	126,094
20,000	-	60,000	156,591	2,951,591
15,150	48,150	3,552	26,174	1,244,465
<u>35,150</u>	<u>48,150</u>	<u>63,552</u>	<u>308,859</u>	<u>4,322,150</u>
7,928	105,455	142,253	69,972	752,412
-	-	-	-	140,000
7,928	105,455	142,253	69,972	892,412
65,315	-	256,772	251,003	6,392,774
<u>\$ 73,243</u>	<u>\$ 105,455</u>	<u>\$ 399,025</u>	<u>\$ 320,975</u>	<u>\$ 7,285,186</u>

City of Northfield, Minnesota
Combining Statements of Net Position
Nonmajor Proprietary Funds
December 31, 2025

	603	609	
	<u>Garbage</u>	<u>Liquor Store</u>	<u>Total</u>
Assets			
Current Assets			
Cash and temporary investments	\$ 1,688,714	\$ 2,108,411	\$ 3,797,125
Receivables			
Interest	7,648	8,480	16,128
Accounts	145,954	19,273	165,227
Intergovernmental	1,036	-	1,036
Inventories	-	328,652	328,652
Prepaid items	-	5,388	5,388
Total Current Assets	<u>1,843,352</u>	<u>2,470,204</u>	<u>4,313,556</u>
Noncurrent Assets			
Capital assets			
Buildings	20,383	193,804	214,187
Infrastructure	-	56,835	56,835
Machinery, equipment and vehicles	320,566	111,847	432,413
Less accumulated depreciation	<u>(75,765)</u>	<u>(332,385)</u>	<u>(408,150)</u>
Total Capital Assets	<u>265,184</u>	<u>30,101</u>	<u>295,285</u>
Total Assets	<u>2,108,536</u>	<u>2,500,305</u>	<u>4,608,841</u>
Deferred Outflows of Resources			
Deferred pension resources	3,508	41,665	45,173
Deferred other postemployment benefit resources	<u>1,183</u>	<u>10,608</u>	<u>11,791</u>
Total Deferred Outflows of Resources	<u>4,691</u>	<u>52,273</u>	<u>56,964</u>
Liabilities			
Current Liabilities			
Accounts payable	103,664	113,346	217,010
Due to other governments	7,512	32,523	40,035
Accrued wages payable	1,383	16,680	18,063
Compensated absences payable - current portion	-	22,095	22,095
Other postemployment benefits liability - current portion	<u>696</u>	<u>6,246</u>	<u>6,942</u>
Total Current Liabilities	<u>113,255</u>	<u>190,890</u>	<u>304,145</u>
Noncurrent Liabilities			
Compensated absences payable, net of current portion	-	24,868	24,868
Net pension liability	11,944	141,849	153,793
Other postemployment benefits liability	<u>5,240</u>	<u>46,989</u>	<u>52,229</u>
Total Noncurrent Liabilities	<u>17,184</u>	<u>213,706</u>	<u>230,890</u>
Total Liabilities	<u>130,439</u>	<u>404,596</u>	<u>535,035</u>
Deferred Inflows of Resources			
Deferred pension resources	7,941	94,310	102,251
Deferred other postemployment benefit resources	<u>1,174</u>	<u>10,530</u>	<u>11,704</u>
Total Deferred Inflows of Resources	<u>9,115</u>	<u>104,840</u>	<u>113,955</u>
Net Position			
Net investment in capital assets	265,184	30,101	295,285
Unrestricted	<u>1,708,489</u>	<u>2,013,041</u>	<u>3,721,530</u>
Total Net Position	<u>\$ 1,973,673</u>	<u>\$ 2,043,142</u>	<u>\$ 4,016,815</u>

City of Northfield, Minnesota
Combining Statements of Revenues, Expenses and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended December 31, 2025

	603	609	
	<u>Garbage</u>	<u>Liquor</u>	<u>Total</u>
Operating Revenues			
Sales	\$ 1,053,836	\$ 2,767,162	\$ 3,820,998
Cost of sales	-	(1,974,156)	(1,974,156)
Gross Profit	<u>1,053,836</u>	<u>793,006</u>	<u>1,846,842</u>
Other income	6,392	1,172	7,564
Total Operating Revenues	<u>1,060,228</u>	<u>794,178</u>	<u>1,854,406</u>
Operating Expenses			
Personal services	64,675	487,186	551,861
Pension expense	949	(3,948)	(2,999)
Supplies	662	23,664	24,326
Other services and charges	960,924	152,504	1,113,428
Insurance	4,239	4,873	9,112
Utilities	662	16,341	17,003
Depreciation	17,164	4,020	21,184
Total Operating Expenses	<u>1,049,275</u>	<u>684,640</u>	<u>1,733,915</u>
Operating Income (Loss)	10,953	109,538	120,491
Nonoperating Revenues (Expenses)			
Investment income	<u>75,759</u>	<u>86,710</u>	<u>162,469</u>
Income Before Transfers	86,712	196,248	282,960
Transfers out	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Change in Net Position	86,712	146,248	232,960
Net Position, January 1	<u>1,886,961</u>	<u>1,896,894</u>	<u>3,783,855</u>
Net Position, December 31	<u>\$ 1,973,673</u>	<u>\$ 2,043,142</u>	<u>\$ 4,016,815</u>

City of Northfield, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2025

	603	609	
	Garbage	Liquor	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,048,177	\$ 2,767,155	\$ 3,815,332
Payments to suppliers and vendors	(950,113)	(2,157,309)	(3,107,422)
Payments to and on behalf of employees	(66,037)	(522,051)	(588,088)
Other receipts	6,392	1,172	7,564
Net Cash Provided (Used) by Operating Activities	<u>38,419</u>	<u>88,967</u>	<u>127,386</u>
Cash Flows from Noncapital Financing Activities			
Transfers to other funds	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	<u>(188,565)</u>	<u>-</u>	<u>(188,565)</u>
Cash Flows from Investing Activities			
Investment income received	<u>74,623</u>	<u>84,820</u>	<u>159,443</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(75,523)	123,787	48,264
Cash and Cash Equivalents, January 1	<u>1,764,237</u>	<u>1,984,624</u>	<u>3,748,861</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 1,688,714</u></u>	<u><u>\$ 2,108,411</u></u>	<u><u>\$ 3,797,125</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 10,953	\$ 109,538	\$ 120,491
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	17,164	4,020	21,184
(Increase) decrease in assets			
Accounts receivable	(5,673)	(7)	(5,680)
Due from other governments	14	-	14
Inventories	-	12,062	12,062
Prepaid items	-	(784)	(784)
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	(525)	(3,701)	(4,226)
Deferred other postemployment benefit resources	(469)	(3,559)	(4,028)
Increase (decrease) in liabilities			
Accounts payable	17,205	(1,325)	15,880
Due to other governments	118	328	446
Accrued wages payable	304	2,529	2,833
Other postemployment benefits liability	406	(1,320)	(914)
Compensated absences payable	-	2,689	2,689
Net pension liability	(284)	(13,746)	(14,030)
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	(749)	(16,266)	(17,015)
Deferred other postemployment benefit resources	(45)	(1,491)	(1,536)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 38,419</u></u>	<u><u>\$ 88,967</u></u>	<u><u>\$ 127,386</u></u>

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Information Technology Fund - accounts for the accumulation and allocations of costs associated with technology.

Insurance Fund - accounts for the accumulation and allocation of costs associated with property and liability insurance.

City of Northfield, Minnesota
Internal Service Funds
Combining Statement of Net Position
December 31, 2025

	701 Information	705 Insurance	Total
Assets			
Current Assets			
Cash and temporary investments	\$ 901,968	\$ 1,365,043	\$ 2,267,011
Receivables			
Interest	4,283	6,089	10,372
Prepaid items	1,572	21,392	22,964
Total Current Assets	<u>907,823</u>	<u>1,392,524</u>	<u>2,300,347</u>
Noncurrent Assets			
Capital assets			
Machinery and equipment	459,349	-	459,349
Less accumulated depreciation	(390,735)	-	(390,735)
Total Capital Assets	<u>68,614</u>	<u>-</u>	<u>68,614</u>
Total Assets	<u>976,437</u>	<u>1,392,524</u>	<u>2,368,961</u>
Deferred Outflows of Resources			
Deferred pension resources	31,805	3,390	35,195
Deferred other postemployment benefit resources	4,722	1,205	5,927
Total Deferred Outflows of Resources	<u>36,527</u>	<u>4,595</u>	<u>41,122</u>
Liabilities			
Current Liabilities			
Accounts payable	86,075	16,398	102,473
Accrued wages payable	11,486	651	12,137
Other postemployment benefits liability - current portion	2,780	710	3,490
Total Current Liabilities	<u>100,341</u>	<u>17,759</u>	<u>118,100</u>
Noncurrent Liabilities			
Net pension liability	108,280	11,540	119,820
Other postemployment benefits liability	20,915	5,338	26,253
Total Noncurrent Liabilities	<u>129,195</u>	<u>16,878</u>	<u>146,073</u>
Total Liabilities	<u>229,536</u>	<u>34,637</u>	<u>264,173</u>
Deferred Inflows of Resources			
Deferred pension resources	71,991	7,673	79,664
Deferred other postemployment benefit resources	4,687	1,196	5,883
Total Deferred Inflows of Resources	<u>76,678</u>	<u>8,869</u>	<u>85,547</u>
Net Position			
Net investment in capital assets	68,614	-	68,614
Unrestricted	638,136	1,353,613	1,991,749
Total Net Position	<u>\$ 706,750</u>	<u>\$ 1,353,613</u>	<u>\$ 2,060,363</u>

City of Northfield, Minnesota
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	701 Information	705 Insurance	Total
Operating Revenues			
Charges for services	\$ 916,872	\$ 684,026	\$ 1,600,898
Operating Expenses			
Personal services	356,435	371,963	728,398
Supplies	153,551	-	153,551
Other services and charges	363,632	295,460	659,092
Depreciation	26,215	-	26,215
Total Operating Expenses	<u>899,833</u>	<u>667,423</u>	<u>1,567,256</u>
Operating Income (Loss)	17,039	16,603	33,642
Nonoperating Revenues			
Investment income	<u>45,195</u>	<u>63,499</u>	<u>108,694</u>
Change in Net Position	62,234	80,102	142,336
Net Position, January 1	<u>644,516</u>	<u>1,273,511</u>	<u>1,918,027</u>
Net Position, December 31	<u><u>\$ 706,750</u></u>	<u><u>\$ 1,353,613</u></u>	<u><u>\$ 2,060,363</u></u>

City of Northfield, Minnesota
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2025

	701 Information	705 Insurance	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 916,872	\$ 684,026	\$ 1,600,898
Payments to suppliers and vendors	(450,556)	(284,728)	(735,284)
Payments to and on behalf of employees	(381,826)	(374,848)	(756,674)
Net Cash Provided (Used) by Operating Activities	<u>84,490</u>	<u>24,450</u>	<u>108,940</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(9,383)	-	(9,383)
Cash Flows from Investing Activities			
Investment income received	<u>44,372</u>	<u>64,671</u>	<u>109,043</u>
Net Increase (Decrease) in Cash and Cash Equivalents	119,479	89,121	208,600
Cash and Cash Equivalents, January 1	<u>782,489</u>	<u>1,275,922</u>	<u>2,058,411</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 901,968</u></u>	<u><u>\$ 1,365,043</u></u>	<u><u>\$ 2,267,011</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 17,039	\$ 16,603	\$ 33,642
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	26,215	-	26,215
(Increase) decrease in assets			
Prepaid items	25	(524)	(499)
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	(3,084)	(322)	(3,406)
Deferred other postemployment benefit resources	(1,581)	(437)	(2,018)
Increase (decrease) in liabilities			
Accounts payable	66,602	11,256	77,858
Accrued wages payable	1,651	177	1,828
Net pension liability	(9,432)	(1,031)	(10,463)
Other postemployment benefits liability	(614)	103	(511)
(Increase) decrease in deferred inflows of resources			
Deferred pension resources	(11,662)	(1,261)	(12,923)
Deferred other postemployment benefit resources	(669)	(114)	(783)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 84,490</u></u>	<u><u>\$ 24,450</u></u>	<u><u>\$ 108,940</u></u>

COMPONENT UNITS

Housing and Redevelopment Authority – This component unit was established to account for the financial activities of the HRA.

Municipal Hospital – This component unit was established to account for the financial activities of the Municipal Hospital.

City of Northfield, Minnesota
Discretely Presented Component Unit - Housing Redevelopment Authority
Combining Balance Sheet - Governmental Funds
December 31, 2025

Assets	
Cash and temporary investments	\$ 433,915
Receivables	
Interest	1,555
Delinquent taxes	3,634
Intergovernmental	1,725
Prepaid items	2,442
Land held for resale	<u>1,233,576</u>
Total Assets	<u>\$ 1,676,847</u>
Liabilities	
Accounts payable	\$ 14,346
Deposits payable	700
Accrued wages payable	<u>6,442</u>
Total Liabilities	<u>21,488</u>
Deferred Inflows of Resources	
Unavailable revenue	
Taxes	<u>3,634</u>
Fund Balances	
Nonspendable	
Land held for resale	1,233,576
Prepaid items	2,442
Restricted	
Affordable housing	106,941
Unassigned	<u>308,766</u>
Total Fund Balances	<u>1,651,725</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,676,847</u>
Total Fund Balances - Governmental Funds	\$ 1,651,725
Amounts reported for governmental activities in the statement of net position are different because	
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	232,128
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Net pension liability	(52,529)
Other postemployment benefit liability	(30,232)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	3,634
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of resources	15,432
Deferred inflows of resources	(34,923)
Governmental funds do not report long-term amounts related to other postemployment benefits.	
Deferred inflows of other postemployment benefit resources	(5,980)
Deferred outflows of other postemployment benefit resources	<u>6,024</u>
Total Net Position - Governmental Activities	<u>\$ 1,785,279</u>

City of Northfield, Minnesota
Discretely Presented Component Unit - Housing Redevelopment Authority
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended December 31, 2025

Revenues	
Taxes	\$ 402,108
Intergovernmental - State	31,885
Charges for services	9,600
Investment earnings	14,286
Payment from primary government	17,129
Miscellaneous	224,141
Total Revenues	<u>699,149</u>
Expenditures	
Current	
Housing and economic development	
Personal services	218,742
Supplies	381
Other services and charges	326,761
Payment to primary government	67,000
Total Expenditures	<u>612,884</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	86,265
Fund Balances, January 1	<u>1,565,460</u>
Fund Balances, December 31	<u><u>\$ 1,651,725</u></u>
Amounts reported for governmental activities in the statement of activities are different because	
Net change in fund balances - governmental funds	\$ 86,265
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.	
Depreciation expense	(13,144)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(5,779)
Direct aid contributions	(194)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Property taxes	1,309
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Other postemployment benefit costs	<u>(985)</u>
Change in Net Position - Governmental Activities	<u><u>\$ 67,472</u></u>

City of Northfield, Minnesota
Discretely Presented Component Unit - Municipal Hospital
Statement of Net Position
For the Year Ended December 31, 2025

Assets	
Current Assets	
Cash and cash equivalents	\$ 5,392,520
Current portion of noncurrent cash and cash equivalents	1,279,238
Patient receivables, less allowance for uncollectible accounts \$11,783,000	26,665,144
Accounts receivable - other	196,798
Inventories	2,210,488
Prepaid items	1,683,350
Total Current Assets	<u>37,427,538</u>
Noncurrent Cash and Investments	
Internally Designated for Health Benefits	1,279,238
Internally Designated for Capital Improvements	37,122,305
Restricted by Bond Agreement	17,824
Less current portion of noncurrent cash and investments	(1,279,238)
Total Noncurrent Cash and Investments	<u>37,140,129</u>
Other Assets	<u>335,412</u>
Capital Assets, Net	<u>27,497,890</u>
Total Assets	<u>102,400,969</u>
Deferred Outflows of Resources	
Deferred pension resources	<u>4,850,943</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 107,251,912</u></u>
Liabilities	
Current Liabilities	
Current maturities of long-term debt	\$ 951,713
Accounts payable, trade	3,912,766
Accrued payroll and benefits	9,496,134
Accrued interest payable	56,749
Unearned revenue	27,483
Third party payor settlements payable	387,000
Total Current Liabilities	<u>14,831,845</u>
Noncurrent Liabilities	
Long-term debt, less current maturities	15,189,508
Net pension liability	<u>21,151,031</u>
Total Noncurrent Liabilities	<u>36,340,539</u>
Total Liabilities	<u>51,172,384</u>
Deferred Inflows of Resources	
Deferred pension resources	<u>15,304,394</u>
Net Position	
Net investment in capital assets	11,356,669
Restricted by bond agreement	17,824
Unrestricted	<u>29,400,641</u>
Total Net Position	<u>40,775,134</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 107,251,912</u></u>

City of Northfield, Minnesota
Discretely Presented Component Unit - Municipal Hospital
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2025

Operating Revenues	
Net patient and resident service revenue	\$ 136,055,239
Other revenues	<u>1,585,879</u>
Total Operating Revenues	<u>137,641,118</u>
Operating Expenses	
Salaries and wages	66,188,312
Employee benefits	10,020,116
Supplies and drugs	24,097,534
Purchased services	19,179,525
Utilities	1,324,539
Other	6,449,798
Depreciation and amortization	5,480,766
Interest	730,805
Taxes and surcharges	<u>2,951,356</u>
Total Operating Expenses	<u>136,422,751</u>
Operating Income (Loss)	<u>1,218,367</u>
Nonoperating Revenues (Expenses)	
Investment income	2,862,844
Noncapital Grants and Contributions	219,329
Gain (loss) on the sale/disposal of capital assets	263,244
Miscellaneous	<u>(75,000)</u>
Total Nonoperating Revenues (Expenses)	<u>3,270,417</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	4,488,784
Capital Grants and Contributions	<u>102,797</u>
Change in Net Position	4,591,581
Net Position, January 1	<u>36,183,553</u>
Net Position, December 31	<u><u>\$ 40,775,134</u></u>

City of Northfield, Minnesota
Discretely Presented Component Unit - Municipal Hospital
Statement of Cash Flows
For the Year Ended December 31, 2025

Cash Flows from Operating Activities	
Cash received from patients and third party payors	\$ 134,081,156
Cash paid to employees	(75,872,329)
Cash paid to suppliers	(59,576,129)
Other receipts and payments, net	1,617,033
Net Cash Provided (Used) by Operating Activities	<u>249,731</u>
Cash Flows from Noncapital Financing Activities	
Noncapital grants and contributions	219,329
Miscellaneous expenses	(75,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>144,329</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from sale of capital assets	322,946
Purchase of capital assets	(1,776,428)
Proceeds from issuance of long-term debt	3,805,000
Principal payments on long-term debt	(4,803,880)
Capital grants and contributions	102,797
Interest payments on long-term debt	(695,521)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,045,086)</u>
Cash Flows from Investing Activities	
(Increase) decrease in noncurrent cash and investments	4,906,497
Investment income	2,862,844
Net Cash Provided (Used) by Investing Activities	<u>7,769,341</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,118,315
Cash and Cash Equivalents, January 1	<u>274,205</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 5,392,520</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ 1,218,367
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	5,480,766
Interest	730,805
Provision for bad debt expense	3,768,821
(Increase) decrease in assets	
Patient receivables	(5,821,033)
Inventories, prepaids and other receivables	462,356
(Increase) decrease in deferred outflows of resources	
Deferred pension resources	627,427
Increase (decrease) in liabilities	
Accounts payable	(794,614)
Third-party payor settlements payable	78,129
Accrued expenses	336,099
Net pension liability	(3,651,975)
(Increase) decrease in deferred inflows of resources	
Deferred pension resources	<u>(2,185,417)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 249,731</u></u>
Schedule of Noncash Investing Capital and Financing Activities	
Capital assets acquired by lease obligation	<u><u>\$ 331,721</u></u>

STATISTICAL SECTION (UNAUDITED)

CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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STATISTICAL SECTION (UNAUDITED)

This part of the City of Northfield's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

City of Northfield, Minnesota
Net Position by Component
2016 - 2025
(Accrual Basis of Accounting)

	Fiscal Year				
	2025	Restated 2024	Restated 2023	2022	2021
Governmental Activities					
Net investment in capital assets	\$ 52,517,292	\$ 48,120,220	\$ 42,801,132	\$ 41,300,947	\$ 39,434,081
Restricted	12,070,591	11,195,612	7,869,991	6,982,652	7,419,113
Unrestricted	14,321,840	10,735,626	7,834,552	5,144,473	9,296,850
Total Governmental Activities Net Position	<u>78,909,723</u>	<u>70,051,458</u>	<u>58,505,675</u>	<u>53,428,072</u>	<u>56,150,044</u>
Business-type Activities					
Net investment in capital assets	38,692,175	31,902,536	33,767,743	32,677,989	32,891,088
Unrestricted	20,719,563	20,173,035	19,107,812	16,508,267	14,727,714
Total Business-type Activities Net Position	<u>59,411,738</u>	<u>52,075,571</u>	<u>52,875,555</u>	<u>49,186,256</u>	<u>47,618,802</u>
Primary Government					
Net investment in capital assets	91,209,467	80,022,756	76,568,875	73,978,936	72,325,169
Restricted	12,070,591	11,195,612	7,869,991	6,982,652	7,419,113
Unrestricted	35,041,403	30,908,661	26,942,364	21,652,740	24,024,564
Total Primary Government Net Position	<u>\$ 138,321,461</u>	<u>\$ 122,127,029</u>	<u>\$ 111,381,230</u>	<u>\$ 102,614,328</u>	<u>\$ 103,768,846</u>

Table 1

Fiscal Year				
2020	2019	2018	2017	2016
\$ 40,073,838	\$ 37,588,910	\$ 36,036,469	\$ 35,086,458	\$ 35,941,654
5,752,199	4,982,397	5,454,996	5,615,513	4,603,145
6,459,697	6,306,493	7,225,012	8,200,388	5,780,200
52,285,734	48,877,800	48,716,477	48,902,359	46,324,999
32,017,801	28,248,889	25,470,459	24,721,543	23,301,761
13,399,287	14,356,086	13,947,708	12,362,466	11,431,459
45,417,088	42,604,975	39,418,167	37,084,009	34,733,220
72,091,639	65,837,799	61,506,928	59,808,001	59,243,415
5,752,199	4,982,397	5,454,996	5,615,513	4,603,145
19,858,984	20,662,579	21,172,720	20,562,854	17,211,659
\$ 97,702,822	\$ 91,482,775	\$ 88,134,644	\$ 85,986,368	\$ 81,058,219

City of Northfield, Minnesota
Changes in Net Position (Continued on the Following Pages)
2016 - 2025
(Accrual Basis of Accounting)

	Fiscal Year			
	2025	Restated 2024	Restated 2023	2022
Expenses				
Governmental activities				
General government	\$ 4,423,803	\$ 4,951,881	\$ 4,140,291	\$ 4,569,897
Public safety	7,362,726	7,752,181	7,346,035	7,336,398
Public works/streets	6,825,000	6,659,029	6,441,116	6,287,000
Culture and recreation	5,450,039	5,173,993	4,755,072	4,434,800
Housing and economic development	1,107,745	732,379	715,510	594,722
Transit	30,864	108,463	54,838	54,837
Miscellaneous	366,663	215,642	262,645	240,115
Interest on long-term debt	1,916,181	1,116,224	632,685	672,008
Total governmental activities expenses	<u>27,483,021</u>	<u>26,709,792</u>	<u>24,348,192</u>	<u>24,189,777</u>
Business-type activities				
Water	2,192,341	2,455,327	2,234,724	2,184,043
Wastewater	4,581,157	4,548,062	3,860,711	3,807,882
Garbage	1,049,120	1,065,066	984,523	929,018
Storm water drainage	1,022,476	814,983	933,397	920,017
Municipal Liquor Store	2,657,974	2,734,247	2,750,941	2,703,643
Total Business-type Activities Expenses	<u>11,503,068</u>	<u>11,617,685</u>	<u>10,764,296</u>	<u>10,544,603</u>
Total Primary Government Expenses	<u>\$ 38,986,089</u>	<u>\$ 38,327,477</u>	<u>\$ 35,112,488</u>	<u>\$ 34,734,380</u>
Program Revenues				
Governmental Activities				
Charges for services				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Other public works	155,747	568,275	109,611	171,151
Parks and recreation	628,949	573,933	594,825	391,475
Other activities	2,756,790	2,621,463	2,551,580	2,508,362
Operating grants and contributions	2,343,738	1,407,437	2,109,834	1,702,417
Capital grants and contributions	7,429,772	2,867,355	3,194,188	215,549
Total Governmental Activities Program Revenues	<u>13,314,996</u>	<u>8,038,463</u>	<u>8,560,038</u>	<u>4,988,954</u>
Business-type Activities				
Charges for services				
Water	4,071,264	2,883,280	2,621,302	2,130,582
Wastewater	5,501,550	5,093,835	5,106,902	5,307,855
Municipal Liquor Store	2,768,247	2,848,907	2,863,583	2,797,955
Other activities	2,799,137	2,502,786	2,320,822	2,107,186
Capital grants and contributions	-	-	-	-
Operating grants and contributions	-	-	157,209	29,341
Total Business-type Activities Program Revenues	<u>15,140,198</u>	<u>13,328,808</u>	<u>13,069,818</u>	<u>12,372,919</u>
Total Primary Government Program Revenues	<u>\$ 28,455,194</u>	<u>\$ 21,367,271</u>	<u>\$ 21,629,856</u>	<u>\$ 17,361,873</u>

Table 2

Fiscal Year					
2021	2020	2019	2018	2017	2016
\$ 3,654,574	\$ 4,491,926	\$ 2,930,109	\$ 2,778,597	\$ 2,583,745	\$ 2,542,003
4,454,656	5,110,574	5,884,599	4,336,925	3,850,606	5,195,075
5,154,868	4,928,177	5,272,769	5,017,361	5,183,024	4,642,307
3,773,614	3,646,866	3,691,317	3,307,807	3,050,928	2,934,423
399,931	375,633	126,751	226,477	188,361	282,094
25,938	25,938	25,938	25,938	25,938	53,658
142,725	89,529	190,537	121,480	132,307	112,509
681,847	695,457	736,814	669,303	521,233	582,762
18,288,153	19,364,100	18,858,834	16,483,888	15,536,142	16,344,831
1,923,931	1,726,354	1,631,940	1,539,698	1,655,023	1,544,092
3,429,783	3,783,972	4,175,037	4,710,701	3,244,493	3,120,760
950,778	835,774	840,429	954,165	742,024	715,898
678,361	727,063	743,286	581,240	458,757	404,546
2,692,996	2,553,893	2,799,519	2,764,049	2,939,174	2,935,516
9,675,849	9,627,056	10,190,211	10,549,853	9,039,471	8,720,812
\$ 27,964,002	\$ 28,991,156	\$ 29,049,045	\$ 27,033,741	\$ 24,575,613	\$ 25,065,643
\$ 797,166	\$ 633,539	\$ 572,386	\$ 627,896	\$ 859,249	\$ 679,474
100,291	202,482	133,824	145,827	110,099	199,106
459,705	287,100	366,083	432,403	441,206	466,522
1,279,903	1,210,107	1,304,158	1,044,846	991,258	990,659
1,412,390	2,866,949	1,641,596	919,115	872,076	1,085,300
812,001	3,308,340	1,936,637	1,548,732	1,617,174	2,790,632
4,861,456	8,508,517	5,954,684	4,718,819	4,891,062	6,211,693
2,120,107	2,214,235	2,010,971	2,049,922	2,103,303	2,069,419
4,969,964	4,886,287	4,641,574	4,538,992	4,378,493	4,276,262
2,871,877	2,806,155	2,914,301	2,907,451	3,064,270	3,148,215
2,039,351	1,974,963	1,905,471	1,826,453	1,780,512	1,747,036
-	334,321	-	1,649,099	-	527,156
64,286	-	221,425	15,405	18,079	7,500
12,065,585	12,215,961	11,693,742	12,987,322	11,344,657	11,775,588
\$ 16,927,041	\$ 20,724,478	\$ 17,648,426	\$ 17,706,141	\$ 16,235,719	\$ 17,987,281

City of Northfield, Minnesota
Changes in Net Position (Continued)
2016 - 2025
(accrual basis of accounting)

	Fiscal Year			
	2025	2024	2023	2022
Program Revenues - Continued				
Net (expense)/revenue				
Governmental activities	\$ (14,168,025)	\$ (18,671,329)	\$ (15,788,154)	\$ (19,200,823)
Business-type activities	3,637,130	1,711,123	2,305,522	1,828,316
Total Primary Government Net Expense	<u>\$ (10,530,895)</u>	<u>\$ (16,960,206)</u>	<u>\$ (13,482,632)</u>	<u>\$ (17,372,507)</u>
General Revenues and Other				
Changes in Net Position				
Governmental activities				
Taxes				
Property taxes	\$ 18,541,203	\$ 15,646,775	\$ 14,411,913	\$ 12,027,538
Franchise taxes	1,474,830	1,407,683	1,375,359	1,337,548
Hotel/motel taxes	202,421	200,779	206,269	181,046
Unrestricted grants and contributions	4,208,796	3,984,260	3,406,604	3,450,210
Investment earnings	1,191,205	968,018	1,314,039	(526,828)
Miscellaneous	140,489	1,130,406	73,812	79,794
Contributions of capital assets	-	-	-	(125,164)
Transfers	(2,732,654)	3,742,067	77,761	54,707
Total Governmental Activities	<u>23,026,290</u>	<u>27,079,988</u>	<u>20,865,757</u>	<u>16,478,851</u>
Business-type Activities				
Investment earnings (loss)	966,383	1,216,486	1,348,450	(331,319)
Gain on sale of capital assets	-	14,474	41,629	-
Transfers of capital assets	-	-	-	125,164
Transfers	2,732,654	(3,742,067)	(6,302)	(54,707)
Extraordinary item - impairment gain on fire and flood damage net of insurance recovery	-	-	-	-
Total Business-type Activities	<u>3,699,037</u>	<u>(2,511,107)</u>	<u>1,383,777</u>	<u>(260,862)</u>
Total Primary Government	<u>\$ 26,725,327</u>	<u>\$ 24,568,881</u>	<u>\$ 22,249,534</u>	<u>\$ 16,217,989</u>
Changes in Net Position				
Governmental activities	\$ 8,858,265	\$ 8,408,659	\$ 5,077,603	\$ (2,721,972)
Business-type activities	7,336,167	(799,984)	3,689,299	1,567,454
Total Primary Government	<u>\$ 16,194,432</u>	<u>\$ 7,608,675</u>	<u>\$ 8,766,902</u>	<u>\$ (1,154,518)</u>

Table 2 (Continued)

		Fiscal Year			
2021	2020	2019	2018	2017	2016
\$ (13,426,697)	\$ (10,855,583)	\$ (12,904,150)	\$ (11,765,069)	\$ (10,645,080)	\$ (10,133,138)
2,389,736	2,588,905	1,503,531	2,437,469	2,305,186	3,054,776
<u>\$ (11,036,961)</u>	<u>\$ (8,266,678)</u>	<u>\$ (11,400,619)</u>	<u>\$ (9,327,600)</u>	<u>\$ (8,339,894)</u>	<u>\$ (7,078,362)</u>
\$ 10,729,467	\$ 10,314,775	\$ 9,343,724	\$ 8,861,136	\$ 8,211,742	\$ 8,080,765
1,097,698	191,478	197,626	201,452	200,007	206,945
147,947	94,748	179,686	125,994	116,745	116,895
5,536,476	3,254,785	3,079,906	3,344,284	3,649,679	3,539,565
(274,855)	251,495	378,618	258,412	78,011	100,699
57,582	103,704	76,432	136,840	77,029	58,147
(56,917)	-	-	(111,265)	-	-
53,609	1,549,994	153,192	45,000	35,000	125,000
<u>17,291,007</u>	<u>15,760,979</u>	<u>13,409,184</u>	<u>12,861,853</u>	<u>12,368,213</u>	<u>12,228,016</u>
(191,330)	257,669	391,992	203,058	80,603	104,139
-	18,071	-	16,666	-	-
56,917	-	-	111,265	-	(527,156)
(53,609)	(1,549,994)	(153,192)	(45,000)	(35,000)	(125,000)
-	-	1,444,477	-	-	-
<u>(188,022)</u>	<u>(1,274,254)</u>	<u>1,683,277</u>	<u>285,989</u>	<u>45,603</u>	<u>(548,017)</u>
<u>\$ 17,102,985</u>	<u>\$ 14,486,725</u>	<u>\$ 15,092,461</u>	<u>\$ 13,147,842</u>	<u>\$ 12,413,816</u>	<u>\$ 11,679,999</u>
\$ 3,864,310	\$ 4,905,396	\$ 505,034	\$ 1,096,784	\$ 1,723,133	\$ 2,094,878
2,201,714	1,314,651	3,186,808	2,723,458	2,350,789	2,506,759
<u>\$ 6,066,024</u>	<u>\$ 6,220,047</u>	<u>\$ 3,691,842</u>	<u>\$ 3,820,242</u>	<u>\$ 4,073,922</u>	<u>\$ 4,601,637</u>

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City of Northfield, Minnesota
Governmental Activities Tax Revenues by Source
2016 - 2025
(Accrual Basis of Accounting)

Table 3

Fiscal Year	General Property Taxes	Tax Increment Taxes	Hotel- Motel Tax	Franchise Tax	Total
2025	\$ 17,523,231	\$ 1,017,972	\$ 202,421	\$ 1,474,830	\$ 20,218,454
2024	14,634,161	1,012,614	200,779	1,407,683	17,255,237
2023	13,544,649	867,264	206,269	1,375,359	15,993,541
2022	11,359,699	667,839	181,046	1,337,548	13,546,132
2021	10,184,843	544,624	147,947	1,097,698	11,975,112
2020	9,836,441	478,334	94,748	191,478	10,601,001
2019	8,961,746	381,978	179,686	197,626	9,721,036
2018	8,519,918	341,218	125,994	201,452	9,188,582
2017	7,878,710	333,032	116,745	200,007	8,528,494
2016	7,758,176	322,589	116,895	206,945	8,404,605

City of Northfield, Minnesota
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2025	2024	2023	2022
General Fund				
Nonspendable	\$ 162,284	\$ 155,456	\$ 144,289	\$ 236,076
Restricted	22,288	22,038	31,037	32,315
Committed	-	-	-	335,694
Assigned	-	-	-	-
Unassigned	11,805,925	11,085,502	10,623,411	9,213,672
Total General Fund	<u>\$ 11,990,497</u>	<u>\$ 11,262,996</u>	<u>\$ 10,798,737</u>	<u>\$ 9,817,757</u>
All Other Governmental Funds				
Nonspendable	\$ 4,511	\$ 3,916	\$ 2,463	\$ 3,368
Restricted	26,338,244	8,600,993	9,744,485	8,045,898
Committed	2,343,757	2,039,992	1,960,665	1,166,281
Assigned	4,213,757	3,431,467	2,782,592	1,141,052
Unassigned	(3,101,816)	(5,572,367)	(5,163,570)	(3,820,800)
Total All Other Governmental Funds	<u>\$ 29,798,453</u>	<u>\$ 8,504,001</u>	<u>\$ 9,326,635</u>	<u>\$ 6,535,799</u>

Table 4

				Fiscal Year	
2021	2020	2019	2018	2017	2016
\$ 122,799	\$ 115,374	\$ 106,932	\$ 93,737	\$ 103,591	\$ 115,936
37,129	13,815	13,520	9,137	6,733	6,491
785,044	74,000	71,742	71,742	71,742	71,742
-	-	-	-	-	-
8,859,509	8,830,986	7,924,356	7,796,388	7,466,114	7,121,262
<u>\$ 9,804,481</u>	<u>\$ 9,034,175</u>	<u>\$ 8,116,550</u>	<u>\$ 7,971,004</u>	<u>\$ 7,648,180</u>	<u>\$ 7,315,431</u>
\$ 2,669	\$ 2,363	\$ 1,679	\$ 609	\$ 2,316	\$ 2,881
9,387,932	6,407,991	5,028,837	6,811,822	6,055,095	6,266,885
1,205,558	1,209,220	1,164,691	1,079,664	1,165,600	888,424
1,001,729	1,841,754	1,603,298	1,468,808	1,508,874	1,745,125
(1,784,220)	(2,264,400)	(1,812,606)	(503,057)	(272,495)	(228,172)
<u>\$ 9,813,668</u>	<u>\$ 7,196,928</u>	<u>\$ 5,985,899</u>	<u>\$ 8,857,846</u>	<u>\$ 8,459,390</u>	<u>\$ 8,675,143</u>

City of Northfield, Minnesota
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2025	2024	2023	2022
Revenues				
Taxes	\$ 20,127,777	\$ 17,241,528	\$ 15,924,034	\$ 13,504,532
Licenses, fees and permits	713,658	711,146	921,559	850,749
Fines and forfeits	112,155	114,144	105,160	99,912
Charges for services	2,491,436	2,698,862	2,107,318	2,152,142
Special assessments	608,448	548,056	430,236	447,465
Intergovernmental	9,913,285	8,011,601	5,906,660	5,734,775
Investment earnings	1,191,205	968,018	1,314,039	(526,828)
Miscellaneous	3,552,938	497,680	587,071	629,334
Total Revenues	38,710,902	30,791,035	27,296,077	22,892,081
Expenditures				
Current:				
General government	4,486,976	4,584,820	4,127,343	4,114,981
Public safety	7,746,733	7,215,429	6,645,997	5,940,834
Public works	3,822,623	3,678,661	3,617,206	3,321,806
Culture and recreation	4,669,111	4,274,034	3,760,893	3,597,825
Transit	-	-	-	-
Housing and economic development	1,000,899	591,338	549,469	537,742
Nondepartmental	366,663	215,642	262,645	240,115
Capital Outlay:				
General government	141,400	-	35,011	471,392
Public safety	281,595	980,830	80,155	396,377
Public works	6,935,615	14,939,123	8,165,250	6,126,884
Culture and recreation	13,886,772	2,357,331	217,556	30,095
Transit	647,980	2,106,834	125,980	12,557
Housing and economic development	7,647	36,041	61,041	2,156,980
Debt Service:				
Principal	2,951,591	2,878,688	2,848,979	2,660,681
Interest and other	1,277,059	975,316	705,708	654,367
Issuance fees	377,423	52,464	47,138	78,688
Total Expenditures	48,600,087	44,886,551	31,250,371	30,341,324
Revenues over (under) expenditures	(9,889,185)	(14,095,516)	(3,954,294)	(7,449,243)
Other Financing Sources (Uses):				
Bonds issued	25,815,000	8,015,000	7,350,000	4,020,000
Bond premium/(discount)	1,400,180	771,663	478,892	87,840
Transfers in	1,066,817	7,581,378	1,608,197	1,387,803
Transfers out	(1,001,657)	(3,694,142)	(1,710,979)	(1,333,096)
Payment to refunded bond escrow agent	-	-	-	-
Sale of capital assets	110,397	1,063,242	-	22,103
Total Other Financing Sources (Uses)	27,390,737	13,737,141	7,726,110	4,184,650
Net Change in Fund Balances	\$ 17,501,552	\$ (358,375)	\$ 3,771,816	\$ (3,264,593)
Debt service as a percentage of noncapital expenditures	15.8%	15.5%	15.7%	15.4%

Table 5

Fiscal Year					
2021	2020	2019	2018	2017	2016
\$ 11,952,739	\$ 10,538,215	\$ 9,699,385	\$ 9,146,642	\$ 8,501,718	\$ 8,405,183
797,166	633,539	572,386	627,896	859,249	679,474
71,543	61,562	88,415	111,751	98,171	82,032
1,782,808	1,681,087	1,672,511	1,521,326	1,454,847	1,561,121
436,211	1,393,145	672,538	593,867	580,762	668,700
6,080,037	8,526,994	4,494,474	5,485,051	4,544,279	6,458,670
(274,855)	251,495	378,618	258,412	78,011	100,699
531,760	478,249	821,265	502,536	499,889	549,765
21,377,409	23,564,286	18,399,592	18,247,481	16,616,926	18,505,644
3,531,019	4,397,954	2,925,655	2,745,528	2,433,481	2,408,862
5,138,674	4,944,085	4,972,264	4,372,987	4,291,893	4,070,750
2,758,210	2,684,042	2,681,829	2,566,496	2,489,659	2,381,026
3,023,449	2,747,671	2,802,266	2,509,446	2,400,275	2,281,839
-	-	-	-	-	-
399,931	375,633	126,751	226,944	185,895	282,094
142,725	89,529	190,537	121,480	131,058	112,509
438,857	-	42,625	112,841	88,705	22,006
156,451	278,938	753,082	3,572,030	193,330	765,063
3,818,325	9,088,261	4,953,492	4,024,319	1,655,893	4,257,931
207,980	120,282	155,829	408,464	767,291	2,853,881
-	-	-	-	-	27,720
43,205	172,856	271,726	-	21,506	-
2,110,172	2,131,280	1,906,622	2,314,653	2,744,125	2,043,881
745,952	672,680	770,521	532,805	562,336	572,068
-	-	-	97,032	4,725	28,594
22,514,950	27,703,211	22,553,199	23,605,025	17,970,172	22,108,224
(1,137,541)	(4,138,925)	(4,153,607)	(5,357,544)	(1,353,246)	(3,602,580)
4,255,000	4,360,000	6,335,000	5,905,000	1,405,000	1,425,000
198,446	316,937	266,698	66,784	12,778	45,554
265,407	1,759,625	1,200,378	484,780	880,683	1,499,964
(236,798)	(209,631)	(1,047,186)	(439,780)	(845,683)	(1,374,964)
-	-	(5,020,000)	-	-	-
42,532	40,648	36,027	62,040	17,464	25,337
4,524,587	6,267,579	1,770,917	6,078,824	1,470,242	1,620,891
\$ 3,387,046	\$ 2,128,654	\$ (2,382,690)	\$ 721,280	\$ 116,996	\$ (1,981,689)
16.0%	15.5%	17.9%	21.3%	17.6%	21.3%

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City of Northfield, Minnesota
Tax Capacity and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Table 6

Fiscal Year Ended December 31,	Residential Property	Commercial Property	Other	Total Tax Capacity	Total Direct Tax Rate	Taxable Market Value	Tax Capacity Value as a Percentage of TMV
2025	\$ 19,580,971	\$ 5,800,442	\$ 169,499	\$ 25,550,912	68.680 %	\$ 2,328,302,300	1.10 %
2024	18,917,308	5,237,151	164,139	24,318,598	62.230	2,183,386,600	1.11
2023	17,189,376	4,828,275	156,805	22,174,456	62.643	2,002,958,800	1.11
2022	14,739,879	4,496,967	149,837	19,386,683	59.867	1,759,012,900	1.10
2021	13,631,599	4,405,435	241,595	18,278,629	56.661	1,658,005,700	1.10
2020	12,778,158	4,150,117	225,069	17,153,344	58.161	1,566,037,200	1.10
2019	11,921,696	3,960,955	221,365	16,104,016	53.220	1,474,689,900	1.09
2018	11,104,755	3,751,027	228,755	15,084,537	57.160	1,387,176,300	1.09
2017	10,533,222	3,580,397	210,583	14,324,202	55.670	1,322,187,500	1.08
2016	9,673,963	3,485,445	200,569	13,359,977	57.550	1,230,567,100	1.09

Source: Rice and Dakota County Auditor/Treasurer's Offices.

City of Northfield, Minnesota
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Northfield			Overlapping Rates County		
	Operating	Debt Service	Total City	Operating	Debt Service	Total County
2025	53.65 %	15.03 %	68.68 %	33.00 %	4.30 %	37.30 %
2024	49.70	12.53	62.23	32.69	2.44	35.13
2023	51.51	11.13	62.64	31.74	4.96	36.70
2022	48.53	11.33	59.86	35.40	3.94	39.34
2021	45.90	10.76	56.66	35.69	4.17	39.86
2020	47.26	10.90	58.16	35.17	4.37	39.54
2019	45.74	10.48	56.22	35.29	4.23	39.52
2018	46.04	11.12	57.16	35.70	4.56	40.26
2017	43.93	11.74	55.67	35.15	4.80	39.95
2016	45.97	11.67	57.64	35.80	5.08	40.88

Source: Rice County Auditor/Treasurer

*Overlapping rates are those of local and county governments that apply to property owners within the City. While a small portion of the City lies within Dakota County, only the Rice County tax rate is shown in this table as it is the predominant county.

Table 7

Overlapping Rates		Other Districts							
School Districts				Total Direct Rates		Total Overlapping Rates		Total Direct and Overlapping Rates	
Total School		Special Districts							
32.74	%	3.47	%	68.68	%	73.51	%	142.19	%
20.38		3.36		62.23		58.87		121.10	
23.82		3.26		62.64		63.78		126.42	
27.02		3.49		59.86		69.85		129.71	
29.96		3.37		56.66		73.19		129.85	
30.47		3.39		58.16		73.40		131.56	
31.22		3.45		56.22		74.19		130.41	
33.15		3.40		57.16		76.81		133.97	
30.94		3.42		55.67		74.31		129.98	
32.90		3.66		57.64		77.44		135.08	

City of Northfield, Minnesota
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 8

Taxpayer	2025			2016		
	Taxable Tax Capacity	Rank	Percentage of Total City Capacity Value	Taxable Capacity Value	Rank	Percentage of Total City Capacity Value
Malt-O-Meal / Post	\$607,162	1	2.38 %	\$746,476	1	5.59 %
Hidden Valley Apartments	386,443	2	1.51	154,626	10	1.16
McLane Minnesota, Inc	291,648	3	1.14	373,336	3	2.79
Cardinal CG Company	272,532	4	1.07	182,616	7	1.37
St Olaf College	271,477	5	1.06			
Xcel Energy	250,584	6	0.98	539,416	2	4.04
Strobel & Werner Real Estate	240,938	7	0.94			
Timberfield Properties of Northfield, LLC	198,461	8	0.78			
5th Street Lofts LLC	147,101	9	0.58			
Union Pacific Railroad Co.	134,774	10	0.53			
Dayton Hudson Corp				228,682	4	1.71
Community Resource bank				203,946	5	1.53
Hayzin LLC				201,390	6	1.51
Allina Health Systems				177,384	8	1.33
Carleton College				155,876	9	1.17
	<u>\$ 2,801,120</u>		<u>10.96 %</u>	<u>\$ 2,963,748</u>		<u>22.18 %</u>

Source: City of Northfield Financial Records

City of Northfield, Minnesota
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 9

Fiscal Year Ended December 31,	Taxes Levied For The Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2025	\$ 16,931,822	\$ 16,818,257	99.30 %	\$ -	\$ 16,818,257	99.30 %
2024	14,577,827	14,514,748	99.60	44,388	14,559,136	99.90
2023	13,403,796	13,316,769	99.40	79,133	13,395,902	99.90
2022	11,244,996	11,208,422	99.70	34,782	11,243,204	100.00
2021	10,067,146	10,035,663	99.70	30,382	10,066,045	100.00
2020	9,709,177	9,655,352	99.40	53,047	9,708,399	100.00
2019	8,849,117	8,807,734	99.50	40,758	8,848,492	100.00
2018	8,437,869	8,341,974	98.90	95,410	8,437,384	100.00
2017	7,797,481	7,727,970	99.10	69,044	7,797,014	100.00
2016	7,655,738	7,608,047	99.40	47,251	7,655,298	100.00

Sources: Rice County, Minnesota Auditor-Treasurer's Office and Dakota County, Minnesota Auditor-Treasurer's Office.

City of Northfield, Minnesota
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities							
	General Obligation Bonds	Improvement Bonds	Tax Increment Bonds	General Obligation Revenue Bonds	Certificates of Participation	Financed Purchase Arrangement	Notes Payable	Total Governmental Activities
2025	\$ 33,729,522	\$ 5,620,954	\$ -	\$ 22,803,610	\$ -	\$ 92,067	\$ 303,575	\$ 62,549,728
2024	30,894,202	6,937,970	60,000	-	-	103,575	460,166	38,455,913
2023	23,245,554	8,322,697	146,500	236,711	-	115,083	627,354	32,693,899
2022	16,360,705	9,620,985	213,500	463,423	-	379,404	776,520	27,814,537
2021	12,962,436	10,989,273	275,500	685,134	-	635,950	905,164	26,453,457
2020	10,498,070	10,616,444	337,500	896,845	-	883,262	932,448	24,164,569
2019	9,336,704	8,657,985	399,500	1,108,557	-	961,057	1,038,813	21,502,616
2018	5,099,232	7,783,696	461,000	1,315,268	5,020,000	1,152,418	1,149,587	21,981,201
2017	861,313	7,534,079	527,500	1,516,979	5,295,000	1,361,046	1,256,212	18,352,129
2016	1,161,208	7,731,644	584,000	1,713,691	5,565,000	1,561,305	1,380,677	19,697,525

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* Information not available at the time of the audit

Table 10

Percentage of Tax Capacity	Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Sewer/Storm and Water Bonds	Lease Payable	Total Business-Type Activities			
245 %	\$ 19,911,550	\$ -	\$ 19,911,550	\$ 82,461,278	- %	3,865
158	20,531,901	-	20,531,901	58,987,814	6.69	2,806
147	19,368,551	-	19,368,551	52,062,450	7.27	2,488
143	1,479,569	27,883	1,507,452	29,321,989	12.36	1,427
145	1,768,393	55,167	1,823,560	28,277,017	12.26	1,360
141	3,204,565	81,424	3,285,989	27,450,558	11.69	1,339
134	3,975,633	106,691	4,082,324	25,584,940	11.80	1,253
146	5,673,965	131,006	5,804,971	27,786,172	10.56	1,362
128	7,628,978	154,405	7,783,383	26,135,512	10.55	1,281
147	9,434,988	176,922	9,611,910	29,309,435	8.99	1,442

City of Northfield, Minnesota
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 11

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2025	\$ 33,729,522	\$ 5,175,704	\$ 28,553,818	1.23 %	\$ 1,338
2024	30,894,202	4,321,196	26,573,006	1.22	1,264
2023	23,245,554	2,675,921	20,569,633	1.03	983
2022	16,360,705	1,962,965	14,397,740	0.82	701
2021	12,962,436	2,169,774	10,792,662	0.65	519
2020	10,498,070	1,909,368	8,588,702	0.55	419
2019	9,336,704	821,425	8,515,279	0.58	417
2018	5,099,232	105,043	4,994,189	0.36	245
2017	861,313	116,197	745,116	0.06	37
2016	1,161,208	454,243	706,965	0.06	35

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Northfield, Minnesota
Computation of Direct and Overlapping Debt
December 31, 2025

Table 12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
School District			
ISD No. 659	\$ 78,955,000	54.92 %	\$ 43,362,086
Rice County	56,035,000	19.60	<u>10,982,860</u>
Subtotal - Overlapping Debt			54,344,946
City Direct Debt			<u>62,549,728</u>
Total Direct and Overlapping Debt			<u><u>\$ 116,894,674</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment. Debt outstanding data provided by the County.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Northfield. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

City of Northfield, Minnesota
Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Debt Limit	\$ 69,849,069	\$ 65,501,598	\$ 60,088,764	\$ 52,770,387	\$ 49,740,171
Total Net Debt Applicable to Limit	<u>49,260,000</u>	<u>25,445,000</u>	<u>14,625,000</u>	<u>15,752,924</u>	<u>12,790,187</u>
Legal Debt Margin	<u>\$ 20,589,069</u>	<u>\$ 40,056,598</u>	<u>\$ 45,463,764</u>	<u>\$ 37,017,463</u>	<u>\$ 36,949,984</u>
Total net debt applicable to the limit as a percentage of debt limit	70.52%	38.85%	24.34%	29.85%	25.71%

Note: Minnesota Statute Section 475.53, subdivision 1 Limit on Net Debt except as otherwise provided in sections 475.51 to 475.74, no municipality except a school district or a city of the first class shall incur or be subject to a net debt in excess of 3 percent of the market value of taxable property therein.

Table 13

2020	2019	2018	2017	2016
\$ 46,981,116	\$ 44,240,697	\$ 41,615,289	\$ 39,665,625	\$ 36,917,013
10,629,468	9,664,323	9,825,000	6,125,000	12,176,500
<u>\$ 36,351,648</u>	<u>\$ 34,576,374</u>	<u>\$ 31,790,289</u>	<u>\$ 33,540,625</u>	<u>\$ 24,740,513</u>
22.62%	21.84%	23.61%	15.44%	32.98%

Legal Debt Margin Calculation for Fiscal Year 2025

Total Estimated Market Value	<u>\$ 2,328,302,300</u>
Debt Limit (3% of Total Assessed Value)	<u>69,849,069</u>
Debt Applicable to Limit:	
General Obligation Bonds	<u>49,260,000</u>
Legal Debt Margin	<u>\$ 20,589,069</u>

City of Northfield, Minnesota
Pledged-Revenue Coverage
Last Ten Fiscal Years

Year	Utility Revenue Bonds						Special Assessment Collections
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2025	\$ 14,612,073	\$ 7,306,354	\$ 7,305,719	\$ 540,000	\$ 866,896	5.19	\$ 548,391
2024	12,639,409	7,244,173	5,395,236	235,000	116,222	15.36	548,056
2023	12,306,404	5,703,781	6,602,623	225,000	117,103	19.30	429,167
2022	10,111,358	5,410,258	4,701,100	307,285	16,602	14.51	314,699
2021	9,793,015	4,479,599	5,313,416	1,456,171	60,317	3.50	431,342
2020	10,059,369	4,821,526	5,237,843	1,474,488	82,853	3.36	1,044,160
2019	9,890,968	5,250,437	4,640,531	1,679,488	102,543	2.60	366,219
2018	8,447,387	5,515,177	2,932,210	1,939,062	150,864	1.40	432,991
2017	8,217,766	4,066,046	4,151,720	1,794,062	200,148	2.08	575,626
2016	8,132,625	3,787,027	4,345,598	2,408,636	212,826	1.66	579,120

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

Table 14

Improvement Bonds			Tax Increment Collections			
Debt Service		Coverage		Debt Service		Coverage
Principal	Interest			Principal	Interest	
\$ 1,265,000	\$ 129,543	0.39	\$ 562,210	\$ 216,591	\$ 21,521	2.36
1,330,000	133,412	0.37	564,628	253,688	52,598	1.84
1,250,000	194,225	0.30	867,024	216,216	52,564	3.23
1,320,000	229,871	0.20	671,489	196,404	54,744	2.67
1,210,085	235,939	0.30	543,172	186,606	54,907	2.25
1,385,512	173,064	0.67	472,334	181,460	54,536	2.00
1,090,512	175,847	0.29	373,911	172,274	61,432	1.60
1,240,938	137,382	0.31	339,982	567,625	55,927	0.55
1,145,938	164,316	0.44	334,418	640,965	86,963	0.46
896,364	164,586	0.55	334,785	187,499	96,734	1.18

City of Northfield, Minnesota
Demographic and Economic Statistics
Last Ten Fiscal Years

Table 15

Fiscal Year	Population	Households	Personal Income	Per Capita Personal Income	Unemployment Rate
2025	21,334	6,901	*	*	3.60 %
2024	21,020	6,886	\$ 3,945,502	\$ 57,160	2.40
2023	20,924	6,817	3,784,858	55,702	2.10
2022	20,547	6,723	3,624,851	53,548	2.60
2021	20,790	6,723	3,466,996	51,545	2.70
2020	20,494	6,564	3,209,215	47,839	4.20
2019	20,426	6,522	3,019,915	45,092	3.20
2018	20,398	6,492	2,933,428	44,096	2.20
2017	20,405	6,461	2,756,600	41,787	3.50
2016	20,320	6,361	2,635,830	40,167	3.30

*Information not available

Sources: Population and households from the Minnesota Demographer's Office; personal income and per capita income is for the Faribault-Northfield Metropolitan SA from the Bureau Economic Analysis. U.S. Department of Commerce; unemployment rate is from the Minnesota Department of Employment and Economic Development.

City of Northfield, Minnesota
Principal Employers
Current Year and Nine Years Ago

Table 16

Employer	2025			2016		
	Employees	Rank	Percentage of Total City Employment (a)	Employees	Rank	Percentage of Total City Employment
Post Consumer Products	878	1	2.41 %	650	2	1.26 %
Carleton College	860	2	2.36	650	3	1.26
St Olaf College	860	3	2.36	860	1	1.67
ISD 659	576	4	1.58	600	4	1.17
McLane Minnesota Inc.	550	5	1.51	480	6	0.93
Lutheran Home - The Cannon Valley	500	6	1.37			0.00
Northfield Hospital	481	7	1.32	481	5	0.94
Multek Flexible Circuits	450	8	1.23	450	7	0.88
Taylor Truck Line, Inc.	360	9	0.99	360	8	0.70
Three Links Care Center	250	10	0.69	250	9	0.49
Cub Foods			0.00	160	10	0.31
Total	<u>5,765</u>		<u>15.80 %</u>	<u>4,941</u>		<u>9.61 %</u>

Source: Minnesota Department of Employment and Economic Development

Note a: Total employment is for Rice County.

City of Northfield, Minnesota
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees (a) as of December 31			
	2025	2024	2023	2022
General Government				
Management services	5.1	4.2	4.1	4.0
Finance	5.0	4.0	4.0	4.0
Human resources	3.0	3.0	5.2	5.0
Community development	3.0	2.0	3.0	3.0
Planning	2.0	2.0	2.0	2.0
Building inspections	3.8	3.8	3.1	3.0
Information technology	3.0	3.0	3.0	3.0
Police				
Officers	26.0	24.0	23.0	24.0
Civilians	5.7	7.0	8.0	8.0
Fire				
Firefighters and officers (b)				
Public Works				
Engineering	5.0	6.0	6.0	5.0
Streets and park maintenance	12.0	14.0	13.5	13.0
Economic Development	0.0	1.0	1.0	1.0
Housing	1.0	2.0	1.0	1.0
Buildings and Recreation Facilities	4.0	4.0	4.0	4.0
Library	20.9	19.9	14.8	14.6
Motor Vehicle	3.9	4.0	3.3	3.2
Water	7.0	8.0	7.6	7.0
Wastewater	6.0	6.0	5.8	6.0
Refuse	1.0	1.0	1.0	0.5
Storm Water	1.0	1.0	1.0	1.0
Liquor Operations	7.1	6.1	6.2	6.5
Total	125.5	126.0	120.6	118.8

Source: City Budget Office

(a) Excludes seasonal employees

Table 17

Full-time Equivalent Employees (a) as of December 31					
2021	2020	2019	2018	2017	2016
5.3	4.1	3.0	3.0	3.0	3.0
3.9	4.0	4.0	4.0	4.0	4.0
4.2	3.7	3.6	2.6	2.6	2.6
2.2	1.1	1.1	0.7	0.7	1.1
1.1	1.9	1.9	1.4	1.4	1.6
2.8	3.6	3.6	4.2	4.2	2.6
3.0	3.0	3.0	3.2	3.2	3.2
23.0	23.0	23.0	22.0	22.0	22.0
7.0	7.2	5.0	6.0	6.0	5.0
		-	-	-	-
5.2	5.0	4.6	4.8	4.8	4.3
12.7	13.2	13.3	10.5	10.5	8.6
1.0	1.2	1.2	1.2	1.2	1.7
1.0	1.1	1.1	1.1	1.1	0.5
4.0	4.0	3.4	3.1	3.1	3.4
13.9	13.6	13.1	11.8	11.8	11.5
3.0	3.0	3.2	3.2	3.2	2.6
7.2	6.1	5.4	6.8	6.8	4.9
5.6	7.1	8.8	6.9	6.9	7.5
0.5	1.0	1.0	1.0	1.0	0.0
1.0	1.4	1.4	0.4	0.4	1.4
6.4	6.4	7.0	7.0	7.0	7.0
114.0	114.7	111.8	104.9	104.9	98.5

City of Northfield, Minnesota
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2025	2024	2023	2022
Police				
Traffic violations	1,108	1,155	1,829	1,250
Group A Crimes	543	633	622	606
Group B Crimes	269	263	263	331
Building Inspection				
Permits issued	848	1,037	1,360	3,020
Total value	\$ 99,389,877	\$ 67,567,197	\$ 62,558,926	\$ 72,611,379
Single-family home permits issued	21	10	16	16
Single-family home value	8,316,332	4,122,010	6,371,610	6,499,955
Library				
Population served	27,826	27,337	27,181	26,332
Circulation	320,055	316,785	298,811	285,060
Hours open	4,167	4,176	3,155	3,163
Cardholders	16,633	15,536	14,409	13,672
Visits	200,790	186,348	154,764	140,471
Water				
Connections	5,956	5,845	6,180	6,092
Total water pumped (millions of gallons)	675.0	685.0	738.8	725.6
Average daily consumption (millions of gallons)	1.9	1.9	2.0	1.9
Peak daily consumption (millions of gallons)	3.0	2.8	3.7	3.8
Wastewater				
Treatment capacity (millions of gallons)	5.2	5.2	5.2	5.2
Average daily volume treated (millions of gallons)	2.0	2.3	2.0	1.9

Sources: Various city departments.

Note: Indicators are not available for the general government public works and recreation functions.

Table 18

Fiscal Year					
2021	2020	2019	2018	2017	2016
708	904	714	904	601	569
596	416	166	221	229	234
296	489	384	376	328	415
2,011	1,244	1,102	948	673	690
\$ 103,058,714	\$ 64,811,938	\$ 43,985,221	\$ 51,849,365	\$ 102,549,565	\$ 68,569,787
33	13	39	35	30	30
11,623,852	4,780,509	6,983,944	9,324,358	7,627,499	5,988,500
27,510	27,273	27,110	27,002	26,930	26,851
298,396	258,217	340,018	330,734	320,190	285,737
3,225	2,588	3,143	3,170	3,204	2,976
15,133	15,490	18,149	19,185	17,869	17,153
116,044	96,841	175,610	183,086	177,980	143,093
6,041	5,996	5,968	5,896	5,869	5,823
739.1	666.5	673.5	685.9	733	724.6
2.0	1.9	1.9	1.8	2.0	2.0
3.8	3.4	3.1	3.6	3.3	3.3
5.2	5.2	5.2	5.2	5.2	5.2
2.0	2.5	2.5	2.2	2.4	2.2

City of Northfield, Minnesota
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2025	2024	2023	2022
Police				
Stations	1	1	1	1
Fire Stations	1	1	1	1
Public Works				
Miles of street, local, county and state highways	107.40	106.93	106.93	106.10
Parks and Recreation				
Number of parks	46	46	46	46
Acreage	564	442	442	442
Playgrounds	21	21	21	21
Baseball/softball diamonds	10	10	10	10
Soccer/football fields	10	9	9	9
Community centers	-	1	1	1
Indoor ice arena	1	1	1	1
Outdoor pool	1	1	1	1
Water				
Storage capacity (thousands of gallons)	3,000	3,000	3,000	3,000
Wastewater				
Treatment capacity (millions of gallons)	5.2	5.2	5.2	5.2

Sources: Various City departments

Note: (a) No capital asset indicators are available for the general government of library function.

Table 19

Fiscal Year					
2021	2020	2019	2018	2017	2016
1	1	1	1	1	1
1	1	1	1	1	1
106.10	105.90	105.80	105.70	104.08	104.08
45	45	45	45	45	45
441	441	441	441	441	441
21	21	21	21	20	20
10	10	10	10	12	12
9	9	9	9	10	10
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
3,000	3,000	3,000	3,000	3,000	3,000
5.2	5.2	3.5	3.5	3.5	3.5

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OTHER REQUIRED REPORTS

CITY OF NORTHFIELD
NORTHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Northfield, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Northfield, Minnesota (the City) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 26, 2026. Our report includes a reference to other auditors who audited the financial statements of the Northfield Municipal Hospital as described in our report on the City financial statements. This report does not include the results of the other auditors' testing of compliance that are reported on separately by those auditors.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



Abdo
Mankato, Minnesota
May 26, 2026

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

Honorable Mayor and City Council
City of Northfield, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Northfield, Minnesota (the City), as of and for the year ended December 31, 2025, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 26, 2026. We did not audit the financial statements of the Northfield Municipal Hospital discretely presented component unit. Those financial statements were audited by other auditors, whose report dated April 24, 2026, expressed an unmodified opinion on those statements.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2025-002 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2025-001 to be a significant deficiency.

Report on Compliance and Other Matters

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

The City's Responses to Findings

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

Purpose of this Report

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



Abdo
Mankato, Minnesota
May 26, 2026



City of Northfield, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2025

<u>Finding</u>	<u>Description</u>
2025-001	Preparation of Financial Statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement of the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.
<i>Cause:</i>	From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situation listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting software financial information to the amount reported in the financial statements.
<i>Management Response:</i>	
	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

City of Northfield, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2025

<u>Finding</u>	<u>Description</u>
2025-002	Material Audit Adjustments
<i>Condition:</i>	During the audit, it was identified that Municipal State Aid (MSA) in a prior year was not recorded in the correct accounting period due to the advance draw of the MSA funds. As a result, MSA revenue was materially misstated in the current year financial statements, requiring a material audit adjustment to properly recognize the revenue in the prior period. There were also capital costs that needed to be recorded in the appropriate funds which resulted in material audit adjustments between project funds.
<i>Criteria:</i>	Government-Wide Financial Statements should recognize MSA revenue when it is earned and allotted to the City in accordance with generally accepted accounting principles (GAAP). Fund Financial Statements should recognize MSA revenue when it is both earned, allotted, and available, with amounts not meeting availability requirements reported as unavailable revenue. Also the capital costs needed to be allocated between appropriate funding sources which resulted in material audit adjustments.
<i>Cause:</i>	The misstatement occurred due to improper treatment of unavailable MSA revenue balances in the prior year. Unavailable revenue was incorrectly offset or carried forward rather than being appropriately recognized in the period in which the revenue was earned and allocated, resulting in revenue being recorded in an incorrect fiscal year. The project costs are tracked on an annual basis and have various funding sources that are reconciled at the end of the project which resulted in some transfers and costs being classified in the wrong funds.
<i>Effect:</i>	Because MSA revenue was not recorded in the proper period, Government-Wide and Fund Financial Statement revenues were materially misstated prior to adjustment. A material audit adjustment was required to correct the timing of revenue recognition and to fairly present the City's financial position and results of operations along with project funding for various capital project funds.
<i>Recommendation:</i>	We recommend the City enhance its year-end review procedures over MSA revenue and project funding sources for capital project funds.
<i>Management Response:</i>	
	The City will enhance its year-end review procedures over MSA revenue using the SAAS report from Minnesota Department of transportation and project cost tracking worksheet that will track the various funding sources.

FORM OF LEGAL OPINION

(See following pages)

\$3,350,000
City of Northfield, Minnesota
General Obligation Street Reconstruction Bonds
Series 2026B

We have acted as bond counsel to the City of Northfield, Rice and Dakota Counties, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its General Obligation Street Reconstruction Bonds, Series 2026B (the “Bonds”), originally dated the date hereof, and issued in the original aggregate principal amount of \$3,350,000. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable against the Issuer in accordance with their terms.

2. The principal of and interest on the Bonds are payable from ad valorem taxes levied by the Issuer, but if necessary for the payment thereof additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds is excludable, to the same extent, from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes and is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. The opinion set forth in the preceding sentences is 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 the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations and such interest is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

We have not been asked and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and accordingly we

express no opinion with respect thereto.

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.

Dated _____, 2026 at Minneapolis, Minnesota.

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

\$3,350,000
City of Northfield, Minnesota
General Obligation Street Reconstruction Bonds
Series 2026B

CONTINUING DISCLOSURE CERTIFICATE

_____, 2026

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Northfield, Minnesota (the “Issuer”) in connection with the issuance of its General Obligation Street Reconstruction Bonds, Series 2026B (the “Bonds”) in the original aggregate principal amount of \$3,350,000. The Bonds are being issued pursuant to resolutions adopted by the City Council of the Issuer (the “Resolutions”). The Bonds are being delivered to _____, _____, _____ (the “Purchaser”) on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

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

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

“Audited Financial Statements” means annual financial statements of the Issuer, prepared in accordance with GAAP as prescribed by GASB.

“Bonds” means the General Obligation Street Reconstruction Bonds, Series 2026B, issued by the Issuer in the original aggregate principal amount of \$3,350,000.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

“Final Official Statement” means the deemed final Official Statement, dated _____, 2026, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the Issuer.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

“Holder” means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

“Issuer” means the City of Northfield, Minnesota, which is the obligated person with respect to the Bonds.

“Material Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

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

“Purchaser” means _____, _____, _____.

“Repository” means EMMA, or any successor thereto designated by the SEC.

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

“SEC” means Securities and Exchange Commission, and any successor thereto.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The Issuer shall provide to the Repository not later than 12 months after the end of the Fiscal Year commencing with the year that ends December 31, 2026, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice of that fact to the Repository and the MSRB.

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. Current Property Valuations
2. Direct Debt
3. Tax Levies and Collections
4. U.S. Census Data/Population Trend
5. Employment/Unemployment Data

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events ("Material 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 security, or other material events affecting the tax status of the security;
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 securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;

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.

(b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 8. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the Issuer to the Repository of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

CITY OF NORTHFIELD, MINNESOTA

Mayor

City Clerk

TERMS OF PROPOSAL

**\$3,350,000* GENERAL OBLIGATION STREET RECONSTRUCTION BONDS, SERIES 2026B
CITY OF NORTHFIELD, MINNESOTA**

Proposals for the purchase of \$3,350,000* General Obligation Street Reconstruction Bonds, Series 2026B (the "Bonds") of the City of Northfield, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M., Central Time, on July 21, 2026, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 6:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Section 475.58, subd. 3b, and Minnesota Statutes, Chapter 475, as amended, by the City, to finance various street reconstruction projects as described in the City's Five-Year Street Reconstruction and Overlay Plan, dated January 6, 2026. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated August 13, 2026, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2028	\$130,000	2033	\$210,000	2038	\$245,000
2029	185,000	2034	215,000	2039	255,000
2030	190,000	2035	225,000	2040	265,000
2031	195,000	2036	230,000	2041	275,000
2032	205,000	2037	240,000	2042	285,000

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

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

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

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

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

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

DELIVERY

On or about August 13, 2026, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL MATTERS

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

Bond Counsel has not assumed responsibility for this Official Statement or participated in its preparation (except with respect to the section entitled "TAX MATTERS" in this Official Statement and the Form of Legal Opinion found in APPENDIX B) and has not performed any investigation as to its accuracy, completeness, or sufficiency. Bond Counsel has not examined or verified, 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.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$3,309,800 plus accrued interest on the principal sum of \$3,350,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

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

A good faith deposit ("Deposit") in the amount of \$67,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds shall not be "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986.

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

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

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

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

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

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

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

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

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

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

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

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

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

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

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

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

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

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the City Council

City of Northfield, Minnesota

PROPOSAL FORM

The City Council
City of Northfield, Minnesota (the "City")

July 21, 2026

RE: \$3,350,000* General Obligation Street Reconstruction Bonds, Series 2026B (the "Bonds")
DATED: August 13, 2026

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$3,309,800) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

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

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

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

A good faith deposit ("Deposit") in the amount of \$67,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about August 13, 2026.

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

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

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

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

If the competitive sale requirements are not met, we elect to use either the: ____ 10% test, or the ____ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from August 13, 2026 of the above proposal is \$ _____ and the true interest cost (TIC) is _____.%

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Northfield, Minnesota, on July 21, 2026.

By: _____ By: _____
Title: _____ Title: _____