

## PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 10, 2025

*In the opinion of Kutak Rock LLP, Bond Counsel, 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 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, estates or trusts for purposes of 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.*

*The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.*

**New Issue**

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

### CITY OF NOWTHEN, MINNESOTA (Anoka County)

### \$1,405,000\* GENERAL OBLIGATION BONDS, SERIES 2025A

**PROPOSAL OPENING:** November 18, 2025, 10:30 A.M., C.T.

**CONSIDERATION:** November 18, 2025, 6:00 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The \$1,405,000\* General Obligation Bonds, Series 2025A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, and Minnesota Statutes, Section 412.301, as amended, by the City of Nowthen, Minnesota (the "City"), for purposes of financing certain assessable public improvements, and the acquisition of capital equipment. 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:** December 10, 2025

**MATURITY:** February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$120,000	2031	\$140,000	2035	\$155,000
2028	125,000	2032	140,000	2036	165,000
2029	130,000	2033	150,000		
2030	130,000	2034	150,000		

**\*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, 2026 and semiannually thereafter.

**OPTIONAL REDEMPTION:** Bonds maturing on February 1, 2035 and thereafter are subject to call for prior optional redemption on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

**MINIMUM PROPOSAL:** \$1,386,735.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of \$28,100 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.

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## **CITY OF NOWTHEN CITY COUNCIL**

		<u>Term Expires</u>
Shane Hybben	Mayor	January 2027
Dan Breyen	Council Member	January 2027
Ken Glaser	Council Member	January 2029
Mary Rainville	Council Member	January 2029
Dan Swenson	Council Member	January 2027

## **ADMINISTRATION**

Natalie Johnson, City Clerk  
Lexi Stadel, Deputy Clerk

## **PROFESSIONAL SERVICES**

RTY Consulting, Financial Consultant to the City, Champlin, Minnesota

Couri & Ruppe, City Attorney, St. Michael, 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 Nowthen, Minnesota (the "City") and the issuance of its \$1,405,000\* General Obligation Bonds, Series 2025A (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 November 18, 2025.

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](http://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 December 10, 2025. 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, 2026, 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 2027 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, 2035 shall be subject to optional redemption prior to maturity on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

## AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, and Minnesota Statutes, Section 412.301, as amended, by the City, for the purposes of financing: (i) certain assessable public improvements (the "Improvement Portion"); and (ii) the acquisition of capital equipment including a commercial four-door rear mount pumper and a Tool Cat or other similar equipment (the "Equipment Portion").

## ESTIMATED SOURCES AND USES\*

Sources	Improvement Portion	Equipment Portion	Total Bond Issue
Par Amount of Bonds	\$805,000	\$600,000	\$1,405,000
Prepaid Assessments	<u>44,800</u>	<u>-</u>	<u>44,800</u>
<b>Total Sources</b>	<b>\$849,800</b>	<b>\$600,000</b>	<b>\$1,449,800</b>
Uses			
Total Underwriter's Discount (1.300%)	\$10,465	\$7,800	\$18,265
Costs of Issuance	37,242	27,758	65,000
Deposit to Project Fund	800,000	562,800	1,362,800
Rounding Amount	<u>2,093</u>	<u>1,642</u>	<u>3,735</u>
<b>Total Uses</b>	<b>\$849,800</b>	<b>\$600,000</b>	<b>\$1,449,800</b>

**Breakdown of Principal Payments\*:**

<b>Payment Date</b>	<b>Improvement Portion</b>	<b>Equipment Portion</b>	<b>Total Bond Issue</b>
2/01/2027	\$70,000	\$50,000	\$120,000
2/01/2028	70,000	55,000	125,000
2/01/2029	75,000	55,000	130,000
2/01/2030	75,000	55,000	130,000
2/01/2031	80,000	60,000	140,000
2/01/2032	80,000	60,000	140,000
2/01/2033	85,000	65,000	150,000
2/01/2034	85,000	65,000	150,000
2/01/2035	90,000	65,000	155,000
2/01/2036	<u>95,000</u>	<u>70,000</u>	<u>165,000</u>
<b>Total</b>	<b>\$805,000</b>	<b>\$600,000</b>	<b>\$1,405,000</b>

\*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 Improvement Portion of the Bonds will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Improvement Portion of the Bonds and from ad valorem property taxes. Receipt of special assessments and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Improvement Portion of the Bonds as required by Minnesota law.

The City anticipates that the debt service on the Equipment Portion of the Bonds will be paid from ad valorem property taxes. Ad valorem taxes will be levied in an amount sufficient to provide not less than 105% of principal and interest on the Equipment Portion of the Bonds as required by Minnesota law.

Should the special assessments and/or 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.

**RATING**

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

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

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

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

## **CONTINUING DISCLOSURE**

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

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

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

Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements and operating data would be filed "as soon as available." Although the City did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Except to the extent that the preceding is deemed to be material, the City believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

## **LEGAL OPINION**

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 participated in the preparation of this Preliminary Official Statement and is not passing upon 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 Preliminary 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 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, as shown on the inside 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, as shown on the inside 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.

***Bank Qualified.*** The City has represented that it does not reasonably anticipate issuing greater than \$10,000,000 of tax-exempt obligations in calendar year 2025 (excluding certain private activity and refunding bonds) and that it has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. Accordingly, assuming the accuracy of such representations, in the case of certain banks, thrift institutions or other financial institutions owning the Bonds, a deduction is allowed for 80 percent of that portion of such institutions' interest expense allocable to interest on such bonds. Bond Counsel has expressed no opinion with respect to any deduction for federal tax law purposes of interest on indebtedness incurred or continued by an owner of the Bonds or a related person to purchase or carry such bonds.

## **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 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.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

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

## **MUNICIPAL ADVISOR**

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

## **MUNICIPAL ADVISOR AFFILIATED COMPANIES**

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

## INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2024, have been audited by BerganKDV, Ltd., Minneapolis, 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 should other revenue (special assessments) be insufficient. 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 and Associates.

**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	2022/23	2023/24	2024/25
Residential homestead <sup>1</sup>	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 <sup>1</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,890,000 - 0.50% <sup>2</sup> Over \$1,890,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,150,000 - 0.50% <sup>2</sup> Over \$2,150,000 - 1.00% <sup>2</sup>	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$3,500,000 - 0.50% <sup>2</sup> Over \$3,500,000 - 1.00% <sup>2</sup>
Agricultural non-homestead	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>	Land - 1.00% <sup>2</sup>
Seasonal recreational residential	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>	First \$500,000 - 1.00% <sup>3</sup> Over \$500,000 - 1.25% <sup>3</sup>
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 <sup>4</sup> - 1.25% Affordable Rental: First \$174,000 - .75% Over \$174,000 - .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 <sup>4</sup> - 1.25% Affordable Rental: First \$100,000 - .75% Over \$100,000 - .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 <sup>4</sup> - 1.25% Affordable Rental - .25%
Industrial/Commercial/Utility <sup>5</sup>	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%

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

<sup>2</sup> Applies to land and buildings. Exempt from referendum market value tax.

<sup>3</sup> Exempt from referendum market value tax.

<sup>4</sup> 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.

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

## CURRENT PROPERTY VALUATIONS

<b>2024/25 Economic Market Value</b>	<b><u>\$1,012,516,970<sup>1</sup></u></b>
<b>2024/25 Assessor's Estimated Market Value</b>	
Real Estate	\$902,992,700
Personal Property	<u>16,607,400</u>
Total Valuation	<u><u>\$919,600,100</u></u>
<b>2024/25 Net Tax Capacity</b>	
Real Estate	\$8,978,911
Personal Property	<u>331,552</u>
Net Tax Capacity	\$9,310,463
Less: Fiscal Disparities Contribution <sup>2</sup>	<u>(369,916)</u>
Taxable Net Tax Capacity	\$8,940,547
Plus: Fiscal Disparities Distribution <sup>2</sup>	<u>668,924</u>
Adjusted Taxable Net Tax Capacity	<u><u>\$9,609,471</u></u>

## 2024/25 NET TAX CAPACITY BY CLASSIFICATION

	<b>2024/25 Net Tax Capacity</b>	<b>Percent of Total Net Tax Capacity</b>
Residential homestead	\$6,510,032	69.92%
Agricultural	1,033,318	11.10%
Commercial/industrial	867,467	9.32%
Public utility	18,254	0.20%
Non-homestead residential	544,914	5.85%
Commercial & residential seasonal/rec.	4,926	0.05%
Personal property	<u>331,552</u>	<u>3.56%</u>
Total	<u><u>\$9,310,463</u></u>	<u><u>100.00%</u></u>

<sup>1</sup> According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City was about 91.04% of the actual selling prices of property sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$1,012,516,970.

<sup>2</sup> Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

## TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity <sup>1</sup>	Adjusted Taxable Net Tax Capacity <sup>2</sup>	Percent Increase/Decrease in Estimated Market Value
2020/21	\$643,031,000	\$604,193,334	\$6,240,848	\$6,691,831	3.23%
2021/22	719,150,700	682,450,688	7,154,589	7,649,944	11.84%
2022/23	837,787,800	807,448,157	8,535,840	8,822,281	16.50%
2023/24	894,628,100	858,889,318	9,099,270	9,307,125	6.78%
2024/25	919,600,100	872,721,856	9,310,463	9,609,471	2.79%

## LARGEST TAXPAYERS

Taxpayer	Type of Property	2024/25 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Minnegasco, Inc.	Utilities	\$359,920	3.87%
A&B Rentals, LLC	Industrial	121,073	1.30%
MMT Holdings, LLP	Agricultural	84,652	0.91%
Name Brand Self Storage, LLC	Commercial	81,210	0.87%
Minnesota Pipeline Company	Utilities	73,429	0.79%
Perkins Real Estate, LLC	Commercial	44,970	0.48%
Rademacher Family Partnership, LLLP	Agricultural	44,331	0.48%
B&W Holdings, LLC	Industrial	41,587	0.45%
Nowthen Storage, LLC	Industrial	41,008	0.44%
Windsor Holdings, Inc.	Industrial	40,733	0.44%
Total		\$932,913	10.02%

City's Total 2024/25 Net Tax Capacity \$9,310,463

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

<sup>1</sup> Net Tax Capacity is before fiscal disparities adjustments.

<sup>2</sup> Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments.



## DEBT

### DIRECT DEBT<sup>1</sup>

#### General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes (includes the Improvement Portion of the Bonds)*	\$2,775,000
Total G.O. debt secured by taxes (includes the Equipment Portion of the Bonds)*	1,175,000
Total General Obligation Debt*	<u>\$3,950,000</u>

\*Preliminary, subject to change.

### DEBT PAYMENT HISTORY

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

### FUTURE FINANCING

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

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<sup>1</sup> Outstanding debt is as of the dated date of the Bonds.

**DEBT LIMIT**

The statutory limit on net debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" means the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of certain obligations enumerated under Minnesota Statutes, Section 475.51, subd.4, including the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property (includes the Improvement Portion of the Bonds); (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.

2024/25 Assessor's Estimated Market Value	\$919,600,100
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$27,588,003
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Equipment Portion of the Bonds)*	<u>(1,175,000)</u>
Unused Debt Limit*	<u><u>\$26,413,003</u></u>

\*Preliminary, subject to change.

**City of Nowthen, Minnesota**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Secured by Special Assessments and Taxes**  
**(As of 12/10/2025)**

	Improvement Bonds Series 2019A		Improvement Bonds 1) Series 2021A		Improvement Bonds 2) Series 2025A							
<b>Dated Amount</b>	07/16/2019 \$1,175,000		10/07/2021 \$1,850,000		12/10/2025 \$805,000*							
<b>Maturity</b>	02/01		02/01		02/01							
<b>Calendar Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Estimated Interest</b>	<b>Total Principal</b>	<b>Total Interest</b>	<b>Total P &amp; I</b>	<b>Principal Outstanding</b>	<b>% Paid</b>	<b>Calendar Year Ending</b>
<b>2026</b>	125,000	17,475	185,000	19,470	0	17,299	310,000	54,244	364,244	2,465,000	11.17%	<b>2026</b>
<b>2027</b>	125,000	13,725	190,000	15,720	70,000	25,963	385,000	55,408	440,408	2,080,000	25.05%	<b>2027</b>
<b>2028</b>	130,000	9,900	200,000	11,820	70,000	23,968	400,000	45,688	445,688	1,680,000	39.46%	<b>2028</b>
<b>2029</b>	130,000	6,000	200,000	7,820	75,000	21,883	405,000	35,703	440,703	1,275,000	54.05%	<b>2029</b>
<b>2030</b>	135,000	2,025	200,000	4,820	75,000	19,670	410,000	26,515	436,515	865,000	68.83%	<b>2030</b>
<b>2031</b>			205,000	2,744	80,000	17,285	285,000	20,029	305,029	580,000	79.10%	<b>2031</b>
<b>2032</b>			145,000	834	80,000	14,685	225,000	15,519	240,519	355,000	87.21%	<b>2032</b>
<b>2033</b>					85,000	11,858	85,000	11,858	96,858	270,000	90.27%	<b>2033</b>
<b>2034</b>					85,000	8,819	85,000	8,819	93,819	185,000	93.33%	<b>2034</b>
<b>2035</b>					90,000	5,558	90,000	5,558	95,558	95,000	96.58%	<b>2035</b>
<b>2036</b>					95,000	1,924	95,000	1,924	96,924	0	100.00%	<b>2036</b>
	645,000	49,125	1,325,000	63,228	805,000	168,909	2,775,000	281,262	3,056,262			

\* Preliminary, subject to change.

- 1) This represents the \$1,850,000 Improvement portion of the \$2,680,000 General Obligation Bonds, Series 2021A.
- 2) This represents the \$805,000 Improvement Portion of the \$1,405,000 General Obligation Bonds, Series 2025A.

**City of Nowthen, Minnesota**  
**Schedule of Bonded Indebtedness**  
**General Obligation Debt Secured by Taxes**  
**(As of 12/10/2025)**

Equipment Certificates 1) Series 2021A			Equipment Certificates 2) Series 2025A							Calendar Year Ending
Dated Amount	10/07/2021 \$830,000		12/10/2025 \$600,000*							
Maturity	02/01		02/01							
Calendar Year Ending	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	
2026	90,000	8,650	0	12,891	90,000	21,541	111,541	1,085,000	7.66%	2026
2027	95,000	6,800	50,000	19,378	145,000	26,178	171,178	940,000	20.00%	2027
2028	95,000	4,900	55,000	17,881	150,000	22,781	172,781	790,000	32.77%	2028
2029	95,000	3,000	55,000	16,300	150,000	19,300	169,300	640,000	45.53%	2029
2030	100,000	1,550	55,000	14,678	155,000	16,228	171,228	485,000	58.72%	2030
2031	100,000	525	60,000	12,908	160,000	13,433	173,433	325,000	72.34%	2031
2032			60,000	10,958	60,000	10,958	70,958	265,000	77.45%	2032
2033			65,000	8,815	65,000	8,815	73,815	200,000	82.98%	2033
2034			65,000	6,491	65,000	6,491	71,491	135,000	88.51%	2034
2035			65,000	4,070	65,000	4,070	69,070	70,000	94.04%	2035
2036			70,000	1,418	70,000	1,418	71,418	0	100.00%	2036
	575,000	25,425	600,000	125,786	1,175,000	151,211	1,326,211			

\* Preliminary, subject to change.

- 1) This represents the \$830,000 Equipment portion of the \$2,680,000 General Obligation Bonds, Series 2021A.
- 2) This represents the \$600,000 Equipment Portion of the \$1,405,000 General Obligation Bonds, Series 2025A.

## OVERLAPPING DEBT<sup>1</sup>

Taxing District	2024/25 Adjusted Taxable Net Tax Capacity	% In City	Total G.O. Debt <sup>2</sup>	City's Proportionate Share
Anoka County	\$618,737,895	1.5531%	\$43,245,000	\$671,638
I.S.D. No. 11 (Anoka-Hennepin Schools)	415,039,402	0.5363%	223,625,000 <sup>3</sup>	1,199,301
I.S.D. No. 15 (St. Francis Public Schools)	58,043,513	6.0387%	69,260,000 <sup>3</sup>	4,182,404
I.S.D. No. 728 (Elk River Area Schools)	153,426,630	2.5280%	280,715,000 <sup>3</sup>	7,096,475
Anoka County Regional Railroad Authority	618,737,895	0.1567%	2,925,000	4,583
Metropolitan Council	6,330,160,332	0.1518%	235,750,000 <sup>4</sup>	357,869
City's Share of Total Overlapping Debt				<u>\$13,512,270</u>

<sup>1</sup> 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.

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

<sup>3</sup> 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.

<sup>4</sup> The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation wastewater revenue, grant anticipation notes and certificates of participation outstanding all of which are supported entirely by revenues and have not been included in the overlapping debt or debt ratios sections.

# DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$1,012,516,970	Debt/ Per Capita 4,680 <sup>1</sup>
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	\$2,775,000		
Taxes*	1,175,000		
Tax Supported General Obligation Debt*	\$3,950,000	0.39%	\$844.02
City's Share of Total Overlapping Debt	\$13,512,270	1.33%	\$2,887.24
Total*	\$17,462,270	1.72%	\$3,731.25

\*Preliminary, subject to change.

# TAX LEVIES, COLLECTIONS AND RATES

## TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy <sup>2</sup>	Total Collected Following Year	Collected to Date	% Collected
2020/21	\$1,639,922	\$1,628,618	\$1,639,921	99.9999%
2021/22	1,707,840	1,694,759	1,706,600	99.9274%
2022/23	1,827,400	1,814,294	1,824,174	99.8235%
2023/24	1,922,927	1,902,874	1,914,793	99.5770%
2024/25	2,116,206	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.<sup>3</sup> 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.

<sup>1</sup> Estimated 2024 population.

<sup>2</sup> This reflects the Final Levy Certification of the City after all adjustments have been made.

<sup>3</sup> Second half tax payments on agricultural property are due on November 15th of each year.

## TAX CAPACITY RATES<sup>1</sup>

	2020/21	2021/22	2022/23	2023/24	2024/25
Anoka County	31.086%	29.254%	24.176%	25.629%	30.245%
City of Nowthen	24.680%	22.238%	20.728%	20.809%	22.261%
I.S.D. No. 11 (Anoka-Hennepin Schools)	16.152%	16.319%	13.671%	13.592%	13.598%
I.S.D. No. 15 (St. Francis Public Schools)	21.957%	18.833%	15.883%	16.193%	15.158%
I.S.D. No. 728 (Elk River Area Schools)	31.717%	30.889%	26.605%	23.924%	25.252%
Anoka County RRA	0.481%	0.351%	0.306%	N/A	N/A
Anoka County HRA	1.573%	1.505%	1.326%	1.574%	1.663%
Metro Council	0.645%	0.651%	0.555%	0.643%	0.560%
Metro Mosquito	0.387%	0.372%	0.320%	0.326%	0.328%

### *Referendum Market Value Rates:*

I.S.D. No. 11 (Anoka-Hennepin Schools)	0.23694%	0.22763%	0.21211%	0.20707%	0.19635%
I.S.D. No. 15 (St. Francis Public Schools)	0.08508%	0.07281%	0.07332%	0.08908%	0.07130%
I.S.D. No. 728 (Elk River Area Schools)	0.30598%	0.28698%	0.27424%	0.25758%	0.25349%

**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Anoka County.

## THE ISSUER

### CITY GOVERNMENT

The City was organized as a municipality in 2008. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Clerk/Treasurer and Deputy Clerk are responsible for administrative details and financial records.

### EMPLOYEES; PENSIONS; UNIONS

The City currently has 6 (six) full-time, 3 (three) part-time, and 1 (one) 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.

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<sup>1</sup> 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**

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

**POST EMPLOYMENT BENEFITS**

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

**LITIGATION**

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

**MUNICIPAL BANKRUPTCY**

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

As of the date hereof, Minnesota Statutes, Section 471.831, 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 September 30, 2025)

<b>Fund</b>	<b>Total Cash and Investments</b>
General	\$1,302,364
Special Revenue	51,465
Debt Service	217,816
Capital Projects	<u>698,726</u>
Total Funds on Hand	<u><u>\$2,270,371</u></u>



## 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 City's 2024 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2025 Adopted Budget <sup>1</sup>
<b>Revenues</b>					
Taxes	\$1,481,149	\$1,624,729	\$1,659,685	\$1,689,363	\$1,876,095
Fines and forfeitures	8,144	9,102	9,226	6,801	10,000
Licenses, permits and fees	148,619	133,209	129,332	174,068	135,350
Intergovernmental	468,764	364,134	262,372	153,190	152,720
Charges for services	229,908	123,324	115,829	99,146	114,000
Special assessments	0	1,080	3,649	6,971	0
Interest income	3,498	0	0	0	50,000
Miscellaneous	40,108	52,521	67,973	163,800	5,000
<b>Total Revenues</b>	<u>\$2,380,190</u>	<u>\$2,308,099</u>	<u>\$2,248,066</u>	<u>\$2,293,339</u>	<u>\$2,343,165</u>
<b>Expenditures</b>					
Current:					
General government	\$620,690	\$853,746	\$804,482	\$952,858	\$984,480
Public safety	642,334	694,019	789,982	862,910	929,415
Public works	338,588	382,138	448,930	392,992	477,020
Parks and recreation	37,871	44,054	48,541	74,237	66,665
Capital outlay	42,417	101,539	878	35,268	
<b>Total Expenditures</b>	<u>\$1,681,900</u>	<u>\$2,075,496</u>	<u>\$2,092,813</u>	<u>\$2,318,265</u>	<u>\$2,457,580</u>
<b>Excess of revenues over (under) expenditures</b>	\$698,290	\$232,603	\$155,253	(\$24,926)	(\$114,415)
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$0	\$0	\$1,066	\$50,000	\$50,000
Transfers (out)	(107,500)	(95,900)	(166,380)	(13,500)	(7,500)
<b>Total Other Financing Sources (Uses)</b>	<u>(\$107,500)</u>	<u>(\$95,900)</u>	<u>(\$165,314)</u>	<u>\$36,500</u>	<u>\$42,500</u>
<b>Net changes in Fund Balances</b>	\$590,790	\$136,703	(\$10,061)	\$11,574	(\$71,915)
General Fund Balance January 1	\$683,867	\$1,274,657	\$1,420,006	\$1,458,779	\$1,470,353
Prior Period Adjustment	<u>0</u>	<u>8,646</u>	<u>48,834</u>	<u>0</u>	<u>0</u>
General Fund Balance December 31	\$1,274,657	\$1,420,006	\$1,458,779	\$1,470,353	\$1,398,438
<b>DETAILS OF DECEMBER 31 FUND BALANCE</b>					
Nonspendable	\$0	\$34,390	\$38,921	\$40,226	
Restricted	0	8,646	198,190	0	
Unassigned	<u>\$1,274,657</u>	<u>\$1,376,970</u>	<u>\$1,221,668</u>	<u>\$1,430,127</u>	
<b>Total</b>	<u>\$1,274,657</u>	<u>\$1,420,006</u>	<u>\$1,458,779</u>	<u>\$1,470,353</u>	

<sup>1</sup> The 2025 budget was adopted as of December 10, 2024.

## GENERAL INFORMATION

### LOCATION

The City, with a 2020 U.S. Census population of 4,536 and a 2024 population estimate of 4,680, and comprising an area of 36 square miles, is located approximately 38 miles north of St. Paul, Minnesota.

### LARGER EMPLOYERS<sup>1</sup>

The City is primarily a residential community with a complement of small businesses, retail establishments and restaurants. Additional employment opportunities are available in the nearby City of Elk River (approximately 7 miles away).

<b>Firm</b>	<b>Type of Business/Product</b>	<b>Estimated No. of Employees</b>
I.S.D. No. 728 (Elk River Area Schools)	Elementary and secondary education	2,100 <sup>2</sup>
Sherburne County	County government and services	810
Cretex Company	Concrete product manufacturing	500
City of Elk River	Municipal government and services	290
Guardian Angels of Elk River	Nursing home	250
Crystal Distribution, Inc.	Roof curb-distributors	200
Sportech, Inc.	Snowmobile, motorcycle, ATV dealers	150
Wal-Mart	Retail	150
Menards	Home improvement retail	140
Coborn's	Grocery store	130

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

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<sup>1</sup> 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.

<sup>2</sup> This includes all employees of the District.

**BUILDING PERMITS** (as of October 7, 2025)<sup>1</sup>

	2021	2022	2023	2024	2025
<u>All Building Permits</u> (including additions and remodelings)					
No. of building permits	N/A	N/A	N/A	409	238
Valuation	N/A	N/A	N/A	\$13,777,824	\$8,338,887

**Source:** The City.

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

2010 U.S. Census population	4,443
2020 U.S. Census population	4,536
Percent of Change 2010 - 2020	2.09%
2024 Metropolitan Council Population Estimate	4,680

**Income and Age Statistics**

	The City	Anoka County	State of Minnesota	United States
2023 per capita income	\$47,475	\$44,418	\$46,957	\$43,289
2023 median household income	\$134,491	\$98,764	\$87,556	\$78,538
2023 median family income	\$153,750	\$114,908	\$111,492	\$96,922
2023 median gross rent	N/A <sup>2</sup>	\$1,396	\$1,235	\$1,348
2023 median value owner occupied units	\$440,200	\$325,800	\$305,500	\$303,400
2023 median age	40.5 yrs.	38.8 yrs.	38.6 yrs.	38.7 yrs.

	State of Minnesota	United States
City % of 2023 per capita income	101.10%	109.67%
City % of 2023 median family income	137.90%	158.63%

<sup>1</sup> Data prior to March 1, 2024, when the City changed software vendors, is unavailable.

<sup>2</sup> Data is not currently available.

**Housing Statistics**

	<u>The City</u>		Percent of Change
	2020	2024	
All Housing Units	1,510	1,541	2.05%

**Source:** 2010 and 2020 Census of Population and Housing, and 2023 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>), and 2024 Preliminary Population Estimates, Metropolitan Council (<https://metro council.org/>).

**EMPLOYMENT/UNEMPLOYMENT DATA**

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>	<u>Average Unemployment</u>	
	Anoka County	Anoka County	State of Minnesota
2021	190,098	3.7%	3.7%
2022	195,997	2.4%	2.5%
2023	198,479	2.7%	2.8%
2024	198,588	3.0%	3.0%
2025, August	197,819	4.4%	4.2%

**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.

**City of Nowthen  
Anoka County, Minnesota**

**Basic Financial Statements**

**December 31, 2024**

**City of Nowthen  
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**City of Nowthen  
Elected Officials and Administration  
December 31, 2024**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Jeff Pilon	Mayor	December 31, 2024
Shanni Fladeno	Council Member	December 31, 2026
Dan Breyen	Council Member	December 31, 2026
Jason Alders	Council Member	December 31, 2024
Mary Rainville	Council Member	December 31, 2024
 <u>Administration</u>		
Natalie Johnson	City Clerk	

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## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Nowthen  
Nowthen, Minnesota

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Nowthen, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Nowthen's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Nowthen, Minnesota, as of December 31, 2024, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents 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 (GASB), 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 supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2025, on our consideration of the City of Nowthen'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 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 of Nowthen's internal control over financial reporting and compliance.

BerganKDV, Ltd.

Minneapolis, Minnesota  
May 5, 2025

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## **City of Nowthen Management's Discussion and Analysis**

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

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,766,554 (net position). Of this amount, \$3,288,764 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$87,940 as a result of expenses in excess of revenues.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,416,003, a decrease of \$893,034 in comparison with the prior year. Approximately 28.7 percent of this total amount, \$981,019, is either nonspendable or restricted for specific purposes. The remaining fund balance was committed by City Council, assigned or unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,430,127 or 61.7 percent of 2024 General fund expenditures and 58 percent of the 2025 General fund budget.
- The City's total long-term debt decreased \$377,072 during the current fiscal year. The key factor of this decrease was due to regularly scheduled principal payments.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**City of Nowthen  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

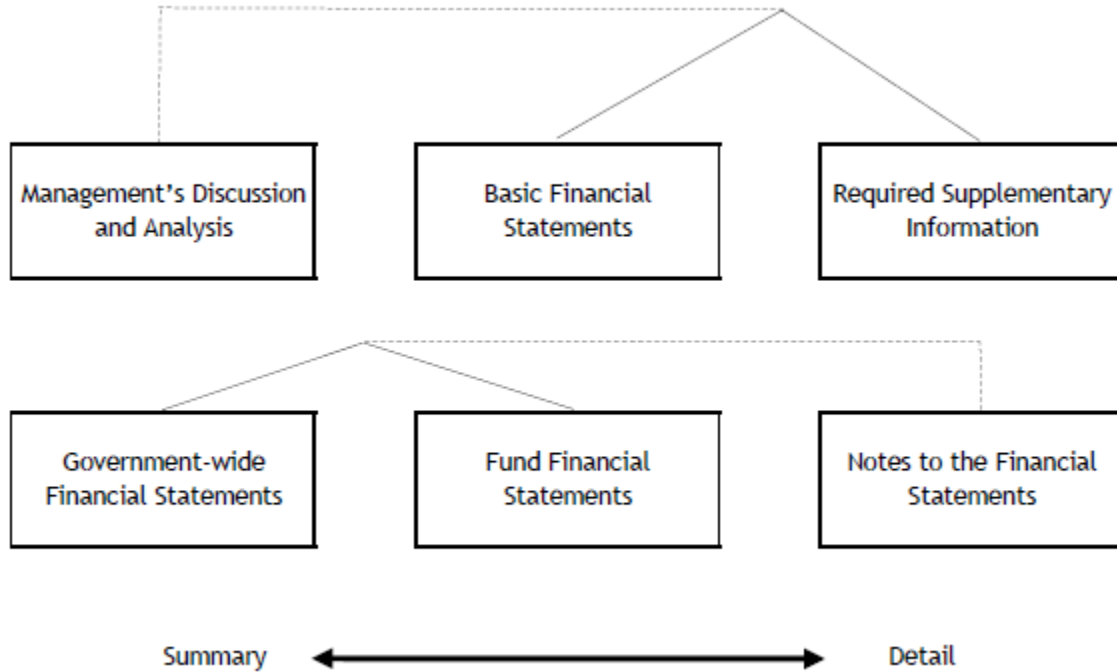


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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



**City of Nowthen  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

		<b>Fund Financial Statements</b>
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>
Scope	Entire City government and the City's component units	The activities of the City, such as police, fire, and parks
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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
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 or resources that come due during the year or soon thereafter; no capital assets included
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

**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).

**City of Nowthen  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-wide Financial Statements. (Continued)** Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, and interest on long-term debt.

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

The government-wide financial statements start on page 20 of this report.

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be shown as one category: governmental 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 (deficits) provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains a General Fund and 12 other individual governmental funds. There are 3 Debt Service Funds, there are 6 Capital Project funds, and there are 3 Special Revenue funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Building Capital Improvement Fund, Street Renewal Fund, 2019A Improvement Bond Fund, and 2021A G.O. Improvement Bond 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 or schedules* elsewhere in this report.

**City of Nowthen  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

***Governmental Funds (Continued)***

The City adopts an annual appropriated budget for the General fund. Budgetary comparison statements have been provided for the General fund to demonstrate compliance with their budget.

The basic governmental fund financial statements start on page 22 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 31 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 65 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,766,554 at the close of the most recent fiscal year.

The largest portion of the City's net position (48.6 percent) is *unrestricted net position* (\$3,288,764) and may be used to meet the City's ongoing obligations to citizens and creditors.

Also, (43.9 percent) of the City's net position is its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Nowthen  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

An additional portion of the City's net position, (\$506,411) represents resources that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position.

**City of Nowthen's Summary of Net Position**

	Governmental Activities		
	2024	2023	Increase (Decrease)
Revenues			
Program Revenues			
Charges for services	\$ 312,240	\$ 292,089	\$ 20,151
Operating Grants and contributions	160,908	284,052	(123,144)
Capital grants and contributions	370,142	101,590	268,552
General Revenues			
Taxes			
Property Taxes	1,927,312	1,809,063	118,249
Intergovernmental Revenues Not Restricted to Specific Programs	109,853	26,095	83,758
Interest and investment income	145,089	138,659	6,430
Other general revenue	-	7,500	(7,500)
Total Revenues	<u>3,025,544</u>	<u>2,659,048</u>	<u>366,496</u>
Expenditures			
General government	968,477	872,378	96,099
Public Safety	948,421	891,573	56,848
Public works	1,000,178	885,573	114,605
Parks and recreation	122,266	63,848	58,418
Sanitation	25,218	15,051	10,167
Interest and fiscal charges	48,924	57,480	(8,556)
Total Expenditures	<u>3,113,484</u>	<u>2,785,903</u>	<u>327,581</u>
Change in Net Position	(87,940)	(126,855)	38,915
Net Position, January 1	<u>6,854,494</u>	<u>6,981,349</u>	<u>(126,855)</u>
Net Position, December 31	<u>\$ 6,766,554</u>	<u>\$ 6,854,494</u>	<u>\$ (87,940)</u>

**City of Nowthen  
Management's Discussion and Analysis**

**Governmental Activities**

Governmental activities decreased the City's net position by \$87,940. Key elements of this decrease are as follows:

**City of Nowthen's Changes in Net Position**

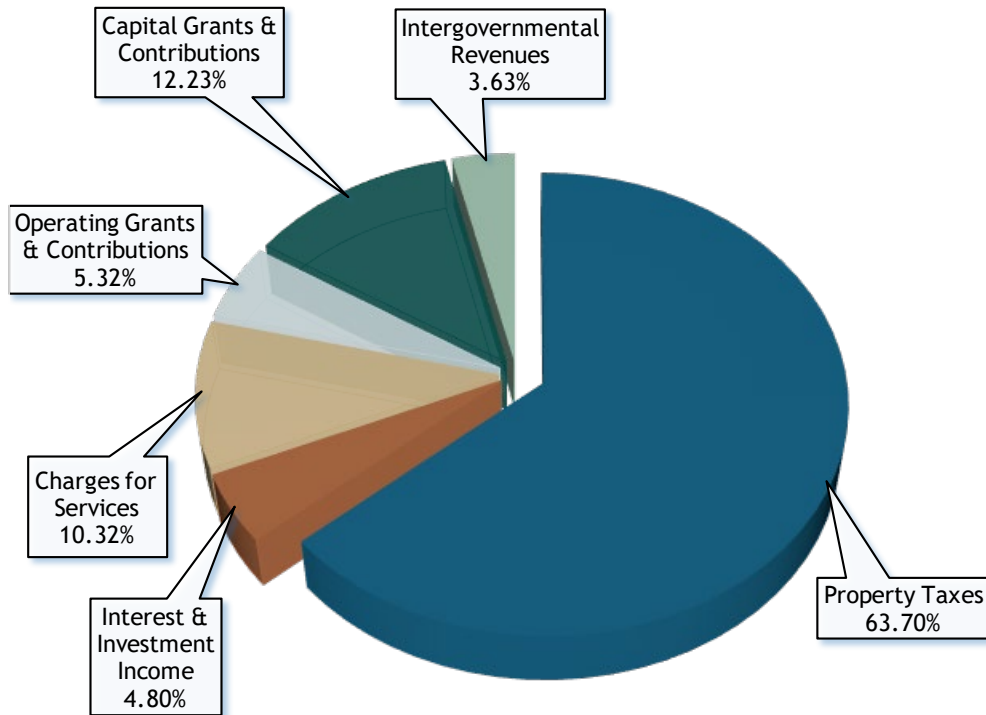
	Governmental Activities		
	2024	2023	Increase (Decrease)
<b>Assets</b>			
Current and other assets	\$ 4,358,559	\$ 5,082,775	\$ (724,216)
Capital assets	5,995,889	5,583,117	412,772
Total Assets	<u>10,354,448</u>	<u>10,665,892</u>	<u>(311,444)</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources related to pension	<u>135,396</u>	<u>155,242</u>	<u>(19,846)</u>
<b>Liabilities</b>			
Noncurrent liabilities outstanding	2,852,068	3,322,910	(470,842)
Other liabilities	726,966	523,117	203,849
Total Liabilities	<u>3,579,034</u>	<u>3,846,027</u>	<u>(266,993)</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources related to pensions	134,624	97,413	37,211
Deferred inflows of resources related to leases	9,632	23,200	(13,568)
Total Deferred Inflows of Resources	<u>144,256</u>	<u>120,613</u>	<u>23,643</u>
<b>Net Position</b>			
Net investment in capital assets	2,971,379	2,181,535	789,844
Restricted for			
Debt Service	450,106	521,893	(71,787)
Capital Projects	-	-	-
Public Safety	-	198,190	(198,190)
Recycling program	-	-	-
Other purposes	56,305	64,540	(8,235)
Unrestricted	<u>3,288,764</u>	<u>3,888,336</u>	<u>(599,572)</u>
Total Net Position	<u>\$ 6,766,554</u>	<u>\$ 6,854,494</u>	<u>\$ (87,940)</u>

**City of Nowthen  
Management's Discussion and Analysis**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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

**Revenues by Source - Governmental Activities**



**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

***Governmental Funds***

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,416,003, a decrease of \$893,034 in comparison with the prior year. Approximately 41.7 percent of this total amount, \$1,424,542, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is not available for new spending because it is either 1) nonspendable (\$449,726), 2) restricted (\$531,293), 3) committed (\$42,689) or 4) assigned (\$967,753) for specific purposes.

The General fund had a total fund balance of \$1,470,353 at the current year end. The fund balance of the City's General fund increased \$11,574 during the current fiscal year. See the below "General Fund Budgetary Highlights" for more detail information.

The Building Capital Improvement fund has a fund balance of \$257,397. The balance is assigned (\$257,397) for future building capital needs. The fund balance decreased \$2,930 during the current fiscal year due to capital outlay for cable infrastructure expenditures in 2024.

**City of Nowthen  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)**

***Governmental Funds (Continued)***

The Street Renewal fund has a fund balance of \$470,806 all of which is assigned for future street improvements. The fund balance decreased \$476,411 during the current fiscal year. This decrease is due to capital expenditures for culvert and street improvements in 2024.

The 2019A Improvement bond fund has a fund balance of \$213,804 all of which is restricted for future debt service payments. The fund balance decreased \$82,123. This decrease is due to principal and interest payments in 2024.

The 2021A Improvement bond fund has a fund balance of \$260,804 all of which is restricted for future debt service payments. The fund balance increased \$8,542. This fund received property taxes and special assessments to help with debt service requirements.

**General Fund Budgetary Highlights**

Actual revenues were \$96,284 over budget and expenditures were \$168,475 under budget; along with transfers, other financing sources and prior period adjustments, the end result was an increase in fund balance of \$11,574.

Revenue highlights include:

- Other revenues ended over budget by \$53,375 due to fees collected for conduit debt issuance by a neighboring city in 2024.
- Charges for services were under by \$32,454 as a result of less activity in 2024.
- Contributions and donations were more than budget by \$30,000 as a result of a sprinkler system donation in 2024.
- Interest income revenues were more than budget by \$17,925 as a result of the improved interest rates in 2024.
- Intergovernmental revenue was \$17,900 over budget due to more than expected other grants and aids.

Expenditure highlights include:

- Public Safety ended 2024 under budget \$40,110. This was due to the unfilled Fire Chief position in 2024.
- Public works was also under budget \$56,210. This was due to less spending on supplies and capital and over budgeting for anticipated wages and benefits for public works.
- General Government was under budget \$87,972. This was due to unfilled positions in Administration throughout the year.
- Parks and recreation ended over budget \$14,183. This was a result of not budgeting for the donated sprinkler system.

Overall, the General Fund saw an increase in its fund balance. This was driven by excess revenue and conservative spending.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for its governmental activities as of December 31, 2024, amounts to \$5,995,889 (net of accumulated depreciation).

**City of Nowthen  
Management's Discussion and Analysis**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Capital Assets (Continued)**

Major public project capital asset events during the current fiscal year were as follows:

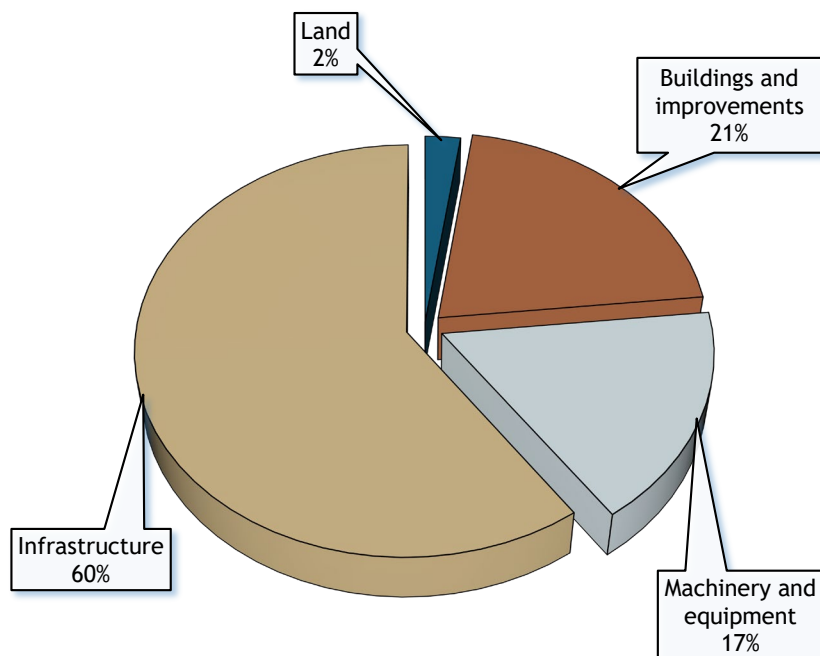
- Completion of the 2024 Street Improvement projects
- Completion of the internet cable improvements
- Park improvements included new grills and repaved basketball courts
- Purchase of equipment for Public Works

Additional information on the City's capital assets can be found in Note 5 starting on page 44 of this report.

**City of Nowthen's Capital Assets  
(Net of Depreciation)**

	Governmental Activities		
	2024	2023	Increase (Decrease)
Land	\$ 137,750	\$ 137,750	\$ -
Construction in progress	-	-	-
Buildings and improvements	1,261,053	1,121,894	139,159
Machinery and equipment	1,012,757	779,576	233,181
Infrastructure	3,584,329	3,543,897	40,432
<b>Total</b>	<b>\$ 5,995,889</b>	<b>\$ 5,583,117</b>	<b>\$ 412,772</b>

**City of Nowthen's Capital Assets  
(Net of Depreciation)**





**City of Nowthen  
Management's Discussion and Analysis**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Long-Term Debt**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$2,940,000. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City. The City also had unamortized bond premium of \$84,510.

**City of Nowthen's Outstanding Debt**

	Governmental Activities		Increase (Decrease)
	2024	2023	
General Obligation Bonds and Notes	<u>\$ 3,024,510</u>	<u>\$ 3,401,582</u>	<u>\$ (377,072)</u>
Total	<u>\$ 3,024,510</u>	<u>\$ 3,401,582</u>	<u>\$ (377,072)</u>

The City's total debt decreased \$377,072 during the current fiscal year due to annually scheduled debt payments, amortized premium and reduced compensated absences.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$26,866,569. The City is under the statutory debt limit as of December 31, 2024.

Additional information on the City's long-term debt can be found in Note 6 starting on page 45 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The State of Minnesota passed a bill which included aid for small city assistance. This aid is for cities not receiving MSAS funds and have populations under 5,000. This aid is anticipated to grow over time.
- The City's Tax Levy will increase to \$2,129,366 in 2025, an increase of 9.98%. The tax capacity rate increased slightly to 22.24 percent from 20.81 percent in 2024.
- Inflation rates moderated to 2.9% in 2024.
- Unemployment rates remain low in 2024.

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

**Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Nowthen, Finance Department, 8188 199th Ave NW, Nowthen, MN 55330.

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## **BASIC FINANCIAL STATEMENTS**

**City of Nowthen**  
**Statement of Net Position**  
**December 31, 2024**

	Governmental Activities
<b>Assets</b>	
Cash and investments (including cash equivalents)	\$ 2,972,805
Receivables	
Accounts receivable	10,230
Lease receivable	9,632
Interest receivable	49,981
Due from other governments	173,310
Taxes receivable	
Unremitted	57,572
Delinquent	24,011
Special assessments receivable	
Unremitted	9,843
Deferred	601,449
Prepaid items	449,726
Capital assets not being depreciated	
Land	137,750
Capital assets (net of accumulated depreciation)	
Buildings and improvements	1,341,608
Machinery and equipment	1,012,757
Infrastructure	3,503,774
Total assets	<u>10,354,448</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources related to City pensions	<u>135,396</u>
Total assets and deferred outflows of resources	<u><u>\$ 10,489,844</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 105,803
Contracts payable	164,795
Salaries and benefits payable	23,271
Interest payable	24,502
Deposits payable	13,595
Bonds payable, net	
Payable within one year	395,000
Payable after one year	2,629,510
Compensated absences payable	
Payable within one year	1,507
Payable after one year	28,629
Net pension liability	192,422
Total liabilities	<u>3,579,034</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to City pensions	134,624
Deferred inflows related to Leases	9,632
Total deferred inflows of resources	<u>144,256</u>
<b>Net Position</b>	
Net investment in capital assets	2,971,379
Restricted	
Debt service	450,106
Other purposes	56,305
Unrestricted	3,288,764
Total net position	<u>6,766,554</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 10,489,844</u></u>

See notes to basic financial statements.

**City of Nowthen  
Statement of Activities  
Year Ended December 31, 2024**

					Net (Expense) Revenues and Changes in Net Position
			Program Revenue		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities					
General government	\$ 968,477	\$ 33,319	\$ 62,846	\$ 218,993	\$ (653,319)
Public safety	948,421	184,383	51,572	-	(712,466)
Public works	1,000,178	80,648	46,490	151,149	(721,891)
Sanitation	25,218	-	-	-	(25,218)
Parks and recreation	122,266	13,890	-	-	(108,376)
Interest on long-term debt	48,924	-	-	-	(48,924)
Total governmental activities	<u>\$ 3,113,484</u>	<u>\$ 312,240</u>	<u>\$ 160,908</u>	<u>\$ 370,142</u>	<u>(2,270,194)</u>
General revenues					
Property taxes					1,927,312
Intergovernmental					109,853
Unrestricted investment earnings					145,089
Total general revenues					<u>2,182,254</u>
Change in net position					(87,940)
Net position - beginning					<u>6,854,494</u>
Net position - ending					<u>\$ 6,766,554</u>

See notes to basic financial statements.

**City of Nowthen**  
**Balance Sheet - Governmental Funds**  
**December 31, 2024**

		Capital Projects		Debt Service
		Building Capital Improvement	Street Renewal	2019A Improvement Bond
	General Fund (100, 8xx)	(410)	(414)	(315)
<b>Assets</b>				
Cash and investments	\$ 1,453,213	\$ 267,538	\$ 478,727	\$ 210,139
Accounts receivable	-	-	-	-
Interest receivable	24,763	4,654	7,708	3,655
Due from other funds	10,000	-	7,500	-
Due from other governments	2,000	150,000	-	-
Taxes receivable				
Unremitted	57,572	-	-	-
Delinquent	21,553	-	-	42
Special assessment receivable				
Unremitted	1,402	-	-	10
Deferred	19,922	-	72,644	181,560
Lease receivable	9,632	-	-	-
Prepaid items	40,226	-	-	-
Total assets	<u>\$ 1,640,283</u>	<u>\$ 422,192</u>	<u>\$ 566,579</u>	<u>\$ 395,406</u>
<b>Liabilities</b>				
Accounts payable	\$ 82,674	\$ -	\$ 23,129	\$ -
Contracts payable	-	164,795	-	-
Due to other funds	-	-	-	-
Salaries and benefits payable	22,554	-	-	-
Deposits payable	13,595	-	-	-
Total liabilities	<u>118,823</u>	<u>164,795</u>	<u>23,129</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows of resources related to leases	9,632	-	-	-
Unavailable revenue - property taxes	21,553	-	-	42
Unavailable revenue - special assessments	19,922	-	72,644	181,560
Total deferred inflows of resources	<u>51,107</u>	<u>-</u>	<u>72,644</u>	<u>181,602</u>
<b>Fund Balances</b>				
Nonspendable	40,226	-	-	-
Restricted	-	-	-	213,804
Committed	-	-	-	-
Assigned	-	257,397	470,806	-
Unassigned	1,430,127	-	-	-
Total fund balances	<u>1,470,353</u>	<u>257,397</u>	<u>470,806</u>	<u>213,804</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,640,283</u>	<u>\$ 422,192</u>	<u>\$ 566,579</u>	<u>\$ 395,406</u>

<u>Debt Service</u>		
<u>2021A G.O. Improvement Bond (320)</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 248,543	\$ 314,645	\$ 2,972,805
-	10,230	10,230
4,265	4,936	49,981
-	-	17,500
-	21,310	173,310
-	-	57,572
2,416	-	24,011
7,996	435	9,843
311,183	16,140	601,449
-	-	9,632
-	409,500	449,726
<u>\$ 574,403</u>	<u>\$ 777,196</u>	<u>\$ 4,376,059</u>
\$ -	\$ -	\$ 105,803
-	-	164,795
-	17,500	17,500
-	717	23,271
-	-	13,595
<u>-</u>	<u>18,217</u>	<u>324,964</u>
-	-	9,632
2,416	-	24,011
311,183	16,140	601,449
<u>313,599</u>	<u>16,140</u>	<u>635,092</u>
-	409,500	449,726
260,804	56,685	531,293
-	42,689	42,689
-	239,550	967,753
-	(5,585)	1,424,542
<u>260,804</u>	<u>742,839</u>	<u>3,416,003</u>
<u>\$ 574,403</u>	<u>\$ 777,196</u>	<u>\$ 4,376,059</u>

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**City of Nowthen**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2024**

Total fund balances - governmental funds	\$ 3,416,003
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Capital assets	11,086,500
Less accumulated depreciation	(5,090,611)
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:	
Bond principal payable	(2,940,000)
Unamortized bond premium	(84,510)
Compensated absences payable	(30,136)
Net pension liability - city pension	(192,422)
Governmental funds do not report a liability for accrued interest until due and payable.	(24,502)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(134,624)
Deferred outflows of resources related to pensions	135,396
Deferred and delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Property taxes	24,011
Special assessments	601,449
Total net position - governmental activities	<u>\$ 6,766,554</u>

**City of Nowthen**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2024**

		Capital Projects		
		Building Capital Improvement	Street Renewal	Equipment Fund (701)
	General Fund (100, 8xx)	(410)	(414)	
<b>Revenues</b>				
Property taxes	\$ 1,689,363	\$ -	\$ -	\$ -
Special assessments	6,971	-	44,800	-
Licenses and permits	174,068	-	-	-
Intergovernmental	153,190	150,000	-	-
Charges for services	99,146	-	-	-
Fines and forfeitures	6,801	-	-	-
Miscellaneous				
Investment income	77,925	11,864	26,117	-
Contributions and donations	30,000	-	-	-
Other	55,875	-	-	-
Total revenues	<u>2,293,339</u>	<u>161,864</u>	<u>70,917</u>	<u>-</u>
<b>Expenditures</b>				
Current				
General government	952,858	-	-	-
Public safety	862,910	-	-	-
Public works	392,992	-	94,592	-
Parks and recreation	74,237	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
Public safety	-	-	-	-
Public works	5,268	-	452,736	-
Parks and recreation	30,000	164,794	-	-
Total expenditures	<u>2,318,265</u>	<u>164,794</u>	<u>547,328</u>	<u>-</u>
Excess of revenues over (under) expenditures	(24,926)	(2,930)	(476,411)	-
<b>Other Financing Sources (Uses)</b>				
Transfers in	50,000	-	-	-
Transfers out	(13,500)	-	-	-
Total other financing sources (uses)	<u>36,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>11,574</u>	<u>(2,930)</u>	<u>(476,411)</u>	<u>-</u>
<b>Fund Balances</b>				
Beginning of year, as previously stated	1,458,779	-	947,217	774,870
Change within reporting entity (See Note 10)	-	260,327	-	(774,870)
Beginning of year, as restated	<u>1,458,779</u>	<u>260,327</u>	<u>947,217</u>	<u>-</u>
End of year	<u>\$ 1,470,353</u>	<u>\$ 257,397</u>	<u>\$ 470,806</u>	<u>\$ -</u>

See notes to basic financial statements.

Debt Service			
2019A Improvement Bond (315)	2021A G.O. Improvement Bond (320)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 230,637	\$ -	\$ 1,920,000
41,143	62,811	4,619	160,344
-	-	-	174,068
-	-	46,485	349,675
-	-	31,473	130,619
-	-	-	6,801
5,554	14,064	9,565	145,089
-	-	38,993	68,993
-	-	5	55,880
<u>46,697</u>	<u>307,512</u>	<u>131,140</u>	<u>3,011,469</u>
-	-	-	952,858
-	-	-	862,910
-	-	55,000	542,584
-	-	-	74,237
105,000	260,000	-	365,000
25,475	38,970	-	64,445
-	-	7,269	7,269
-	-	344,679	802,683
-	-	37,723	232,517
<u>130,475</u>	<u>298,970</u>	<u>444,671</u>	<u>3,904,503</u>
(83,778)	8,542	(313,531)	(893,034)
1,655	-	13,500	65,155
-	-	(51,655)	(65,155)
<u>1,655</u>	<u>-</u>	<u>(38,155)</u>	<u>-</u>
<u>(82,123)</u>	<u>8,542</u>	<u>(351,686)</u>	<u>(893,034)</u>
295,927	252,262	579,982	4,309,037
-	-	514,543	-
<u>295,927</u>	<u>252,262</u>	<u>1,094,525</u>	<u>4,309,037</u>
<u>\$ 213,804</u>	<u>\$ 260,804</u>	<u>\$ 742,839</u>	<u>\$ 3,416,003</u>

**City of Nowthen**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to**  
**the Statement of Activities - Governmental Funds**  
**Year Ended December 31, 2024**

Net change in fund balances - total governmental funds	\$ (893,034)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	998,253
Depreciation expense	(585,481)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(1,035)
---	---------

Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

Pension expense	7,748
-----------------	-------

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on net position in the Statement of Activities.	365,000
--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the Governmental Funds 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. In addition, bond premiums and discounts are amortized and included in interest expense.	15,521
--	--------

Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred special assessments	(2,224)

Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are not revenues in the funds.

Delinquent property taxes	7,312
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Change in net position of governmental activities	\$ (87,940)
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**City of Nowthen**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2024**

	Budgeted Amounts			Variance with Final Budget - Over (Under)
	Original	Final	Actual Amounts	
<b>Revenues</b>				
Property taxes	\$ 1,702,905	\$ 1,702,905	\$ 1,689,363	\$ (13,542)
Special assessments	-	-	6,971	6,971
Licenses and permits	133,350	153,350	174,068	20,718
Intergovernmental	135,200	135,200	153,190	17,990
Charges for services	131,600	131,600	99,146	(32,454)
Fines and forfeitures	11,500	11,500	6,801	(4,699)
Miscellaneous				
Investment income	35,000	60,000	77,925	17,925
Contributions and donations	-	-	30,000	30,000
Other	2,500	2,500	55,875	53,375
Total revenues	<u>2,152,055</u>	<u>2,197,055</u>	<u>2,293,339</u>	<u>96,284</u>
<b>Expenditures</b>				
Current				
General government	923,830	1,040,830	952,858	(87,972)
Public safety	903,020	903,020	862,910	(40,110)
Public works	522,470	440,470	392,992	(47,478)
Parks and recreation	68,420	88,420	74,237	(14,183)
Capital outlay				
Public works	24,000	14,000	5,268	(8,732)
Parks and recreation	-	-	30,000	30,000
Total expenditures	<u>2,441,740</u>	<u>2,486,740</u>	<u>2,318,265</u>	<u>(168,475)</u>
Excess of revenues over (under) expenditures	(289,685)	(289,685)	(24,926)	264,759
<b>Other Financing Sources (Uses)</b>				
Transfers in	50,000	50,000	50,000	-
Transfers out	(13,500)	(13,500)	(13,500)	-
Total other financing sources (uses)	<u>36,500</u>	<u>36,500</u>	<u>36,500</u>	<u>-</u>
Net change in fund balance	<u>\$ (253,185)</u>	<u>\$ (253,185)</u>	11,574	<u>\$ 264,759</u>
<b>Fund Balance</b>				
Beginning of year			<u>1,458,779</u>	
End of year			<u>\$ 1,470,353</u>	

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**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Nowthen (the "City") is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

Blended Component Units - Reported as if they were part of the City.

Joint Ventures and Jointly Governed Organizations - The relationship of the City with the entity is disclosed.

For each of the categories above, the specific entities are identified as follows:

**1. Joint Ventures and Jointly Governed Organizations**

**The Upper Rum River Watershed Management Organization (URRWMO)**

The Upper Rum River Watershed Management Organization (URRWMO) is a joint powers organization including the Cities of St. Francis, Oak Grove, Nowthen, Bethel, and portions of the City of East Bethel. A small corner of the City of Ham Lake also falls within the URRWMO. The URRWMO Board is made up of representatives from each of these cities and townships. The organization seeks to maintain the quality of area lakes, rivers, streams, groundwater, and other water resources across municipal boundaries. Additional financial information can be obtained in the URRWMO's annual reports, which are available at <http://www.urrwmo.org/watershed-plans-reports>.

**2. Blended Component Unit**

**Economic Development Authority**

The City of Nowthen Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the City of Nowthen EDA is reported as if it were part of the primary government because it provides services exclusively for the City. Separate financial statements are not prepared for the City of Nowthen EDA.

**City of Nowthen  
Notes to Basic Financial Statements**

**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 nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues.

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. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. 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. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current 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.



**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as deferred inflow of resources.

**Description of Funds:**

**Major Governmental Funds:**

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

Building Capital Improvement - This fund is for financial resources set aside for capital improvements related to buildings.

Street Renewal Fund - This fund is used to account for funds set aside from property taxes for the construction and seal coating of City roads.

2019A Improvement Bond - This fund is used to collect resources for, and make payments on, this bond.

2021A G.O. Improvement Bond - This fund is used to collect resources for, and make payments on, this bond.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures, or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City as well as charges between the City's utility functions and various other functions of the City.

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. When committed, assigned, or unassigned resources are available for use, it is the City's policy to first use committed resources, then assigned and then unassigned resources, as they are needed.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

**1. Deposits and Investments**

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average participation in cash and investment balances.

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.

*Minnesota Statutes* authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

Certain investments for the City are reported at fair value as disclosed in Note 3. 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.

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**2. Property Taxes**

The City Council annually adopts a tax levy and certifies it to Anoka County (the "County") in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local school district, and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

The City recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and state credits received by the City in July, December, and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City the following January) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures.

**3. Special Assessments**

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with *Minnesota Statutes*. These assessments are collectible by the City over a term usually consistent with the terms of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City.

If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are remitted to the City in payment of delinquent special assessments. Pursuant to *Minnesota Statutes*, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land in which event the property is subject to such sale after five years.

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**3. Special Assessments (Continued)**

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported. Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. All remaining delinquent and deferred assessments receivable in governmental funds are offset by deferred inflows of resources. In the proprietary funds all special assessment receivables are shown as revenue in the year they are recorded.

**4. Prepaid Items**

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. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

**5. Capital Assets**

Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost as noted on the table below and an estimated useful life in excess of one year. 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.

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.

<u>Assets</u>	<u>Threshold</u>
All Assets	\$ 5,000

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**5. Capital Assets (Continued)**

Buildings, infrastructure, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 60
Building improvements	10 - 20
Streets	10
Vehicles and equipment	5 - 10
Furniture	8
Office equipment	5 - 10

**6. Lease Receivable**

The City is a lessor for a noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date.

Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term in a systematic and rational manner.

Key estimates and judgments include how the City determines (1) the discount rate, (2) lease term, (3) lease receipts, and (4) amortization.

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 that time. The City has one item that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**7. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Governmental Funds Balance Sheet and Statement of Net Position for leases as timing requirements for revenue recognition have not yet been met. The City presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

**8. 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 the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as 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.

**9. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits.

A liability for these amounts is reported in governmental funds only if they have matured, for example, is attributable to services already rendered, and is more likely than not to be used, or as a result of employee resignations and retirements, in accordance with the provisions of GASB Statement No. 101, *Accounting for Compensated Absences*.

All compensated absences pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee termination or similar circumstances. These liabilities are paid by the governmental fund the employee provided most of its service to.

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**10. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the year the bond is issued. Bonds payable are reported net of the applicable bond premium or discount.

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.

**11. Fund Balance**

**a. Classification**

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balances** - These are amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted Fund Balances** - These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balances** - These are amounts comprised of unrestricted funds used for a specific purpose pursuant to constraints imposed by formal action of the City Council and that remain binding unless removed by the City Council by subsequent formal action.
- **Assigned Fund Balances** - These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted, or committed. The City Council has delegated authority to assign and remove fund balance assignments to the Finance Department.
- **Unassigned Fund Balance** - These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

**City of Nowthen  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**12. Net Position**

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**13. Use of Estimates**

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

**14. Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and Special Revenue Funds. Budgeted expenditure appropriations lapse at year-end. Financial controls for debt service funds are achieved through bond indenture provisions. Project-length financial plans are adopted for all capital project funds.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City's City Clerk submits to the City Council a proposed operating budget, which includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The preliminary property tax levy is legally enacted through passage of a resolution and certified to the County by September 30 of each year.
4. The final budget is legally adopted through the passage of a resolution by December 20 of each year.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. The City Council may authorize the transfer of budgeted amounts between funds.



**City of Nowthen  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)**

**14. Budgetary Information (Continued)**

7. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the fund level. For management purposes, budgetary control is maintained within the department level. Also, inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean it will be spent. The budget process is flexible in that, where the need has been properly demonstrated, the City Administrator can make an adjustment within the department budget. Therefore, there is a constant review process, and expenditures are not approved until it has been determined that 1) adequate funds were appropriated, 2) the expenditure is still necessary, and 3) funds are available.

Both the original and final budgeted amounts as adopted by the City Council are presented in the basic financial statements. Revenues exceeding budgeted amounts are sometimes used for supplemental appropriations during the year. Neither the revenue nor the expenditure budget is adjusted to reflect these items. The City did approve one budget amendment during the year. Encumbrances outstanding at year-end expire and outstanding purchase orders are canceled and not reported in the financial statements.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Deficit Fund Balance**

The Pinnaker Lake Road Project fund had a deficit fund balance of \$5,585 at December 31, 2024.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits**

Custodial Credit Risk - Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2024, the City's bank balance of \$180,642 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. The book balance as of December 31, 2024, was as follows:

Checking accounts	\$ 180,642
Certificates of deposit	<u>1,911,050</u>
Total	<u><u>\$ 2,091,692</u></u>

**B. Investments**

Investment Type	Fair Value	Investment Maturities	
		Less than 1 Year	1-5 Years
4M Fund	\$ 11,142	\$ 11,142	\$ -
4M Plus Fund	380,933	380,933	-
Government Securities	<u>489,038</u>	<u>-</u>	<u>489,038</u>
Total	<u><u>\$ 881,113</u></u>	<u><u>\$ 392,075</u></u>	<u><u>\$ 489,038</u></u>

The City had no formal policies in place as of December 31, 2024, to address credit risk, concentration of credit risk, custodial credit risk or interest rate risk for investments.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market value interest rates.

Custodial Credit Risk - Investments: For an investment, this is the risk in the event of the failure of the counterparty the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City has the following recurring fair value measurements as of December 31, 2024: \$489,038 of investments are valued using various market and industry inputs (Level 2 inputs). Remaining investments are presented at amortized cost.

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Deposits and Investments**

Summary of cash deposits and investments as of December 31, 2024, were as follows:

Deposits (Note 3.A.)	\$ 2,091,692
Investments (Note 3.B.)	<u>881,113</u>
Total	<u><u>\$ 2,972,805</u></u>

Deposits and investments are presented in the December 31, 2024, basic financial statements as follows:

Statement of Net Position	
Cash and investments	<u><u>\$ 2,972,805</u></u>

**NOTE 4 - INTERFUND BALANCES AND ACTIVITY**

**A. Interfund Receivables and Payables**

At December 31, 2024, the composition of interfund balances was as follows:

Fund Type and Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 10,000	\$ -
Street Renewal	7,500	-
Nonmajor Governmental Funds	<u>-</u>	<u>17,500</u>
Total	<u><u>\$ 17,500</u></u>	<u><u>\$ 17,500</u></u>

The due to/due from balances payable are short-term borrowings to cover negative cash balances at the end of the year.

**B. Interfund Transfers**

Transfers during the year ended December 31, 2024, were as follows:

Transfers In	Transfers Out	Amount	Description
General Fund	Non-major	\$ 50,000	Transfer gambling contributions for public safety support
Non-major	General Fund	7,500	Transfer for Turnout Gear Fund
2019A Improvement Bond	Non-major	1,655	To close out debt service funds
Non-major	General Fund	<u>6,000</u>	Transfer for Equipment Fund
Total transfers		<u><u>\$ 65,155</u></u>	

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 5 - CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 137,750	\$ -	\$ -	\$ 137,750
Total capital assets not being depreciated	137,750	-	-	137,750
Capital assets being depreciated				
Buildings and improvements	2,131,663	240,300	-	2,371,963
Machinery and equipment	2,681,437	350,447	-	3,031,884
Infrastructure	5,137,397	407,506	-	5,544,903
Total capital assets being depreciated	9,950,497	998,253	-	10,948,750
Less accumulated depreciation for				
Buildings and improvements	1,009,769	20,586	-	1,030,355
Machinery and equipment	1,901,861	117,266	-	2,019,127
Infrastructure	1,593,500	447,629	-	2,041,129
Total accumulated depreciation	4,505,130	585,481	-	5,090,611
Total capital assets being depreciated, net	5,445,367	412,772	-	5,858,139
Governmental activities capital assets, net	<u>\$ 5,583,117</u>	<u>\$ 412,772</u>	<u>\$ -</u>	<u>\$ 5,995,889</u>

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

Governmental activities	
General government	\$ 14,244
Public safety	77,591
Public works	452,417
Recycling	25,187
Parks and recreation	16,042
Total depreciation expense - governmental activities	<u>\$ 585,481</u>

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 6 - LONG-TERM DEBT**

**A. General Obligation Bonds**

The City issues General Obligation (G.O.) bonds and notes to provide for financing tax increment projects and street improvements. Debt service is covered respectively by tax increments and special assessments against benefited properties with any shortfalls being paid from general taxes.

G.O. bonds and notes are direct obligations and pledge the full faith and credit of the City.

**B. Components of Long-Term Liabilities**

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Governmental activities						
G.O. Improvement Bonds, 2019A	7/16/2019	3.00%	\$ 1,175,000	2/1/2030	\$ 765,000	\$ 120,000
G.O. Improvement and Equipment Bonds, 2021A	10/27/2021	1.00-2.00%	2,680,000	2/1/2032	2,175,000	275,000
Unamortized bond premium	N/A	N/A	N/A	N/A	84,510	-
Compensated absences	N/A	N/A	N/A	N/A	30,136	-
Total governmental activities					<u>\$ 3,054,646</u>	<u>\$ 395,000</u>

Long-term bonded indebtedness listed above were issued to finance acquisition equipment and construction of capital facilities.

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

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

	Balance	Additions	Reductions	Balance
Governmental activities				
Bonds payable				
General obligation bonds and notes	\$ 3,305,000	\$ -	\$ 365,000	\$ 2,940,000
Unamortized bond premium	96,582	-	12,072	84,510
Compensated absences	29,101	1,035	-	30,136
Total governmental activities long-term liabilities	<u>\$ 3,430,683</u>	<u>\$ 1,035</u>	<u>\$ 377,072</u>	<u>\$ 3,054,646</u>

The General Fund typically liquidates the liability related to compensated absences.

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**D. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire long-term liabilities:

Year Ending December 31,	Governmental Activities	
	G.O. Bonds and Notes	
	Principal	Interest
2025	\$ 395,000	\$ 54,770
2026	400,000	45,595
2027	410,000	36,245
2028	425,000	26,620
2029	425,000	16,820
2030-2032	885,000	12,498
Total	<u>\$ 2,940,000</u>	<u>\$ 192,548</u>

**NOTE 7 - FUND BALANCES/NET POSITION**

**A. Fund Balances**

Fund balances are classified as listed below to reflect the limitations and restrictions of the respective funds.

	General Fund	Building Capital Improvement	Street Renewal	2019A Improvement Bond	2021A G.O. Improvement Bond	Nonmajor Governmental Funds	Total
Nonspendable							
Prepaid items	\$ 40,226	\$ -	\$ -	\$ -	\$ -	\$ 409,500	\$ 449,726
Restricted							
Debt service	-	-	-	213,804	260,804	-	474,608
Charitable gambling	-	-	-	-	-	56,305	56,305
Capital improvements	-	-	-	-	-	380	380
Committed							
Recycling services	-	-	-	-	-	39,943	39,943
Economic Development	-	-	-	-	-	2,746	2,746
Assigned							
Road and building construction/ improvement	-	257,397	470,806	-	-	23,753	751,956
Park development	-	-	-	-	-	215,797	215,797
Unassigned	1,430,127	-	-	-	-	(5,585)	1,424,542
Total fund balance	<u>\$ 1,470,353</u>	<u>\$ 257,397</u>	<u>\$ 470,806</u>	<u>\$ 213,804</u>	<u>\$ 260,804</u>	<u>\$ 742,839</u>	<u>\$ 3,416,003</u>

**B. Net Position**

Restricted net position is comprised of the total restricted fund balances in the governmental funds plus the effect of the conversion to the government-wide net position.

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 8 - 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.

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

The City's workers' compensation coverage is provided through a pooled self-insurance program through LMCIT. The City pays an annual premium to LMCIT and is subject to supplemental assessments if deemed necessary by LMCIT. For workers compensation, the City enrolls with a state-certified managed care organization and has a \$500 deductible per occurrence to further decrease the cost of coverage. Final premiums are determined after an audit of payroll subsequent to the close of the agreement year and are subject to revisions in rates, payrolls, and experience modification. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

At December 31, 2024, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**NOTE 9 - PENSION PLANS**

The City participates in various pension plans, total pension expense for the year ended December 31, 2024, was \$82,981. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidate the liability related to the pensions.

**Public Employees' Retirement Association**

**A. Plan Description**

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *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.

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**A. Plan Description (Continued)**

**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.

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**B. Benefits Provided**

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

**General 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 5 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 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 the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% 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 a 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 2024 annual increase was 1.5%. 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 reduced prorated increase.



**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**C. Contributions**

*Minnesota Statutes* Chapter 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 6.5% of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.5% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024, were \$81,677. 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, 2024, the City reported a liability of \$192,422 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 \$8,854.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0052% at the end of the measurement period and 0.0046% for the beginning of the period.

City's proportionate share of net pension liability	\$ 192,422
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>4,976</u>
Total	<u><u>\$ 197,398</u></u>

For the year ended December 31, 2024, the City recognized pension expense of \$82,916 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$133 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 Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

**General Employees Fund Pension Costs (Continued)**

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedule for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$8,854 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 17,110	\$ -
Net difference between projected and actual investment earnings	-	64,775
Changes in proportion	76,851	3,203
Changes in actuarial assumptions	596	66,646
Contributions paid to PERA subsequent to the measurement date	40,839	-
	<u>40,839</u>	<u>-</u>
Total	<u>\$ 135,396</u>	<u>\$ 134,624</u>

The \$40,839 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2025	\$ (24,564)
2026	13,630
2027	(14,385)
2028	(14,748)
	<u>(14,748)</u>
Total	<u>\$ (40,067)</u>

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (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 weighing 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

**F. Actuarial Methods and Assumptions**

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

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

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

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

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions (Continued)**

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

**General Employees Fund**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2024 was 7.0%. 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 positions of the General Employees Plan was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**H. Pension Liability Sensitivity**

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the General Employees Fund net pension liability	\$ 420,276	\$ 192,422	\$ 4,987

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 9 - PENSION PLANS (CONTINUED)**

**I. Pension Plan Fiduciary Net Position**

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

**Public Employees Defined Contribution Plan**

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

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses; therefore, there is no future liability to the City. *Minnesota Statutes* Chapter 353D and 356, 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% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percent of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.25%) of the assets in each member's account annually.

Pension expense for the year is equal to the contributions made. Total contributions made by the City during fiscal year 2024 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 65	\$ 65	5.0%	5.0%	5.0%

**City of Nowthen**  
**Notes to Basic Financial Statements**

**NOTE 10 - RESTATEMENTS AND ADJUSTMENTS OF BEGINNING FUND BALANCES**

During the year ended December 31, 2024, the City's Equipment Fund was changed from a major governmental fund to a nonmajor governmental fund and the City's Building Capital Improvement Fund moved from a nonmajor governmental fund to a major governmental fund, resulting in an increase of beginning fund balance for the nonmajor governmental funds of \$514,543.

Financial Reporting Period	Reporting Units Affected by Adjustments and Restatements of Beginning Balances		
	Funds		
	Building Capital Improvement (410)	Equipment Fund (701)	Nonmajor Governmental
12/31/2023, as previously reported	\$ -	\$ 774,870	\$ 579,982
Change from nonmajor to major	260,327	(774,870)	514,543
12/31/2023, as adjusted or restated	<u>\$ 260,327</u>	<u>\$ -</u>	<u>\$ 1,094,525</u>

**NOTE 11 - CONDUIT DEBT**

**Vista Prairie at Eagle Pointe, LLC**

The City issued a Senior Housing Revenue Note on May 14, 2024, to provide financial assistance to a developer for the construction of Senior Housing. As of December 31, 2024, the aggregate principal amount payable of \$10,000,000 remains outstanding. The note is secured by the property financed and is payable solely from payment received on the underlying mortgage loan. Upon repayment of the note, ownership of the acquired facilities transfers to the organization served by the note issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**City of Nowthen**  
**Schedule of City's Proportionate Share**  
**of Net Pension Liability**  
**General Employees Retirement Fund**  
**Last Ten Years**

Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.0052%	\$ 192,422	\$ 4,976	\$ 197,398	\$ 440,520	43.68%	89.08%
2023	0.0046%	257,227	7,051	264,278	365,413	70.39%	83.10%
2022	0.0033%	261,361	7,670	269,031	296,027	88.29%	76.67%
2021	0.0036%	153,736	4,682	158,418	200,387	76.72%	87.00%
2020	0.0034%	203,846	6,277	210,123	240,000	84.94%	79.06%
2019	0.0026%	143,748	4,500	148,248	186,640	77.02%	80.23%
2018	0.0033%	183,070	5,991	189,061	619,453	29.55%	79.53%
2017	0.0037%	236,206	2,967	239,173	238,133	99.19%	75.90%
2016	0.0040%	324,780	4,187	328,967	247,013	133.18%	68.91%
2015	0.0043%	222,848	-	222,848	249,733	89.23%	78.19%

**City of Nowthen**  
**Schedule of City Contributions**  
**General Employees Retirement Fund**  
**Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 81,677	\$ 81,677	\$ -	\$ 1,089,027	7.50%
2023	69,334	69,334	-	924,453	7.50%
2022	56,406	56,406	-	752,080	7.50%
2021	15,029	15,029	-	200,387	7.50%
2020	18,000	18,000	-	240,000	7.50%
2019	13,998	13,998	-	186,640	7.50%
2018	16,459	16,459	-	219,453	7.50%
2017	17,860	17,860	-	238,133	7.50%
2016	18,526	18,526	-	247,013	7.50%
2015	18,730	18,730	-	249,733	7.50%

**City of Nowthen**  
**Notes to Required Supplementary Information**

**General Employees Fund**

**2024 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2023 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million was 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% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**2022 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.

**City of Nowthen**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2020 Changes (Continued)**

**Changes in Actuarial Assumptions (Continued)**

- 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**Changes in Plan Provisions**

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

**2019 Changes**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

- 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 Changes**

**Changes in Actuarial Assumptions**

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

**Changes in Plan Provisions**

- 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% to 3.00%, beginning July 1, 2018.

**City of Nowthen**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2018 Changes (Continued)**

**Changes in Plan Provisions (Continued)**

- Deferred augmentation was changed to 0.00%, 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% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, 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 Changes**

**Changes in Actuarial Assumptions**

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

**Changes in Plan Provisions**

- 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 Changes**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**2015 Changes**

**Changes in Actuarial Assumptions**

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

**City of Nowthen**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2015 Changes (Continued)**

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

## **SUPPLEMENTARY INFORMATION**

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**City of Nowthen**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
**December 31, 2024**

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental
<b>Assets</b>				
Cash and investments	\$ 77,336	\$ -	\$ 237,309	\$ 314,645
Accounts receivable	10,230	-	-	10,230
Interest receivable	835	-	4,101	4,936
Due from other governments	21,310	-	-	21,310
Special assessment receivable				
Unremitted	-	-	435	435
Deferred	-	-	16,140	16,140
Prepaid items	-	-	409,500	409,500
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 109,711</u>	<u>\$ -</u>	<u>\$ 667,485</u>	<u>\$ 777,196</u>
<b>Liabilities</b>				
Due to other funds	\$ 10,000	\$ -	\$ 7,500	\$ 17,500
Salaries and benefits payable	717	-	-	717
Total liabilities	<u>10,717</u>	<u>-</u>	<u>7,500</u>	<u>18,217</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	<u>-</u>	<u>-</u>	<u>16,140</u>	<u>16,140</u>
<b>Fund Balances</b>				
Nonspendable	-	-	409,500	409,500
Restricted	56,305	-	380	56,685
Committed	42,689	-	-	42,689
Assigned	-	-	239,550	239,550
Unassigned	-	-	(5,585)	(5,585)
Total fund balances	<u>98,994</u>	<u>-</u>	<u>643,845</u>	<u>742,839</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 109,711</u>	<u>\$ -</u>	<u>\$ 667,485</u>	<u>\$ 777,196</u>

**City of Nowthen**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2024**

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ 4,619	\$ 4,619
Intergovernmental	46,485	-	-	46,485
Charges for services	21,423	-	10,050	31,473
Miscellaneous				
Investment income	3,378	-	6,187	9,565
Contributions and donations	38,993	-	-	38,993
Other	5	-	-	5
Total revenues	<u>110,284</u>	<u>-</u>	<u>20,856</u>	<u>131,140</u>
<b>Expenditures</b>				
Current				
Public works	55,000	-	-	55,000
Capital outlay				
Public safety	-	-	7,269	7,269
Public works	-	-	344,679	344,679
Parks and recreation	-	-	37,723	37,723
Total expenditures	<u>55,000</u>	<u>-</u>	<u>389,671</u>	<u>444,671</u>
Excess of revenues over (under) expenditures	55,284	-	(368,815)	(313,531)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	13,500	13,500
Transfers out	(50,000)	(1,655)	-	(51,655)
Total other financing sources (uses)	<u>(50,000)</u>	<u>(1,655)</u>	<u>13,500</u>	<u>(38,155)</u>
Net change in fund balances	5,284	(1,655)	(355,315)	(351,686)
<b>Fund Balances</b>				
Beginning of year	<u>93,710</u>	<u>1,655</u>	<u>484,617</u>	<u>579,982</u>
End of year	<u>\$ 98,994</u>	<u>\$ -</u>	<u>\$ 643,845</u>	<u>\$ 742,839</u>

## **SPECIAL REVENUE FUNDS**

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**City of Nowthen**  
**Combining Balance Sheet -**  
**Nonmajor Special Revenue Funds**  
**December 31, 2024**

	Special Revenue			
	Economic Development (222)	Recycling Fund (603)	Gambling Contribution Fund (230)	Total Special Revenue Funds
<b>Assets</b>				
Cash and investments	\$ 2,699	\$ 29,350	\$ 45,287	\$ 77,336
Accounts receivable	-	-	10,230	10,230
Interest receivable	47	-	788	835
Due from other governments	-	21,310	-	21,310
Total assets	<u>\$ 2,746</u>	<u>\$ 50,660</u>	<u>\$ 56,305</u>	<u>\$ 109,711</u>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 10,000	\$ -	\$ 10,000
Salaries and benefits payable	-	717	-	717
Total liabilities	<u>-</u>	<u>10,717</u>	<u>-</u>	<u>10,717</u>
<b>Fund Balances</b>				
Restricted	-	-	56,305	56,305
Committed	2,746	39,943	-	42,689
Total fund balances	<u>2,746</u>	<u>39,943</u>	<u>56,305</u>	<u>98,994</u>
Total liabilities and fund balances	<u>\$ 2,746</u>	<u>\$ 50,660</u>	<u>\$ 56,305</u>	<u>\$ 109,711</u>

**City of Nowthen**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes In Fund Balances -**  
**Nonmajor Special Revenue Funds**  
**Year Ended December 31, 2024**

	Special Revenue			
	Economic Development (222)	Recycling Fund (603)	Gambling Contribution Fund (230)	Total Special Revenue Funds
<b>Revenues</b>				
Intergovernmental	\$ -	\$ 46,485	\$ -	\$ 46,485
Charges for services	-	21,423	-	21,423
Miscellaneous				
Investment income	119	487	2,772	3,378
Contributions and donations	-	-	38,993	38,993
Other	-	5	-	5
Total revenues	<u>119</u>	<u>68,400</u>	<u>41,765</u>	<u>110,284</u>
<b>Expenditures</b>				
Current				
Public works	-	55,000	-	55,000
Total expenditures	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Excess of revenues over expenditures	119	13,400	41,765	55,284
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Net change in fund balances	119	13,400	(8,235)	5,284
<b>Fund Balances</b>				
Beginning of year	<u>2,627</u>	<u>26,543</u>	<u>64,540</u>	<u>93,710</u>
End of year	<u>\$ 2,746</u>	<u>\$ 39,943</u>	<u>\$ 56,305</u>	<u>\$ 98,994</u>

## **DEBT SERVICE FUNDS**

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City of Nowthen  
Combining Balance Sheet -  
Nonmajor Debt Service Funds  
December 31, 2024

	<u>Debt Service</u> <u>2013 Fire Certs</u> <u>(312)</u>	<u>Total Debt</u> <u>Service Funds</u>
<b>Fund Balances</b>		
Unassigned	-	-
Total fund balances	<u>\$ -</u>	<u>\$ -</u>

City of Nowthen  
Combining Statement of Revenues, Expenditures and Changes  
in Fund Balances - Nonmajor Debt Service Funds  
Year Ended December 31, 2024

	<u>Debt Service</u> <u>2013 Fire Certs</u>	<u>Total Debt</u>
	<u>(312)</u>	<u>Service Funds</u>
<b>Other Financing Sources (Uses)</b>		
Transfers out	<u>(1,655)</u>	<u>(1,655)</u>
Net change in fund balances	(1,655)	(1,655)
<b>Fund Balances</b>		
Beginning of year	<u>1,655</u>	<u>1,655</u>
End of year	<u>\$ -</u>	<u>\$ -</u>

## CAPITAL PROJECTS FUNDS

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**City of Nowthen  
Combining Balance Sheet -  
Nonmajor Capital Projects Funds  
December 31, 2024**

	Capital Projects				Total Capital Project Funds
	Park Development (404)	Pinnaker Lake Road Project (415)	Equipment Fund (701)	Turnout Gear Fund (408)	
<b>Assets</b>					
Cash and investments	\$ 212,108	\$ 1,480	\$ 23,347	\$ 374	\$ 237,309
Special assessment receivable:					
Unremitted	-	435			435
Deferred	-	16,140	-	-	16,140
Interest receivable	3,689	-	406	6	4,101
Prepaid items	-	-	409,500	-	409,500
<b>Total assets</b>	<b>\$ 215,797</b>	<b>\$ 18,055</b>	<b>\$ 433,253</b>	<b>\$ 380</b>	<b>\$ 667,485</b>
<b>Liabilities</b>					
Due to other funds	\$ -	\$ 7,500	\$ -	\$ -	\$ 7,500
<b>Deferred inflows of resources</b>					
Unavailable revenue					
- special assessments	-	16,140	-	-	16,140
<b>Fund Balances</b>					
Nonspendable	-	-	409,500	-	409,500
Restricted	-	-	-	380	380
Assigned	215,797	-	23,753	-	239,550
Unassigned	-	(5,585)	-	-	(5,585)
<b>Total fund balances</b>	<b>215,797</b>	<b>(5,585)</b>	<b>433,253</b>	<b>380</b>	<b>\$ 643,845</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 215,797</b>	<b>\$ 18,055</b>	<b>\$ 433,253</b>	<b>\$ 380</b>	<b>\$ 667,485</b>

**City of Nowthen**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances - Nonmajor Capital Projects Funds**  
**Year Ended December 31, 2024**

	Capital Projects			Building
	Park Development (404)	Pinnaker Lake Road Project (415)	Equipment Fund (701)	Capital Improvement (410)
<b>Revenues</b>				
Special assessments	\$ -	\$ 4,619	\$ -	\$ -
Charges for services	10,050	-	-	-
Miscellaneous				
Investment income	8,976	-	(2,938)	-
Total revenues	<u>19,026</u>	<u>4,619</u>	<u>(2,938)</u>	<u>-</u>
<b>Expenditures</b>				
Capital outlay				
Public safety	-	-	-	-
Public works	-	-	344,679	-
Parks and recreation	37,723	-	-	-
Total expenditures	<u>37,723</u>	<u>-</u>	<u>344,679</u>	<u>-</u>
Excess of revenues over (under) expenditures	(18,697)	4,619	(347,617)	-
<b>Other financing sources (uses)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>-</u>
Net change in fund balances	(18,697)	4,619	(341,617)	-
<b>Fund Balances</b>				
Beginning of year, as previously stated	234,494	(10,204)	-	260,327
Change within reporting entity (See Note 10)	<u>-</u>	<u>-</u>	<u>774,870</u>	<u>(260,327)</u>
Beginning of year, as restated	<u>234,494</u>	<u>(10,204)</u>	<u>774,870</u>	<u>-</u>
End of year	<u>\$ 215,797</u>	<u>\$ (5,585)</u>	<u>\$ 433,253</u>	<u>\$ -</u>

<u>Capital Projects</u>	
<u>Turnout Gear Fund (408)</u>	<u>Total Capital Project Funds</u>
\$ -	\$ 4,619
-	10,050
149	6,187
<u>149</u>	<u>20,856</u>
7,269	7,269
-	344,679
-	37,723
<u>7,269</u>	<u>389,671</u>
(7,120)	(368,815)
<u>7,500</u>	<u>13,500</u>
380	(355,315)
-	484,617
-	514,543
-	999,160
<u>\$ 380</u>	<u>\$ 643,845</u>

**City of Nowthen**  
**Detailed Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 1,702,905	\$ 1,702,905	\$ 1,689,363	\$ (13,542)
Special assessments	-	-	6,971	6,971
Licenses and permits	133,350	153,350	174,068	20,718
Intergovernmental revenue				
Local government aid	100,200	100,200	72,191	(28,009)
PERA aid	35,000	35,000	42,585	7,585
Other grants and aids	-	-	38,414	38,414
Total intergovernmental revenue	<u>135,200</u>	<u>135,200</u>	<u>153,190</u>	<u>17,990</u>
Charges for services				
General government	<u>131,600</u>	<u>131,600</u>	<u>99,146</u>	<u>(32,454)</u>
Total charges for services	<u>131,600</u>	<u>131,600</u>	<u>99,146</u>	<u>(32,454)</u>
Fines and forfeitures	11,500	11,500	6,801	(4,699)
Miscellaneous revenues				
Investment income	35,000	60,000	77,925	17,925
Contributions and donations	-	-	30,000	30,000
Other	<u>2,500</u>	<u>2,500</u>	<u>55,875</u>	<u>53,375</u>
Total miscellaneous revenues	<u>37,500</u>	<u>62,500</u>	<u>163,800</u>	<u>101,300</u>
Total revenues	<u>2,152,055</u>	<u>2,197,055</u>	<u>2,293,339</u>	<u>96,284</u>
<b>Expenditures</b>				
General government				
Mayor and council				
Current	<u>34,640</u>	<u>34,640</u>	<u>32,638</u>	<u>(2,002)</u>
Total mayor and council	<u>34,640</u>	<u>34,640</u>	<u>32,638</u>	<u>(2,002)</u>
Administrative				
Current	<u>789,110</u>	<u>826,110</u>	<u>746,623</u>	<u>(79,487)</u>
Total administrative	<u>789,110</u>	<u>826,110</u>	<u>746,623</u>	<u>(79,487)</u>
Legal services				
Current	<u>25,000</u>	<u>105,000</u>	<u>100,840</u>	<u>(4,160)</u>
Total legal services	<u>25,000</u>	<u>105,000</u>	<u>100,840</u>	<u>(4,160)</u>
Planning and zoning				
Current	<u>75,080</u>	<u>75,080</u>	<u>72,757</u>	<u>(2,323)</u>
Total planning and zoning	<u>75,080</u>	<u>75,080</u>	<u>72,757</u>	<u>(2,323)</u>
Total general government	<u>923,830</u>	<u>1,040,830</u>	<u>952,858</u>	<u>(87,972)</u>



**City of Nowthen**  
**Detailed Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Public safety				
Police				
Current	\$ 465,545	\$ 465,545	\$ 465,542	\$ (3)
Total police	465,545	465,545	465,542	(3)
Fire				
Current	269,975	269,975	234,752	(35,223)
Total fire	269,975	269,975	234,752	(35,223)
Building and inspections				
Current	167,500	167,500	162,616	(4,884)
Total building and inspections	167,500	167,500	162,616	(4,884)
Total public safety	903,020	903,020	862,910	(40,110)
Public works				
Streets and highways				
Current				
Street maintenance	522,470	440,470	392,992	(47,478)
Total current	522,470	440,470	392,992	(47,478)
Capital outlay	24,000	14,000	5,268	(8,732)
Total public works	546,470	454,470	398,260	(56,210)
Parks and recreation				
Current	68,420	88,420	74,237	(14,183)
Total expenditures	2,441,740	2,486,740	2,318,265	(168,475)
Excess of revenues over (under) expenditures	(289,685)	(289,685)	(24,926)	264,759
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Transfers out	(13,500)	(13,500)	(13,500)	-
Total other financing sources (uses)	36,500	36,500	36,500	-
Net change in fund balance	\$ (253,185)	\$ (253,185)	11,574	\$ 264,759
<b>Fund Balance</b>				
Beginning of year			1,458,779	
End of year			\$ 1,470,353	

**City of Nowthen**  
**Detailed Schedule of Revenues, Expenditure, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Transfers out	<u>(13,500)</u>	<u>(13,500)</u>	<u>(13,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>36,500</u>	<u>36,500</u>	<u>36,500</u>	<u>-</u>
Net change in fund balance	<u>\$ (253,185)</u>	<u>\$ (253,185)</u>	11,574	<u>\$ 264,759</u>
<b>Fund Balance</b>				
Beginning of year			<u>1,458,779</u>	
End of year			<u>\$ 1,470,353</u>	



**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***

**Independent Auditor's Report**

Honorable Mayor and Members  
of the City Council  
City of Nowthen  
Nowthen, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Nowthen, Minnesota, as of and for the year ended December 31, 2024, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 5, 2025.

**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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses on internal control as audit finding 2024-001 that we consider to be a material weakness.

**City's Response to the Finding**

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

**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.

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

BerganKDV, Ltd.

Minneapolis, Minnesota  
May 5, 2025



## Minnesota Legal Compliance

### Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Nowthen,  
Anoka County, Minnesota  
City of Nowthen

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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Nowthen, Minnesota, as of and for the year ended December 31, 2024, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 5, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Nowthen failed to comply with the provisions of the contracting - bid laws, depositories of public funds and public 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 *Minnesota Statutes* § 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.

*BerganKDV, Ltd.*

Minneapolis, Minnesota  
May 5, 2025

**City of Nowthen  
Schedule of Findings and Responses on  
Internal Control**

**CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING:**

**Material Weakness:**

**Audit Finding 2024-001 - Lack of Segregation of Accounting Duties**

During the year ended December 31, 2024, the City had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Management is aware of this condition and has taken certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct. However, management, along with the City Council, must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

**City's Response:**

The City is aware of this condition and will continue to monitor the system of internal control and any changes that occur.

**FORM OF LEGAL OPINION**

(See following pages)

\$ \_\_\_\_\_  
City of Nowthen, Minnesota  
General Obligation Bonds  
Series 2025A

We have acted as bond counsel to the City of Nowthen, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its General Obligation Bonds, Series 2025A (the “Bonds”), originally dated December 10, 2025, and issued in the original aggregate principal amount of \$ \_\_\_\_\_. 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 in accordance with their terms.

2. The principal of and interest on the Bonds are payable in part from special assessments levied or to be levied on property specially benefited by local improvements and from ad valorem taxes, 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. 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 set forth in the preceding sentences are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes and from 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 and in taxable net income for Minnesota 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 December \_\_, 2025 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](http://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)

\$ \_\_\_\_\_  
City of Nowthen, Minnesota  
General Obligation Bonds  
Series 2025A

CONTINUING DISCLOSURE CERTIFICATE

December \_\_, 2025

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Nowthen, Minnesota (the “Issuer”) in connection with the issuance of its General Obligation Bonds, Series 2025A (the “Bonds”), in the original aggregate principal amount of \$ \_\_\_\_\_. 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. In addition, 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 assist the Participating Underwriters (as defined herein) in complying with SEC Rule 15c2-12(b)(5) (the “Rule”). 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 the Issuer’s Audited Financial Statements.

“Audited Financial Statements” means the financial statements of the Issuer, audited annually by an independent certified public accounting firm, and prepared in accordance with GAAP as prescribed by GASB or as otherwise required by Minnesota law for the preceding Fiscal Year, including a balance sheet and statement of revenues, expenditures and changes in fund balances.

“Bonds” means the General Obligation Bonds, Series 2025A, issued by the Issuer in the original aggregate principal amount of \$ \_\_\_\_\_.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB as the primary portal for complying with the continuing disclosure requirements of the Rule.

“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 Nowthen, Minnesota, which is the obligated person with respect to the Bonds.

“Material Event” means any of the events listed in Section 4(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.

“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.

Section 3. Provision of Annual Report. To the extent such information is customarily prepared by the Issuer and is publicly available, the Issuer shall provide the Annual Report to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends December 31, 2025. The Annual Report 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.

The Annual Report may be submitted as a single document or as separate documents comprising a package.

Section 4. Reporting of Material Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events if material 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 5.      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 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of the Bonds or payment in full of the Bonds.

Section 7. 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 8. Amendment; Waiver. Notwithstanding any other provision of the Resolutions and 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. 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 require the Resolutions and this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions 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 of the Resolutions and this Disclosure Certificate and by the Issuer with the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a 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 10. 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 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and 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 NOWTHEN, MINNESOTA**

(SEAL)

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Mayor

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City Clerk

**TERMS OF PROPOSAL**

**\$1,405,000\* GENERAL OBLIGATION BONDS, SERIES 2025A  
CITY OF NOWTHEN, MINNESOTA**

Proposals for the purchase of \$1,405,000\* General Obligation Bonds, Series 2025A (the "Bonds") of the City of Nowthen, 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 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M., Central Time, on November 18, 2025, 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, Chapters 429 and 475, as amended, and Minnesota Statutes, Section 412.301, as amended, by the City, for the purposes of financing certain assessable public improvements, and the acquisition of capital equipment. 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 December 10, 2025, 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>
2027	\$120,000	2031	\$140,000	2035	\$155,000
2028	125,000	2032	140,000	2036	165,000
2029	130,000	2033	150,000		
2030	130,000	2034	150,000		

**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, 2026, 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 2027 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, 2035 shall be subject to optional redemption prior to maturity on February 1, 2034 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.

## **DELIVERY**

On or about December 10, 2025, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

## LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by 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.

## SUBMISSION OF PROPOSALS

Proposals must not be for less than \$1,386,735 plus accrued interest on the principal sum of \$1,405,000 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](mailto:bondsale@ehlers-inc.com); or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 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 \$28,100 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 Deposit will be deducted from the purchase price at the closing for the Bonds.

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

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

## **AWARD**

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

## **BOND INSURANCE**

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

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

## **CUSIP NUMBERS**

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

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

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

## **CONTINUING DISCLOSURE**

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

## **NEW ISSUE PRICING**

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

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

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

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

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

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

(d) 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 (5<sup>th</sup>) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5<sup>th</sup>) 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](http://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 Nowthen, Minnesota



# PROPOSAL FORM

The City Council  
City of Nowthen, Minnesota (the "City")

November 18, 2025

RE: \$1,405,000\* General Obligation Bonds, Series 2025A (the "Bonds")

DATED: December 10, 2025

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 \$1,386,735) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2027	_____ % due 2031	_____ % due 2035
_____ % due 2028	_____ % due 2032	_____ % due 2036
_____ % due 2029	_____ % due 2033	
_____ % due 2030	_____ % due 2034	

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 2027 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 \$28,100 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. The Deposit will be deducted from the purchase price at the closing for the Bonds. 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 December 10, 2025.

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 December 10, 2025 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 Nowthen, Minnesota, on November 18, 2025.

By: \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_ Title: \_\_\_\_\_