

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 11, 2026

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. See "TAX CONSIDERATIONS" herein.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF DILWORTH, MINNESOTA (Clay County)

\$11,375,000* GENERAL OBLIGATION SALES TAX AND ABATEMENT BONDS, SERIES 2026A

PROPOSAL OPENING: June 22, 2026, 10:30 A.M., C.T.

CONSIDERATION: June 22, 2026, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$11,375,000* General Obligation Sales Tax and Abatement Bonds, Series 2026A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 469 and 475, as amended, including Sections 469.1812 through 469.1815, and Minnesota Session Laws of 2023, First Session, Chapter 64, Article 10, Section 32, by the City of Dilworth, Minnesota (the "City"), for the purpose of financing the capital costs of the City's Community Center Project. 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 Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF BONDS:

July 16, 2026

MATURITY:

February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2028	\$150,000	2035	\$600,000	2042	\$780,000
2029	490,000	2036	620,000	2043	815,000
2030	505,000	2037	640,000	2044	405,000
2031	525,000	2038	670,000	2045	425,000
2032	545,000	2039	695,000	2046	445,000
2033	555,000	2040	720,000	2047	465,000
2034	575,000	2041	750,000		

***MATURITY**

ADJUSTMENTS:

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

TERM BONDS:

See "Term Bond Option" herein.

INTEREST:

August 1, 2027 and semiannually thereafter.

OPTIONAL REDEMPTION:

Bonds maturing on February 1, 2036 and thereafter are subject to call for prior optional redemption on February 1, 2035 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL:

\$11,261,250.

GOOD FAITH DEPOSIT:

A good faith deposit in the amount of \$227,500 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT:

U.S. Bank Trust Company, National Association.

BOND COUNSEL:

Dorsey & Whitney 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.



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REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

TABLE OF CONTENTS

INTRODUCTORY STATEMENT.....	1	THE ISSUER	25
THE BONDS	1	CITY GOVERNMENT.....	25
GENERAL	1	EMPLOYEES; PENSIONS; UNIONS	25
OPTIONAL REDEMPTION	2	POST EMPLOYMENT BENEFITS.....	25
AUTHORITY; PURPOSE	2	LITIGATION	25
ESTIMATED SOURCES AND USES.....	2	MUNICIPAL BANKRUPTCY.....	26
SECURITY.....	3	FUNDS ON HAND.....	26
RATING	4	ENTERPRISE FUNDS.....	27
CONTINUING DISCLOSURE.....	4	SUMMARY GENERAL FUND INFORMATION.....	28
LEGAL OPINION	5	GENERAL FUND BUDGET SUMMARY	29
TAX CONSIDERATIONS	5	GENERAL INFORMATION	30
MUNICIPAL ADVISOR	8	LOCATION	30
MUNICIPAL ADVISOR AFFILIATED COMPANIES.....	8	LARGER EMPLOYERS	30
INDEPENDENT AUDITORS	8	BUILDING PERMITS	31
RISK FACTORS.....	9	U.S. CENSUS DATA	31
VALUATIONS.....	11	EMPLOYMENT/UNEMPLOYMENT DATA.....	32
OVERVIEW	11	FINANCIAL STATEMENTS.....	A-1
CURRENT PROPERTY VALUATIONS.....	12	FORM OF LEGAL OPINION	B-1
2025/26 NET TAX CAPACITY BY CLASSIFICATION ..	12	BOOK-ENTRY-ONLY SYSTEM	C-1
TREND OF VALUATIONS.....	13	FORM OF CONTINUING DISCLOSURE COVENANTS (EXCERPTS FROM AWARD RESOLUTION)	D-1
LARGEST TAXPAYERS.....	13	TERMS OF PROPOSAL	E-1
DEBT	14	PROPOSAL FORM	
DIRECT DEBT	14		
DEBT PAYMENT HISTORY	14		
FUTURE FINANCING.....	14		
DEBT LIMIT	15		
SCHEDULES OF BONDED INDEBTEDNESS	16		
OVERLAPPING DEBT	22		
DEBT RATIOS.....	23		
TAX LEVIES, COLLECTIONS AND RATES	24		
TAX LEVIES AND COLLECTIONS	24		
TAX CAPACITY RATES	24		

CITY OF DILWORTH CITY COUNCIL

		<u>Term Expires</u>
Chad Olson	Mayor	January 2027
Julie Nash	Vice Mayor	January 2029
Amber Borah	Council Member	January 2027
Kevin Peterson	Council Member	January 2029
Dave Steichen	Council Member	January 2027

ADMINISTRATION*

Peyton Mastera, Interim City Administrator*

Perry Baatz, Finance Officer

* The City expects to have a permanent City Administrator in place by fall of 2026.

PROFESSIONAL SERVICES

Ohnstad Twichell, P.C., City Attorney, West Fargo, North Dakota

Dorsey & Whitney 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 Dilworth, Minnesota (the "City") and the issuance of its \$11,375,000* General Obligation Sales Tax and Abatement Bonds, Series 2026A (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 June 22, 2026.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of July 16, 2026. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** 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 U.S. Bank Trust Company, National Association, St. Paul, Minnesota to act as paying agent (the "Paying Agent"). 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

The Bonds maturing on and after February 1, 2036 are be subject to redemption and prepayment at the option of the City, in whole or in part, in such order as the City shall determine and within a maturity by lot as selected by the Registrar in multiples of \$5,000, on February 1, 2035, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption.

The City is required to cause notice of the call for redemption thereof to be published as required by law and, at least thirty (30) days and no more than sixty (60) days prior to the designated redemption date, cause notice of the call for redemption to be mailed, by first class mail, to the registered owners of any Bonds to be redeemed at their addresses as they appear on the bond register, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 469 and 475, as amended, including Sections 469.1812 through 469.1815, and Minnesota Session Laws of 2023, First Session, Chapter 64, Article 10, Section 32, by the City, for the purpose of financing the capital costs of the City's Community Center Project.

ESTIMATED SOURCES AND USES*

Sources	Sales Tax Revenue Portion	Tax Abatement Portion	Total Bond Issue
Par Amount of Bonds	\$5,110,000	\$6,265,000	\$11,375,000
Planned Issuer Equity Contribution	<u>394,000</u>	<u>-</u>	<u>394,000</u>
Total Sources	\$5,504,000	\$6,265,000	\$11,769,000
Uses			
Total Underwriter's Discount (1.000%)	\$51,100	\$62,650	\$113,750
Costs of Issuance	52,560	64,440	117,000
Deposit to Project Construction Fund	5,400,000	6,134,084	11,534,084
Rounding Amount	<u>340</u>	<u>3,826</u>	<u>4,166</u>
Total Uses	\$5,504,000	\$6,265,000	\$11,769,000

*Preliminary, subject to change.

Breakdown of Principal Payments*:

Payment Date	Sales Tax Revenue Portion	Tax Abatement Portion	Total Bond Issue
2/01/2028	\$150,000	-	\$150,000
2/01/2029	255,000	\$235,000	490,000
2/01/2030	265,000	240,000	505,000
2/01/2031	275,000	250,000	525,000
2/01/2032	285,000	260,000	545,000
2/01/2033	290,000	265,000	555,000
2/01/2034	300,000	275,000	575,000
2/01/2035	315,000	285,000	600,000
2/01/2036	325,000	295,000	620,000
2/01/2037	335,000	305,000	640,000
2/01/2038	350,000	320,000	670,000
2/01/2039	365,000	330,000	695,000
2/01/2040	375,000	345,000	720,000
2/01/2041	390,000	360,000	750,000
2/01/2042	410,000	370,000	780,000
2/01/2043	425,000	390,000	815,000
2/01/2044	-	405,000	405,000
2/01/2045	-	425,000	425,000
2/01/2046	-	445,000	445,000
2/01/2047	<u>-</u>	<u>465,000</u>	<u>465,000</u>
Total	\$5,110,000	\$6,265,000	\$11,375,000

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the City to which its full faith and credit and taxing powers are pledged.

The City anticipates that debt service on the Sales Tax Revenue Portion of the Bonds will be paid from sales and use tax revenues equal to one-half percent (0.5%) of the gross receipts arising from certain sales and uses within the City. In accordance with Minnesota Statutes, the City anticipates that receipt of sales tax revenues will be sufficient to provide not less than 105% of the principal and interest on the Sales Tax Revenue Portion of the Bonds.

The City anticipates that the debt service on the Tax Abatement Portion of the Bonds will be paid from a combination of abating the City's portion of taxes from specific parcels up to an amount of the aggregate sum of abatements equal to the principal amount of the Tax Abatement Portion of the Bonds and from ad valorem property taxes on the interest amount of the Tax Abatement Portion of the Bonds. Receipt of tax abatement revenues and ad valorem property taxes will be sufficient to provide not less than 105% of principal and interest on the Tax Abatement Portion of the Bonds as required by Minnesota law.

Should the sales tax revenues, tax abatement revenues 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 outlook by S&P Global Ratings ("S&P").

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

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

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

CONTINUING DISCLOSURE

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

In the Award Resolution, the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

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

The City did not timely file notice of certain financial obligations incurred in December of 2022, July of 2024, and two in January of 2026. 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 in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the City.

TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The City has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the application of the alternative minimum tax imposed on noncorporate taxpayers and applicable corporations (as defined in Section 59(k) of the Code) or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as "capital assets" (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies, brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect to the Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the "issue price" of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

Tax Exempt Interest

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Code, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of the Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of the Bond proceeds and other amounts. The City has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

Bonds may be issued with original issue discount ("OID"). A Bond will be treated as issued with OID (a "Discount Bond") if its "stated redemption price at maturity" (i.e., the sum of all amounts payable on the Bond other than payments of qualified stated interest) exceeds its issue price. OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder's federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Bonds, even if the Bonds are sold, redeemed or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

Market Discount

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued original issue discount, if any), the purchaser may be treated as having purchased the Bond with market discount (unless a statutory *de minimis* rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond).

Bond Premium

A holder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal and Minnesota tax basis for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, or trusts.

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, no deduction is allowed under Section 265(b) of the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations". Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchaser of the Bonds. The Bonds are not "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code.

Income or loss on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds, may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

Sale or Other Disposition

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder's adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued original issue discount with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

Information Reporting and Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued original issue discount) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

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

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

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2025 have been audited by Eide Bailly LLP, Fargo, North Dakota, 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 (sales tax and tax abatement revenues) 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 bond 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 United States or State of Minnesota income taxation, retroactive to the date of issuance.

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

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

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

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

³ Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2025/26 Economic Market Value	<u>\$581,555,437¹</u>
2025/26 Assessor's Estimated Market Value	
Real Estate	\$534,998,200
Personal Property	<u>2,579,000</u>
Total Valuation	<u>\$537,577,200</u>
2025/26 Net Tax Capacity	
Real Estate	\$5,870,677
Personal Property	<u>51,176</u>
Net Tax Capacity	<u>\$5,921,853</u>

2025/26 NET TAX CAPACITY BY CLASSIFICATION

	2025/26 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$3,076,369	51.949%
Agricultural	94,194	1.591%
Commercial/industrial	1,641,128	27.713%
Public utility	144	0.002%
Non-homestead residential	1,048,298	17.702%
Other	10,544	0.178%
Personal property	<u>51,176</u>	<u>0.864%</u>
Total	<u>\$5,921,853</u>	<u>100.000%</u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City was about 92.26% 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 \$581,555,437.

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Taxable Net Tax Capacity ²	Percent Increase/Decrease in Estimated Market Value
2021/22	\$399,746,700	\$368,946,200	\$4,435,859	\$4,435,859	1.94%
2022/23	451,125,500	422,889,000	5,011,771	5,011,771	12.85%
2023/24	483,157,300	457,508,700	5,385,390	5,385,390	7.10%
2024/25	517,169,600	481,194,600	5,692,777	5,692,777	7.04%
2025/26	537,577,200	500,589,800	5,921,853	5,921,853	3.95%

LARGEST TAXPAYERS

Taxpayer	Type of Property	2025/26 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Burlington Northern Railroad Co.	Railroad	\$311,562	5.26%
Walmart	Commercial	199,774	3.37%
Americo Real Estate Co.	Commercial	126,383	2.13%
Axis Clinicals LLC	Commercial	125,256	2.12%
Gateway Crossing LLC	Commercial	117,300	1.98%
BMW Investments LLC	Apartments	79,164	1.34%
Prairie Crossing Townhomes LLC	Apartments	78,440	1.32%
Larson Enterprises	Commercial	53,786	0.91%
Close to Home Self Storage Dilworth LLP	Commercial	53,596	0.91%
Rail 10 Apartments, LLP	Apartments	<u>52,471</u>	<u>0.89%</u>
Total		\$1,197,732	20.23%

City's Total 2025/26 Net Tax Capacity \$5,921,853

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

¹ Net Tax Capacity includes tax increment values, if any.

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total G.O. debt secured by sales tax revenues (includes the Sales Tax Revenue Portion of the Bonds)*	\$5,110,000
Total G.O. debt secured by special assessments and taxes	18,435,000
Total G.O. debt secured by special assessments, taxes and utility revenues	1,535,000
Total G.O. debt secured by tax abatement revenues (includes the Tax Abatement Portion of the Bonds)*	6,265,000
Total G.O. debt secured by taxes	4,205,000
Total General Obligation Debt*	<u><u>\$35,550,000</u></u>

*Preliminary, subject to change.

Other Debt

<u>Issue Date</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
07/08/24	\$150,600	Land	07/31/28	\$75,300
01/05/26	\$525,000	Fire Truck	01/05/31	\$476,897
01/26/26	\$330,359	Land Purchase Agreement	01/26/30	\$247,769

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

The City anticipates issuing approximately \$400,000 in General Obligation debt payable from net revenues of the City's water fund for new water system infrastructure improvements in 2026.

¹ 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; (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 (includes the Bonds).

2025/26 Assessor's Estimated Market Value	\$537,577,200
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$16,127,316
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	<u>(4,205,000)</u>
Unused Debt Limit	<u><u>\$11,922,316</u></u>

City of Dilworth, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Sales Tax Revenues
(As of 07/16/2026)

Sales Tax Revenue Bonds 1) Series 2026A								
Dated	07/16/2026							
Amount	\$5,110,000*							
Maturity	02/01							
Calendar Year Ending	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2027	0	199,997	0	199,997	199,997	5,110,000	.00%	2027
2028	150,000	189,673	150,000	189,673	339,673	4,960,000	2.94%	2028
2029	255,000	183,331	255,000	183,331	438,331	4,705,000	7.93%	2029
2030	265,000	175,075	265,000	175,075	440,075	4,440,000	13.11%	2030
2031	275,000	166,298	275,000	166,298	441,298	4,165,000	18.49%	2031
2032	285,000	156,986	285,000	156,986	441,986	3,880,000	24.07%	2032
2033	290,000	147,210	290,000	147,210	437,210	3,590,000	29.75%	2033
2034	300,000	136,958	300,000	136,958	436,958	3,290,000	35.62%	2034
2035	315,000	126,038	315,000	126,038	441,038	2,975,000	41.78%	2035
2036	325,000	114,355	325,000	114,355	439,355	2,650,000	48.14%	2036
2037	335,000	101,978	335,000	101,978	436,978	2,315,000	54.70%	2037
2038	350,000	88,875	350,000	88,875	438,875	1,965,000	61.55%	2038
2039	365,000	74,929	365,000	74,929	439,929	1,600,000	68.69%	2039
2040	375,000	60,126	375,000	60,126	435,126	1,225,000	76.03%	2040
2041	390,000	44,538	390,000	44,538	434,538	835,000	83.66%	2041
2042	410,000	27,728	410,000	27,728	437,728	425,000	91.68%	2042
2043	425,000	9,456	425,000	9,456	434,456	0	100.00%	2043
	5,110,000	2,003,549	5,110,000	2,003,549	7,113,549			

* Preliminary, subject to change.

- 1) This represents the \$5,110,000 Sales Tax Revenue Portion of the \$11,375,000 General Obligation Sales Tax and Abatement Bonds, Series 2026A.

City of Dilworth, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 07/16/2026)

	Improvement Refunding Bonds Series 2015B		Improvement Bonds 1) Series 2016A		Improvement Bonds Series 2018A		Taxable Improvement Bonds Series 2018C		Improvement Bonds Series 2020A	
Dated	11/19/2015		06/07/2016		05/31/2018		09/06/2018		07/16/2020	
Amount	\$2,415,000		\$500,000		\$7,590,000		\$1,865,000		\$1,230,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	0	5,438	0	2,593	0	111,169	0	22,196	0	7,900
2027	215,000	8,188	35,000	4,826	400,000	214,338	120,000	42,353	125,000	14,550
2028	220,000	2,750	35,000	4,109	415,000	200,113	125,000	38,188	125,000	12,050
2029			35,000	3,313	430,000	187,438	125,000	33,875	130,000	9,500
2030			35,000	2,438	445,000	174,313	130,000	29,413	135,000	6,850
2031			40,000	1,500	455,000	160,813	135,000	24,674	135,000	4,150
2032			40,000	500	470,000	146,938	140,000	19,655	140,000	1,400
2033					485,000	132,613	145,000	14,345		
2034					495,000	117,603	150,000	8,740		
2035					510,000	101,581	155,000	2,945		
2036					530,000	84,681				
2037					545,000	67,213				
2038					565,000	49,175				
2039					585,000	30,122				
2040					600,000	10,125				
2041										
2042										
2043										
2044										
	435,000	16,375	220,000	19,278	6,930,000	1,788,231	1,225,000	236,383	790,000	56,400

1) This represents the \$500,000 Improvement portion of the \$1,560,000 General Obligation Bonds, Series 2016A.

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City of Dilworth, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 07/16/2026)

Improvement Bonds Series 2022A								
Dated	06/16/2022							
Amount	\$9,500,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	0	169,033	0	318,328	318,328	18,435,000	.00%	2026
2027	350,000	331,065	1,245,000	615,319	1,860,319	17,190,000	6.75%	2027
2028	370,000	316,665	1,290,000	573,874	1,863,874	15,900,000	13.75%	2028
2029	380,000	301,665	1,100,000	535,790	1,635,790	14,800,000	19.72%	2029
2030	395,000	286,165	1,140,000	499,178	1,639,178	13,660,000	25.90%	2030
2031	410,000	270,065	1,175,000	461,201	1,636,201	12,485,000	32.28%	2031
2032	430,000	255,415	1,220,000	423,908	1,643,908	11,265,000	38.89%	2032
2033	440,000	242,145	1,070,000	389,103	1,459,103	10,195,000	44.70%	2033
2034	455,000	227,363	1,100,000	353,706	1,453,706	9,095,000	50.66%	2034
2035	470,000	211,175	1,135,000	315,701	1,450,701	7,960,000	56.82%	2035
2036	490,000	194,375	1,020,000	279,056	1,299,056	6,940,000	62.35%	2036
2037	505,000	175,700	1,050,000	242,913	1,292,913	5,890,000	68.05%	2037
2038	525,000	155,100	1,090,000	204,275	1,294,275	4,800,000	73.96%	2038
2039	550,000	133,600	1,135,000	163,722	1,298,722	3,665,000	80.12%	2039
2040	565,000	111,300	1,165,000	121,425	1,286,425	2,500,000	86.44%	2040
2041	590,000	88,200	590,000	88,200	678,200	1,910,000	89.64%	2041
2042	615,000	64,100	615,000	64,100	679,100	1,295,000	92.98%	2042
2043	635,000	39,100	635,000	39,100	674,100	660,000	96.42%	2043
2044	660,000	13,200	660,000	13,200	673,200	0	100.00%	2044
	8,835,000	3,585,430	18,435,000	5,702,096	24,137,096			

City of Dilworth, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments, Taxes and Utility Revenues
(As of 07/16/2026)

Sewer System Bonds Series 2018B								
Dated	05/31/2018							
Amount	\$2,000,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	0	24,316	0	24,316	24,316	1,535,000	.00%	2026
2027	90,000	47,281	90,000	47,281	137,281	1,445,000	5.86%	2027
2028	90,000	44,581	90,000	44,581	134,581	1,355,000	11.73%	2028
2029	95,000	41,806	95,000	41,806	136,806	1,260,000	17.92%	2029
2030	100,000	38,881	100,000	38,881	138,881	1,160,000	24.43%	2030
2031	100,000	35,881	100,000	35,881	135,881	1,060,000	30.94%	2031
2032	105,000	32,741	105,000	32,741	137,741	955,000	37.79%	2032
2033	105,000	29,459	105,000	29,459	134,459	850,000	44.63%	2033
2034	110,000	26,100	110,000	26,100	136,100	740,000	51.79%	2034
2035	115,000	22,513	115,000	22,513	137,513	625,000	59.28%	2035
2036	115,000	18,775	115,000	18,775	133,775	510,000	66.78%	2036
2037	120,000	14,956	120,000	14,956	134,956	390,000	74.59%	2037
2038	125,000	10,975	125,000	10,975	135,975	265,000	82.74%	2038
2039	130,000	6,750	130,000	6,750	136,750	135,000	91.21%	2039
2040	135,000	2,278	135,000	2,278	137,278	0	100.00%	2040
	1,535,000	397,294	1,535,000	397,294	1,932,294			

City of Dilworth, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 07/16/2026)

Tax Abatement Bonds 1) Series 2026A								
Dated	07/16/2026							
Amount	\$6,265,000*							
Maturity	02/01							
Calendar Year Ending	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2027	0	263,531	0	263,531	263,531	6,265,000	.00%	2027
2028	0	252,990	0	252,990	252,990	6,265,000	.00%	2028
2029	235,000	249,289	235,000	249,289	484,289	6,030,000	3.75%	2029
2030	240,000	241,748	240,000	241,748	481,748	5,790,000	7.58%	2030
2031	250,000	233,783	250,000	233,783	483,783	5,540,000	11.57%	2031
2032	260,000	225,303	260,000	225,303	485,303	5,280,000	15.72%	2032
2033	265,000	216,376	265,000	216,376	481,376	5,015,000	19.95%	2033
2034	275,000	206,993	275,000	206,993	481,993	4,740,000	24.34%	2034
2035	285,000	197,050	285,000	197,050	482,050	4,455,000	28.89%	2035
2036	295,000	186,463	295,000	186,463	481,463	4,160,000	33.60%	2036
2037	305,000	175,210	305,000	175,210	480,210	3,855,000	38.47%	2037
2038	320,000	163,255	320,000	163,255	483,255	3,535,000	43.58%	2038
2039	330,000	150,578	330,000	150,578	480,578	3,205,000	48.84%	2039
2040	345,000	137,074	345,000	137,074	482,074	2,860,000	54.35%	2040
2041	360,000	122,708	360,000	122,708	482,708	2,500,000	60.10%	2041
2042	370,000	107,373	370,000	107,373	477,373	2,130,000	66.00%	2042
2043	390,000	90,740	390,000	90,740	480,740	1,740,000	72.23%	2043
2044	405,000	72,748	405,000	72,748	477,748	1,335,000	78.69%	2044
2045	425,000	53,445	425,000	53,445	478,445	910,000	85.47%	2045
2046	445,000	32,889	445,000	32,889	477,889	465,000	92.58%	2046
2047	465,000	11,160	465,000	11,160	476,160	0	100.00%	2047
	6,265,000	3,390,701	6,265,000	3,390,701	9,655,701			

* Preliminary, subject to change.

- 1) This represents the \$6,265,000 Tax Abatement Portion of the \$11,375,000 General Obligation Sales Tax and Abatement Bonds, Series 2026A.

City of Dilworth, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 07/16/2026)

Capital Improvement Bonds Series 2024A								
Dated	05/16/2024							
Amount	\$4,340,000							
Maturity	02/01							
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2026	0	91,900	0	91,900	91,900	4,205,000	.00%	2026
2027	140,000	180,300	140,000	180,300	320,300	4,065,000	3.33%	2027
2028	150,000	173,050	150,000	173,050	323,050	3,915,000	6.90%	2028
2029	155,000	165,425	155,000	165,425	320,425	3,760,000	10.58%	2029
2030	165,000	157,425	165,000	157,425	322,425	3,595,000	14.51%	2030
2031	170,000	149,050	170,000	149,050	319,050	3,425,000	18.55%	2031
2032	180,000	140,300	180,000	140,300	320,300	3,245,000	22.83%	2032
2033	190,000	131,050	190,000	131,050	321,050	3,055,000	27.35%	2033
2034	200,000	121,300	200,000	121,300	321,300	2,855,000	32.10%	2034
2035	210,000	111,050	210,000	111,050	321,050	2,645,000	37.10%	2035
2036	220,000	101,400	220,000	101,400	321,400	2,425,000	42.33%	2036
2037	230,000	92,400	230,000	92,400	322,400	2,195,000	47.80%	2037
2038	240,000	83,000	240,000	83,000	323,000	1,955,000	53.51%	2038
2039	245,000	73,300	245,000	73,300	318,300	1,710,000	59.33%	2039
2040	255,000	63,300	255,000	63,300	318,300	1,455,000	65.40%	2040
2041	270,000	52,800	270,000	52,800	322,800	1,185,000	71.82%	2041
2042	280,000	41,800	280,000	41,800	321,800	905,000	78.48%	2042
2043	290,000	30,400	290,000	30,400	320,400	615,000	85.37%	2043
2044	300,000	18,600	300,000	18,600	318,600	315,000	92.51%	2044
2045	315,000	6,300	315,000	6,300	321,300	0	100.00%	2045
	4,205,000	1,984,150	4,205,000	1,984,150	6,189,150			

OVERLAPPING DEBT¹

Taxing District	2025/26 Taxable Net Tax Capacity	% In City	Total G.O. Debt ²	City's Proportionate Share
Clay County	\$102,815,167	5.7597%	\$45,480,000	\$2,619,512
I.S.D. No. 152 (Moorhead Area Public Schools)	58,680,221	3.8400%	169,760,000 ³	6,518,784
I.S.D. No. 2164 (Dilworth-Glyndon-Felton Public Schools)	17,369,008	21.1211%	33,565,000 ³	<u>7,089,297</u>
City's Share of Total Overlapping Debt				<u><u>\$16,227,593</u></u>

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

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$581,555,437	Debt/ Per Capita 4,831¹
Direct G.O. Debt Secured By:			
Sales Tax Revenues*	\$5,110,000		
Special Assessments & Taxes	18,435,000		
Special Assessments, Taxes and Utility Revenues	1,535,000		
Tax Abatement Revenues*	6,265,000		
Taxes	4,205,000		
Total General Obligation Debt*	<u>\$35,550,000</u>		
Less: G.O. Debt Paid Entirely from Revenues ²	<u>(5,110,000)</u>		
Tax Supported General Obligation Debt*	<u>\$30,440,000</u>	5.23%	\$6,300.97
 City's Share of Total Overlapping Debt	 <u>\$16,227,593</u>	 <u>2.79%</u>	 <u>\$3,359.05</u>
 Total*	 <u><u>\$46,667,593</u></u>	 <u><u>8.02%</u></u>	 <u><u>\$9,660.03</u></u>

*Preliminary, subject to change.

¹ Estimated 2024 population.

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

TAX LEVIES, COLLECTIONS AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date	% Collected
2021/22	\$1,723,318	\$1,712,466	\$1,722,352	99.94%
2022/23	1,983,642	1,968,144	1,982,168	99.93%
2023/24	2,222,837	2,180,751	2,212,095	99.52%
2024/25	2,373,079	2,345,675	2,345,675	98.85%
2025/26	2,537,800	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.² 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.

TAX CAPACITY RATES³

	2021/22	2022/23	2023/24	2024/25	2025/26
Clay County	53.521%	50.292%	45.441%	46.001%	46.238%
City of Dilworth	50.939%	49.575%	50.069%	50.787%	53.206%
I.S.D. No. 152 (Moorhead Area Public Schools)	35.819%	31.962%	31.315%	30.693%	33.405%
I.S.D. No. 2164 (Dilworth-Glyndon-Felton Public Schools)	28.849%	25.902%	20.065%	20.625%	19.940%
Buffalo Watershed	1.905%	1.741%	1.744%	1.640%	1.282%
Clay County HRA	N/A	N/A	0.266%	0.306%	0.292%

Referendum Market Value Rates:

I.S.D. No. 152 (Moorhead Area Public Schools)	0.17018%	0.17655%	0.16674%	0.14681%	0.22570%
I.S.D. No. 2164 (Dilworth-Glyndon-Felton Public Schools)	0.18000%	0.15889%	0.13850%	0.15279%	0.20978%

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

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Second half tax payments on agricultural property are due on November 15 of each year.

³ After reduction for State aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1911. 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 Administrator and Finance Officer are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 20 full-time, 2 part-time, and 14 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.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Law Enforcement Labor Services (LELS)	December 31, 2028
International Union of Operating Engineers, Local 49	December 31, 2028

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent actuarial study shows a total OPEB liability of \$819,403 as of December 31, 2026. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent actuarial study.

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

FUNDS ON HAND (as of April 30, 2026)

Fund	Total Cash and Investments
General	\$4,681,046
Debt Service	9,000,088
Enterprise Funds	<u>4,986,000</u>
 Total Funds on Hand	 <u><u>\$18,667,134</u></u>

ENTERPRISE FUNDS

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

	2023 Audited	2024 Audited	2025 Audited
Water			
Total Operating Revenues	\$857,663	\$876,314	\$954,207
Less: Operating Expenses	<u>(1,010,375)</u>	<u>(965,669)</u>	<u>(1,017,278)</u>
Operating Income	(\$152,712)	(\$89,355)	(\$63,071)
Plus: Depreciation	<u>151,729</u>	<u>151,760</u>	<u>157,727</u>
Revenues Available for Debt Service	<u><u>(\$983)</u></u>	<u><u>\$62,405</u></u>	<u><u>\$94,656</u></u>
Sewer			
Total Operating Revenues	\$925,482	\$1,100,424	\$1,155,130
Less: Operating Expenses	<u>(865,476)</u>	<u>(922,019)</u>	<u>(901,979)</u>
Operating Income	\$60,006	\$178,405	\$253,151
Plus: Depreciation	<u>140,755</u>	<u>142,879</u>	<u>138,542</u>
Revenues Available for Debt Service	<u><u>\$200,761</u></u>	<u><u>\$321,284</u></u>	<u><u>\$391,693</u></u>
Refuse			
Total Operating Revenues	\$673,380	\$797,153	\$799,425
Less: Operating Expenses	<u>(652,782)</u>	<u>(760,696)</u>	<u>(778,045)</u>
Operating Income	\$20,598	\$36,457	\$21,380
Plus: Depreciation	<u>2,299</u>	<u>2,299</u>	<u>702</u>
Revenues Available for Debt Service	<u><u>\$22,897</u></u>	<u><u>\$38,756</u></u>	<u><u>\$22,082</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 2025 audited financial statements.

	FISCAL YEAR ENDING DECEMBER 31				
COMBINED STATEMENT	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2025 Audited
Revenues					
Property taxes	\$1,285,109	\$1,465,648	\$1,438,294	\$1,551,648	\$1,415,730
Sales taxes	0	0	0	0	326,367
Franchise fees	125,119	123,475	124,722	127,234	125,488
Special assessments	194	0	1,530	1,685	10,332
Licenses and permits	102,009	67,510	121,633	60,896	92,392
Intergovernmental	1,207,426	1,880,283	1,490,980	1,975,093	1,792,631
Charges for services	178,611	190,022	227,181	231,180	235,263
Fines and forfeitures	46,773	45,217	39,601	49,355	34,125
Investment income	25,422	(37,882)	176,594	181,610	193,795
Contributions and other	100,867	127,566	307,268	216,712	232,256
Total Revenues	\$3,071,530	\$3,861,839	\$3,927,803	\$4,395,413	\$4,458,379
Expenditures					
Current:					
General government	\$695,972	\$709,696	\$839,437	\$1,073,846	\$1,082,332
Public safety	1,166,698	1,123,540	1,241,868	1,334,373	1,538,521
Highways and streets	427,065	528,792	550,919	666,670	631,722
Health and welfare	3,828	2,023	3,610	3,037	4,266
Culture and recreation	140,983	173,434	173,261	183,219	164,064
Capital outlay	668,183	683,569	609,868	874,879	714,372
Debt service	97	0	227	49,045	83,405
Total Expenditures	\$3,102,826	\$3,221,054	\$3,419,190	\$4,185,069	\$4,218,682
Excess of revenues over (under) expenditures	(\$31,296)	\$640,785	\$508,613	\$210,344	\$239,697
Other Financing Sources (Uses)					
Note payable proceeds	\$0	\$145,827	\$0	\$150,600	\$0
Lease proceeds	0	0	0	33,910	17,997
Transfers in	20,000	0	40,000	48,000	20,000
Transfers (out)	0	0	0	0	(240,828)
Total Other Financing Sources (Uses)	\$20,000	\$145,827	\$40,000	\$232,510	(\$202,831)
Net changes in Fund Balances	(\$11,296)	\$786,612	\$548,613	\$442,854	\$36,866
General Fund Balance January 1	\$3,938,994	\$3,927,698	\$4,714,310	\$5,262,923	\$5,705,777
Prior Period Adjustment	0	0	0	0	0
General Fund Balance December 31	\$3,927,698	\$4,714,310	\$5,262,923	\$5,705,777	\$5,742,643
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$108,043	\$213,121	\$161,807	\$175,300	\$73,591
Assigned	1,053,357	649,850	733,388	727,103	913,578
Unassigned	2,766,298	3,851,339	4,367,728	4,803,374	4,755,474
Total	\$3,927,698	\$4,714,310	\$5,262,923	\$5,705,777	\$5,742,643

GENERAL FUND BUDGET SUMMARY

FISCAL YEAR ENDING DECEMBER 31

COMBINED STATEMENT

	2026 Adopted Budget¹
Revenues	
Property taxes	\$2,187,216
Franchise fees	125,000
Special assessments	20,000
Licenses and permits	63,500
Intergovernmental	1,156,814
Charges for services	226,818
Fines and forfeitures	39,400
Investment income	141,000
Contributions and other	52,162
Total Revenues	\$4,011,910
Expenditures	
General government	\$1,101,204
Public safety	1,705,888
Highways and streets	852,246
Health and welfare	3,100
Culture and recreation	154,193
Urban and economic development	46,279
Miscellaneous	24,000
Capital outlay	125,000
Debt service	0
Total Expenditures	\$4,011,910
Excess of revenues over (under) expenditures	\$0
Other Financing Sources (Uses)	
Note payable proceeds	\$0
Lease proceeds	0
Transfers in (out)	0
Total Other Financing Sources (Uses)	0
Net changes in Fund Balances	\$0
General Fund Balance January 1	\$5,742,643
Prior Period Adjustment	0
General Fund Balance December 31	\$5,742,643

¹ The 2026 budget was adopted on December 8, 2025.

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 4,612 and a 2024 population estimate of 4,831, and comprising an area of 3.2 square miles, is located approximately 240 miles northwest of St. Paul, Minnesota, and is part of the Fargo-Moorhead metropolitan area.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 2164 (Dilworth-Glyndon-Felton Public Schools)	Elementary and secondary education	250
Walmart	Discount retail store	240
BNSF Railway	Railroad	100
Axis Clinicals	Medical research	50
Serenity	Assisted living and memory care	50
Early Einstein's	Daycare	45
The City	Municipal government and services	36
Slumberland	Furniture and mattress retail store	32
Corner Home Medical	Medical supply store	26
Pizza Ranch of Dilworth	Restaurant	25

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

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

BUILDING PERMITS (as of May 30, 2026)

	2022	2023	2024	2025	2026
<u>New Single Family Homes</u>					
No. of building permits	16	17	5	7	11
Valuation	\$4,974,800	\$6,325,000	\$2,254,000	\$1,750,000	\$2,900,000
<u>New Commercial/Industrial</u>					
No. of building permits	3	4	5	6	2
Valuation	\$628,000	\$6,450,000	\$11,197,600	\$10,925,000	\$23,947,046
<u>All Building Permits</u> (including additions and remodelings)					
No. of building permits	66	83	87	79	15
Valuation	\$6,404,425	\$20,704,536	\$14,724,655	\$13,530,407	\$29,015,046

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

2010 U.S. Census population	4,024
2020 U.S. Census population	4,612
Percent of Change 2010 - 2020	14.61%
2024 State Demographer Population Estimate	4,831

Income and Age Statistics

	The City	Clay County	State of Minnesota	United States
2024 per capita income	\$45,606	\$39,936	\$48,237	\$44,673
2024 median household income	\$90,694	\$81,172	\$89,062	\$80,734
2024 median family income	\$121,696	\$108,316	\$113,993	\$99,999
2024 median gross rent	\$1,085	\$1,019	\$1,280	\$1,413
2024 median value owner occupied units	\$261,800	\$265,500	\$329,300	\$332,700
2024 median age	37.0 yrs.	33.7 yrs.	38.8 yrs.	38.9 yrs.

	State of Minnesota	United States
City % of 2024 per capita income	94.55%	102.09%
City % of 2024 median family income	106.76%	121.70%

Housing Statistics

	<u>The City</u>		
	2020	2024	Percent of Change
All Housing Units	1,828	1,964	7.44%

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

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>	<u>Average Unemployment</u>	
	Clay County	Clay County	State of Minnesota
2022	34,480	2.1%	2.5%
2023	34,662	2.2%	2.8%
2024	34,876	2.6%	3.1%
2025	34,772	3.4%	3.9%
2026, April	34,188	3.8%	4.0%

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

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

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

Financial Statements
December 31, 2025

City of Dilworth, Minnesota

Elected and Appointed Officials (Unaudited)	1
Independent Auditor's Report	2
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements	
Governmental Funds	
Balance Sheet	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balances	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
General Fund	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	12
Proprietary Funds	
Statement of Net Position	13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15
Notes to Financial Statements	16
Required Supplementary Information	
Schedule of Changes in the City's Total OPEB Liability and Related Ratios	47
Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions	48
Supplementary Information	
Combining and Individual Fund Schedules	
General Fund	
Schedule of Revenues – Budget and Actual	57
Schedule of Expenditures – Budget and Actual	58
Nonmajor Governmental Funds	
Combining Balance Sheet	60
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances	63
General Fund, by Department	
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances	66
Nonmajor Proprietary Funds	
Combining Balance Sheet	67
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	68
Combining Statement of Cash Flows	69
Schedule of Expenditures of Federal Awards	70
Notes to Schedule of Expenditures of Federal Awards	71

Other Reports

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards..... 72

Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal
Control over Compliance Required by the Uniform Guidance 74

Independent Auditor’s Report on *Minnesota Legal Compliance* 77

Schedule of Findings and Questioned Costs 78

City of Dilworth, Minnesota
Elected and Appointed Officials (Unaudited)
December 31, 2025

<u>Elected</u>	<u>Position</u>	<u>Term Expires December 31,</u>
Chad Olson	Mayor	2026
Dave Steichen	Council Member	2026
Amber Borah	Council Member	2026
Kevin Peterson	Council Member	2028
Julie Nash	Council Member	2028
 <u>Appointed</u>		
Peyton Mastera	City Administrator	
Perry Baatz	Finance Officer	
Scott Payne	Fire Chief	
Hunter Rawson	Police Chief	
Mike Denis	Maintenance Supervisor	



Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Dilworth, Minnesota

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dilworth, as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 schedule of changes in the city's total OPEB liability and related ratios; schedule of employer's share of net pension liability and schedule of employer's contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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 combining and individual fund schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 28, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated May 28, 2026, on our consideration of the City's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for Cities. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for Cities in considering the City's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
May 28, 2026

City of Dilworth, Minnesota

Statement of Net Position

December 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,168,313	\$ 3,634,039	\$ 12,802,352
Investments	4,512,821	1,351,795	5,864,616
Receivables			
Property taxes	41,043	-	41,043
Accounts	69,961	332,140	402,101
Special assessments	12,399,407	293,526	12,692,933
Prepaid items	132,788	10,105	142,893
Due from other governmental units	1,196,840	18,709	1,215,549
Capital assets, net of accumulated depreciation			
Land	1,144,552	-	1,144,552
Construction in progress	732,230	-	732,230
Buildings	9,659,505	571	9,660,076
Improvements other than buildings	181,613	9,021,065	9,202,678
Infrastructure	17,817,847	-	17,817,847
Machinery and equipment	1,850,414	-	1,850,414
Right-to-use lease assets	35,343	-	35,343
Total assets	<u>58,942,677</u>	<u>14,661,950</u>	<u>73,604,627</u>
Deferred Outflows of Resources			
OPEB	285,641	-	285,641
Pension plans	623,609	43,102	666,711
Total deferred outflows of resources	<u>909,250</u>	<u>43,102</u>	<u>952,352</u>
Liabilities			
Accounts payable	472,411	161,920	634,331
Accrued wages	102,385	37,911	140,296
Accrued interest payable	362,188	21,846	384,034
Noncurrent liabilities:			
Due within one year - other than pensions and OPEB	1,568,375	97,019	1,665,394
Due in more than one year - other than pensions and OPEB	23,398,649	1,631,548	25,030,197
Due in more than one year - total OPEB liability	868,852	-	868,852
Due in more than one year - net pension liability	516,197	145,924	662,121
Total liabilities	<u>27,289,057</u>	<u>2,096,168</u>	<u>29,385,225</u>
Deferred Inflows of Resources			
OPEB	112,696	-	112,696
Pension plans	841,154	97,364	938,518
Total deferred inflows of resources	<u>953,850</u>	<u>97,364</u>	<u>1,051,214</u>
Net Position			
Net investment in capital assets	6,552,874	7,407,419	13,960,293
Restricted for debt service	9,071,046	-	9,071,046
Restricted for TIF repayment	9,555	-	9,555
Unrestricted	15,975,545	5,104,101	21,079,646
Total net position	<u>\$ 31,609,020</u>	<u>\$ 12,511,520</u>	<u>\$ 44,120,540</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

City of Dilworth, Minnesota

Statement of Activities

Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 1,135,497	\$ 649,119	\$ 1,243,108	\$ -	\$ 756,730	\$ -	\$ 756,730
Public safety	1,420,845	179,362	-	-	(1,241,483)	-	(1,241,483)
Highways and streets	2,408,162	201,336	42,030	1,606,936	(557,860)	-	(557,860)
Health and welfare	4,266	-	-	-	(4,266)	-	(4,266)
Culture and recreation	217,377	29,062	380	-	(187,935)	-	(187,935)
Interest on long-term debt	732,883	-	-	-	(732,883)	-	(732,883)
Total governmental activities	5,919,030	1,058,879	1,285,518	1,606,936	(1,967,697)	-	(1,967,697)
Business-type activities							
Water	1,017,278	954,207	-	-	-	(63,071)	(63,071)
Sewer	954,360	1,155,130	-	-	-	200,770	200,770
Refuse	778,045	799,425	-	-	-	21,380	21,380
Other business-type activities	144,300	107,000	-	-	-	(37,300)	(37,300)
Total business-type activities	2,893,983	3,015,762	-	-	-	121,779	121,779
Total Primary Government	<u>\$ 8,813,013</u>	<u>\$ 4,074,641</u>	<u>\$ 1,285,518</u>	<u>\$ 1,606,936</u>	<u>(1,967,697)</u>	<u>121,779</u>	<u>(1,845,918)</u>
General revenues							
Property taxes					2,827,187	-	2,827,187
Unrestricted state aid					1,516,617	2,879	1,519,496
Unrestricted investment income					517,951	-	517,951
Miscellaneous					150,282	187,660	337,942
Transfers					20,000	(20,000)	-
Total general revenues					5,032,037	170,539	5,202,576
Change in net position					3,064,340	292,318	3,356,658
Net position - beginning					28,544,680	12,219,202	40,763,882
Net position - ending					<u>\$ 31,609,020</u>	<u>\$ 12,511,520</u>	<u>\$ 44,120,540</u>

The accompanying Notes to Financial Statements are an integral part of these statements

City of Dilworth, Minnesota
Governmental Funds
Balance Sheet
December 31, 2025

	General	Improvement Bonds 2018A	Improvement Bonds 2018C	2022A (DS - 7th St/ Northside Projects)	Firehall	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 2,164,125	\$ 1,664,655	\$ 355,168	\$ 1,751,027	\$ -	\$ 3,233,338	\$ 9,168,313
Investments	2,516,921	519,605	138,991	141,337	-	1,195,967	4,512,821
Receivables							
Property taxes	41,043	-	-	-	-	-	41,043
Accounts	69,961	-	-	-	-	-	69,961
Special assessments	94,559	6,020,089	1,585,163	3,564,805	-	1,134,791	12,399,407
Prepaid items	73,591	-	-	-	59,197	-	132,788
Due from other funds	945,315	-	-	-	-	-	945,315
Due from other governmental units	140,925	56,876	41	20,546	975,000	3,452	1,196,840
Total assets	\$ 6,046,440	\$ 8,261,225	\$ 2,079,363	\$ 5,477,715	\$ 1,034,197	\$ 5,567,548	\$ 28,466,488
Liabilities							
Accounts payable	\$ 65,810	\$ -	\$ -	\$ -	\$ -	\$ 406,601	\$ 472,411
Accrued wages	102,385	-	-	-	-	-	102,385
Due to other funds	-	-	-	-	700,870	244,445	945,315
Total liabilities	168,195	-	-	-	700,870	651,046	1,520,111
Deferred Inflows of Resources							
Unavailable revenue-property taxes	41,043	-	-	-	-	-	41,043
Unavailable revenue-special assessments	94,559	6,020,089	1,585,163	3,564,805	-	1,134,791	12,399,407
Total deferred inflows of resources	135,602	6,020,089	1,585,163	3,564,805	-	1,134,791	12,440,450
Fund Balance (Deficit)							
Nonspendable for:							
Prepaid items	73,591	-	-	-	59,197	-	132,788
Restricted for:							
Debt service	-	2,241,136	494,200	1,912,910	-	4,422,800	9,071,046
TIF repayments	-	-	-	-	-	9,555	9,555
Capital projects	-	-	-	-	274,130	-	274,130
Assigned for:							
Park	405,287	-	-	-	-	-	405,287
Fire department	318,268	-	-	-	-	-	318,268
Transit ride service	190,023	-	-	-	-	-	190,023
Unassigned	4,755,474	-	-	-	-	(650,644)	4,104,830
Total fund balance	5,742,643	2,241,136	494,200	1,912,910	333,327	3,781,711	14,505,927
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,046,440	\$ 8,261,225	\$ 2,079,363	\$ 5,477,715	\$ 1,034,197	\$ 5,567,548	\$ 28,466,488

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

Total Fund Balances - Governmental Funds	\$ 14,505,927
Amounts reported for governmental activities are not financial resources and, therefore, not reported in the governmental funds.	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	31,421,504
Other long-term assets are not available to pay for current period expenditures and, therefore, are either not recognized as a receivable or are deferred in the funds.	12,440,450
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.	(44,600)
Long-term liabilities, including special assessment debt, compensated absences, OPEB liability, net pension liability, bond premium, lease liability, notes payable, and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(26,714,261)</u>
Total Net Position - Governmental Activities	<u><u>\$ 31,609,020</u></u>

City of Dilworth, Minnesota

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2025

	General	Improvement Bonds 2018A	Improvement Bonds 2018C	2022A (DS - 7th St/ Northside Projects)	Firehall	Other Governmental Funds	Total Governmental Funds
Revenues							
General property taxes	\$ 1,415,730	\$ 18,084	\$ 6,412	\$ 318,165	\$ -	\$ 522,031	\$ 2,280,422
Sales taxes	326,367	-	-	-	-	-	326,367
Franchise fees	125,488	-	-	-	-	-	125,488
Special assessments	10,332	536,432	151,609	366,422	-	172,977	1,237,772
Licenses and permits	92,392	-	-	-	-	-	92,392
Intergovernmental	1,792,631	3,958	1,403	69,638	2,581,936	114,259	4,563,825
Charges for service	235,263	-	-	-	-	-	235,263
Fines and forfeitures	34,125	-	-	-	-	-	34,125
Investment income	193,795	89,765	18,958	67,780	9,680	154,828	534,806
Contributions and other	232,256	-	-	-	-	207	232,463
Total revenues	4,458,379	648,239	178,382	822,005	2,591,616	964,302	9,662,923
Expenditures							
Current							
General government	1,082,332	395	395	2,895	-	3,315	1,089,332
Public safety	1,538,521	-	-	-	-	-	1,538,521
Highways and streets	631,722	-	-	-	-	-	631,722
Health and welfare	4,266	-	-	-	-	-	4,266
Culture and recreation	164,064	-	-	-	-	-	164,064
Miscellaneous	-	-	-	-	-	12,476	12,476
Capital outlay	714,372	-	-	-	3,048,577	711,691	4,474,640
Debt service							
Principal	82,325	140,000	110,000	325,000	-	535,000	1,192,325
Interest, fees and fiscal charges	1,080	238,688	50,575	358,740	-	282,658	931,741
Total expenditures	4,218,682	379,083	160,970	686,635	3,048,577	1,545,140	10,039,087
Excess (Deficiency) of Revenues over (under) Expenditures	239,697	269,156	17,412	135,370	(456,961)	(580,838)	(376,164)
Other Financing Sources (Uses)							
Transfers from other funds	20,000	-	-	-	-	375,801	395,801
Transfers to other funds	(240,828)	-	-	-	-	(134,973)	(375,801)
Lease proceeds	17,997	-	-	-	-	-	17,997
Total other financing sources (uses)	(202,831)	-	-	-	-	240,828	37,997
Net Change in Fund Balances	36,866	269,156	17,412	135,370	(456,961)	(340,010)	(338,167)
Fund Balances, Beginning of Year	5,705,777	1,971,980	476,788	1,777,540	790,288	4,121,721	14,844,094
Fund Balances, End of Year	\$ 5,742,643	\$ 2,241,136	\$ 494,200	\$ 1,912,910	\$ 333,327	\$ 3,781,711	\$ 14,505,927

City of Dilworth, Minnesota

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2025

Net Change in Fund Balances - Total Governmental Funds	\$ (338,167)
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which capital outlay exceeded depreciation/amortization expense, including the impact of loss on disposal of capital assets, in the current period.	2,786,319
Revenues in the statement of activities that do not provide current financial resources not reported as revenues in the funds.	(699,400)
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(5,552)
In the statement of activities OPEB obligations are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(4,098)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	65,335
Interest payable is reported in the government wide statement of net position but is not recorded in the governmental funds.	46,779
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of those differences in treatment of long-term debt and related items.	<u>1,213,124</u>
Change in Net Position of Governmental Activities	<u><u>\$ 3,064,340</u></u>

City of Dilworth, Minnesota

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Year Ended December 31, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
General property taxes	\$ 1,748,687	\$ 1,748,687	\$ 1,415,730	\$ (332,957)
Sales taxes	-	-	326,367	326,367
Franchise fees	125,000	125,000	125,488	488
Special assessments	20,404	20,404	10,332	(10,072)
Licenses and permits	78,000	78,000	92,392	14,392
Intergovernmental	1,149,335	1,231,060	1,792,631	561,571
Charges for services	203,666	203,666	235,263	31,597
Fines and forfeitures	42,400	42,400	34,125	(8,275)
Investment income	96,016	96,016	193,795	97,779
Contributions and other	64,006	64,006	232,256	168,250
Total revenues	<u>3,527,514</u>	<u>3,609,239</u>	<u>4,458,379</u>	<u>849,140</u>
Expenditures				
Current				
General government	910,940	910,940	1,082,332	(171,392)
Public safety	1,416,750	1,416,750	1,538,521	(121,771)
Highways and streets	763,452	763,452	631,722	131,730
Health and welfare	3,100	3,100	4,266	(1,166)
Culture and recreation	148,618	148,618	164,064	(15,446)
Capital outlay	214,125	214,125	714,372	(500,247)
Debt service				
Principal	70,000	70,000	82,325	(12,325)
Total expenditures	<u>3,526,985</u>	<u>3,526,985</u>	<u>4,218,682</u>	<u>(691,697)</u>
Excess of Revenues over Expenditures	529	82,254	239,697	157,443
Other Financing Sources (Uses)				
Transfers from other funds	20,000	20,000	20,000	-
Transfers to other funds	-	-	(240,828)	(240,828)
Lease proceeds	-	-	17,997	17,997
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>(202,831)</u>	<u>(222,831)</u>
Net Change in Fund Balances	<u>\$ 20,529</u>	<u>\$ 102,254</u>	36,866	<u>\$ (65,388)</u>
Fund Balance, Beginning of Year			<u>5,705,777</u>	
Fund Balance, End of Year			<u>\$ 5,742,643</u>	

City of Dilworth, Minnesota

Proprietary Funds
Statement of Net Position
December 31, 2025

	Water	Sewer	Refuse	Nonmajor Business-Type Activities	Total Business-Type Activities
Assets					
Current Assets					
Cash and cash equivalents	\$ 1,265,567	\$ 1,849,990	\$ 274,013	\$ 244,469	\$ 3,634,039
Investments	563,590	580,597	106,150	101,458	1,351,795
Receivables					
Accounts	98,949	134,455	87,350	11,386	332,140
Special assessments	65,948	227,578	-	-	293,526
Prepaid items	1,501	6,658	1,946	-	10,105
Due from other governmental units	308	85	18,316	-	18,709
Total current assets	1,995,863	2,799,363	487,775	357,313	5,640,314
Noncurrent Assets					
Capital assets being depreciated					
Buildings	-	-	40,035	-	40,035
Improvements other than buildings	5,490,039	9,123,453	131,689	21,913	14,767,094
Less accumulated depreciation	(3,405,898)	(2,189,991)	(167,691)	(21,913)	(5,785,493)
Net capital assets	2,084,141	6,933,462	4,033	-	9,021,636
Total assets	4,080,004	9,732,825	491,808	357,313	14,661,950
Deferred Outflows of Resources					
Pension plans	16,348	16,348	7,835	2,571	43,102
Liabilities					
Current liabilities					
Accounts payable	47,928	43,534	57,377	13,081	161,920
Accrued wages	14,282	14,282	6,810	2,537	37,911
Accrued interest	-	21,846	-	-	21,846
Current portion of compensated absences	5,027	5,027	2,409	-	12,463
Current portion of bonds payable	-	84,556	-	-	84,556
Total current liabilities	67,237	169,245	66,596	15,618	318,696
Noncurrent liabilities					
Compensated absences	41,096	41,096	19,695	-	101,887
Bonds payable, net	-	1,529,661	-	-	1,529,661
Net pension liability	55,347	55,347	26,525	8,705	145,924
Total noncurrent liabilities	96,443	1,626,104	46,220	8,705	1,777,472
Total liabilities	163,680	1,795,349	112,816	24,323	2,096,168
Deferred Inflows of Resources					
Pension plans	36,929	36,929	17,698	5,808	97,364
Net Position					
Net investment in capital assets	2,084,141	5,319,245	4,033	-	7,407,419
Unrestricted	1,811,602	2,597,650	365,096	329,753	5,104,101
Total net position	\$ 3,895,743	\$ 7,916,895	\$ 369,129	\$ 329,753	\$ 12,511,520

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

	Water	Sewer	Refuse	Nonmajor Business-Type Activities	Total Business-Type Activities
Operating Revenues					
Charges for services	\$ 934,816	\$ 990,729	\$ 611,996	\$ 105,124	\$ 2,642,665
Recycling	-	-	185,272	-	185,272
Miscellaneous	19,391	164,401	2,157	1,876	187,825
Total operating revenues	954,207	1,155,130	799,425	107,000	3,015,762
Operating Expenses					
Personnel services	195,214	195,214	93,705	63,925	548,058
Supplies	2,685	3,537	1,596	12,275	20,093
Refuse collections	-	-	660,727	-	660,727
Fuel and utilities	546,443	493,392	3,029	-	1,042,864
Repairs and maintenance	89,895	51,622	4,225	61,690	207,432
Insurance	14,001	11,201	10,726	2,494	38,422
Depreciation	157,727	138,542	702	-	296,971
Other	11,313	8,471	3,335	3,916	27,035
Total operating expenses	1,017,278	901,979	778,045	144,300	2,841,602
Operating Income (Loss)	(63,071)	253,151	21,380	(37,300)	174,160
Nonoperating Revenues (Expenses)					
General property taxes	-	13,152	-	-	13,152
State market value credit	-	2,879	-	-	2,879
Special assessments	13,503	-	-	-	13,503
Investment income	65,268	73,591	11,845	10,301	161,005
Interest expense and fiscal charges	-	(52,381)	-	-	(52,381)
Total nonoperating revenues	78,771	37,241	11,845	10,301	138,158
Income Before Transfers Out	15,700	290,392	33,225	(26,999)	312,318
Transfers Out	(7,500)	(7,500)	(5,000)	-	(20,000)
Change in Net Position	8,200	282,892	28,225	(26,999)	292,318
Net Position, Beginning of Year	3,887,543	7,634,003	340,904	356,752	12,219,202
Total Net Position, End of Year	\$ 3,895,743	\$ 7,916,895	\$ 369,129	\$ 329,753	\$ 12,511,520

City of Dilworth, Minnesota

Proprietary Funds

Statement of Cash Flows

Year Ended December 31, 2025

	Water	Sewer	Refuse	Nonmajor Business-Type Activities	Total Business-Type Activities
Operating Activities					
Receipts from customers and users	\$ 945,226	\$ 1,141,175	\$ 791,195	\$ 106,850	\$ 2,984,446
Payments for cost of services	(642,958)	(516,611)	(728,511)	(79,394)	(1,967,474)
Payments to employee costs	(188,469)	(189,718)	(91,192)	(58,474)	(527,853)
Payments to other vendors	(25,314)	(116,233)	(14,061)	(6,241)	(161,849)
Net Cash from (Used for) Operating Activities	88,485	318,613	(42,569)	(37,259)	327,270
Non-Capital Financing Activity					
Transfer to other funds	(7,500)	(7,500)	(5,000)	-	(20,000)
Net Cash from (used for) Noncapital Financing Activities	(7,500)	(7,500)	(5,000)	-	(20,000)
Capital and Related Financing Activities					
General property taxes	-	13,152	-	-	13,152
State market value credit	-	2,879	-	-	2,879
Special assessment proceeds	13,503	-	-	-	13,503
Property and equipment additions	(69,899)	-	-	-	(69,899)
Payments on long-term debt					
Principal	-	(80,000)	-	-	(80,000)
Interest	-	(51,936)	-	-	(51,936)
Net Cash used for Capital and Related Financing Activities	(56,396)	(115,905)	-	-	(172,301)
Investing Activities					
Sale of investments	(28,144)	(28,993)	(5,301)	(7,244)	(69,682)
Investment income	65,268	73,591	11,845	10,301	161,005
Net Cash from Investing Activities	37,124	44,598	6,544	3,057	91,323
Net Change in Cash and Cash Equivalents	61,713	239,806	(41,025)	(34,202)	226,292
Cash and Cash Equivalents, Beginning of Year	1,203,854	1,610,184	315,038	278,671	3,407,747
Cash and Cash Equivalents, End of Year	\$ 1,265,567	\$ 1,849,990	\$ 274,013	\$ 244,469	\$ 3,634,039
Reconciliation of Operating Income (Loss) to Net Cash from (Used for) Operating Activities					
Operating income (loss)	\$ (63,071)	\$ 253,151	\$ 21,380	\$ (37,300)	\$ 174,160
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities					
Depreciation	157,727	138,542	702	-	296,971
Changes in assets and liabilities					
Accounts receivable	(10,897)	(13,982)	(1,236)	(150)	(26,265)
Special assessments receivable	217	-	-	-	217
Special assessment related deferred inflows of resources	(217)	-	-	-	(217)
Prepaid items	(1,501)	(5,115)	(1,946)	1,659	(6,903)
Due from other governments	1,916	27	(6,994)	-	(5,051)
Accounts payable	12,133	(44,939)	(48,774)	(6,919)	(88,499)
Accrued wages	1,621	1,621	614	956	4,812
Net pension liability and related deferred inflows and outflows of resources	(14,567)	(14,567)	(8,214)	4,495	(32,853)
Accrued interest	-	(1,250)	-	-	(1,250)
Accrued compensated absences	5,124	5,125	1,899	-	12,148
Net Cash from (Used for) Operating Activities	\$ 88,485	\$ 318,613	\$ (42,569)	\$ (37,259)	\$ 327,270

Note 1 - Summary of Significant Accounting Policies

The City of Dilworth was incorporated in 1911 and operates under a mayor-council form of government. The accounting policies of the City, as reflected in the accompanying financial statements, conform to accounting principles generally accepted in the United States of America for local government units as prescribed by the Governmental Accounting Standards Board.

The following is a summary of the significant accounting policies:

Reporting Entity

The City's financial statements include all funds for which the City is financially accountable.

The City is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Additionally, the City is not included in any other governmental reporting entity.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and is either:

1. able to impose its will on that organization, or
2. there is potential for the organization to provide specific financial benefits to, or impose financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City.

There are no entities presented on the City's financial statements as component units.

Government-Wide and Fund Financial Statements

The goal of government-wide financial statements is to present a broad overview of the government's finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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

Taxes, special assessments, intergovernmental revenue, permits, charges for services and investment income associated with the current fiscal period are the major revenues that are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are collected in 60 days. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

General Fund

The general fund is the general operating fund of the City. All financial resources of the general government that are not required to be reported in another fund are accounted for in the general fund.

Debt Service

Improvement Bonds 2018A – This fund is used for the debt service payments on the Improvement Bonds of 2018A.

Improvement Bonds 2018C – This fund is used for the debt service payments on the Improvement Bonds of 2018C.

DS – 7th St/Northside Projects – This fund is used for the debt service payments on the Improvement Bonds of 2022A.

Capital Projects

Firehall – This fund is used to account for the revenues and expenditures related to an ongoing fire hall construction project.

The City reports the following major proprietary funds:

- Water – This fund accounts for the provision of water utility service to the residents of the City.
- Sewer – This fund accounts for the provision of sanitary sewer service to the residents of the City.
- Refuse – This fund accounts for the provision of refuse and recycling service to the residents of the City.

With respect to both the business-type activities in the government-wide financial statements and the proprietary fund financial statements the City has adopted GASB statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.”

Amounts reported as program revenues include the following: amounts received from those who purchase, use or directly benefit from a program; amounts received from parties outside the City that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues, including all taxes.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Other Significant Accounting Policies

Budgets and Budgetary Accounting

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

An annual budget is adopted for the General Fund, special revenue funds and the enterprise funds. Budget appropriations lapse at the end of each year. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Any transfers of budgeted amounts between departments of the general fund, transfers between other funds, and any revisions that alter the total expenditures of any department or fund must be approved by the City Council.

The legal level of control is at the department level within each fund. Management is not allowed to change the budget without council approval.

Formal budgetary integration is employed as a management control device during the year for the general fund. Formal budgetary integration is not employed for other governmental funds.

Cash and Cash Equivalents

The City maintains a cash pool. Interest earned from pooled cash accounts is allocated to each of the funds based on the fund's average balance, while funds that incur a negative balance in pooled cash accounts during the year are charged for interest. Funds with a negative balance as of year-end show such amounts as due to other funds.

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or more when purchased to be investments.

Investments

Investments consist of debt securities and are reported at fair value.

Receivables and Credit Policy

The accounts receivable are uncollateralized customer obligation due under normal terms requiring payment within 30 days from the invoice date. After 30 days, a penalty of 10% is added to the outstanding balance. After 45 days, if payment is not received, the service is disconnected.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2025, are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and are recorded as an expense or expenditure at the time of consumption.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The City maintains a threshold level of \$5,000 or more for capitalizing capital assets. Federally funded assets maintain a threshold of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes by the City, no salvage value is taken into consideration for depreciation purposes. Land and Construction in Progress are not depreciated.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	10-40 years
Improvements other than buildings	10-30 years
Infrastructure	30-67 years
Machinery and equipment	3-20 years

Right-to-use lease assets are recognized at the lease commencement date and represent the City's right-to-use an underlying asset for the lease term. Right-to-use lease assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-to-use lease assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick and safe leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

Sick and Safe Leave

The City's policy permits employees to accumulate earned but unused sick leave. Upon retirement or separation from employment from the City, full-time employees will be paid for unused safe and sick leave hours in excess of 480 hours, up to a maximum of 2,000 hours at 1/3 rate of pay final pay rate. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deemed to be immaterial.

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.

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the City.

Other Postemployment Benefits

Under the provisions of the various employee and union contracts the City provides access to health coverage until age 65 if certain criteria are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB Statement No. 75, at January 1, 2024.

Pensions

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

Deferred Inflows of Resources and Deferred Outflows 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, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category on the government-wide statement of net position. Deferred outflows of resources related to other postemployment benefits consist of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenditures in future years. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has four items that qualify for reporting in this category. The City reports unavailable revenues from property taxes and special assessments on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are changes in the net pension liability and other postemployment benefits not included in pension expense and OPEB expense reported in the government-wide statement of net position.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- **Restricted Fund Balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.
- **Assigned Fund Balance** – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- **Unassigned Fund Balance** – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

City Council establishes fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose.

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

The City's policy is that the General Fund will enter the budget year with an unassigned fund balance that is greater than 50% of that year's budgeted expenditures.

Use of Estimates

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

Adoption of New Accounting Standard

As of January 1, 2025, the City adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was no effect of the implementation of this standard on disclosures during the year.

Note 2 - Stewardship, Compliance, and Accountability

Budget control for the fund is established by its total appropriations. The General Fund had expenditures exceeding appropriations of \$691,697 for the year ended December 31, 2025. These over expenditures were funded by revenues exceeding budget and existing fund balance.

For the year ended December 31, 2025, the 2013A (Woodbridge 5th Addition) Debt Service Fund had a deficit fund balance of \$113,096. The City will restore the fund with future special assessments.

For the year ended December 31, 2025, the 2020A (Southside Street Project) Debt Service Fund had a deficit fund balance of \$45,862. The City will restore the fund with future special assessments.

For the year ended December 31, 2025, the 34th Street Project Fund had a deficit fund balance of \$211,444. The City will restore the fund with future project funding and transfers from other funds.

For the year ended December 31, 2025, the Community Center Project Fund had a deficit fund balance of \$147,692. The City will restore the fund with future project funding and transfers from other funds.

Note 3 - Cash and Cash Equivalents and Investments

The following table presents the maturities of the City's deposit balances at December 31, 2025:

Type	Amount
Cash and cash equivalents	
Deposits	\$ 12,802,202
Petty cash	150
	\$ 12,802,352

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to the City. State statutes require that insurance, surety bonds or collateral protect all city deposits. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged). As of December 31, 2025, the City's deposits were covered by insurance or collateral pledged and held in the City's name.

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, 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 requires investments to be kept at the broker/dealer in the City's name, and the broker/dealer must provide asset protection of \$10,000,000 through the Securities Investor Protection Corporation (SIPC).

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of December 31, 2025, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Not Applicable	< 1	1 - 5	> 6 - 10
Money Market	\$ 133,747	\$ 133,747	\$ -	\$ -	\$ -
Certificates of Deposit	568,709	-	-	568,709	-
Commercial Paper	104,755	-	104,755	-	-
U.S. Government Securities	3,088,519	-	532,705	588,611	1,967,203
Municipal Bonds	1,968,886	-	422,138	366,016	1,180,732
Total investments	\$ 5,864,616	\$ 133,747	\$ 1,059,598	\$ 1,523,336	\$ 3,147,935

Credit Risk

Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. State statutes authorize investments in U.S. treasuries, U.S. agencies, state and municipal bonds, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The City's policy is to mitigate credit risk by purchasing only highly rated securities with adequate collateral and interest rate risk by matching maturities to cash flow needs and holding securities to maturity.

The City's investments have the following credit ratings:

	Rating (S&P/Moody)	Fair Value
Commercial Paper	A1/NA	\$ 104,755
U.S. Government Securities	AA+/Aa1	3,088,519
Municipal Bonds	AAA/Aaa	310,375
Municipal Bonds	AAA/NA	171,990
Municipal Bonds	AA+/Aa1	270,820
Municipal Bonds	AA+/Aa2	90,264
Municipal Bonds	AA+/NA	250,045
Municipal Bonds	AA/NA	15,641
Municipal Bonds	NA/Aaa	43,797
Municipal Bonds	NA/Aa1	517,410
Municipal Bonds	NA/Aa2	204,470
Municipal Bonds	NA/A1	94,074
		<u>\$ 5,162,160</u>

The City's investments in money markets and certificates of deposit are not rated.

Concentration of Credit Risk

The City maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2025, the City had approximately \$839,000 in excess of FDIC-insured limits.

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices in the active markets for identical assets
- Level 2: Observable inputs other than those in Level 1
- Level 3: Unobservable inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents the assets measure at fair value on a recurring basis at December 31, 2025:

	Fair Value	Level 1	Level 2	Level 3
Money Market	\$ 133,747	\$ 133,747	\$ -	\$ -
Certificates of Deposit	568,709	568,709	-	-
Commercial Paper	104,755	-	104,755	-
U.S. Government Securities	3,088,519	-	3,088,519	-
Municipal Bonds	1,968,886	-	1,968,886	-
	<u>\$ 5,864,616</u>	<u>\$ 702,456</u>	<u>\$ 5,162,160</u>	<u>\$ -</u>

Note 4 - Property Taxes and Special Assessments

Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Clay County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over the assessable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued in the year collectible, net of delinquencies.

Property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. The county provides tax settlements to cities and other local governments three times a year, on or before January 25, July 21, and November 30. Taxes, which remain unpaid at December 31, are classified as delinquent taxes receivable and the portion not available within 60 days is fully offset by deferred revenue because it is not available to finance current expenditures.

Special Assessments

Special assessments are levies against the benefited properties for the assessable costs of special assessment improvement projects in accordance with state statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue. Collection of annual installments (including interest) is handled by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments plus accrued interest without prepayment penalties.

Note 5 - Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,144,552	\$ -	\$ -	\$ 1,144,552
Construction in progress	6,524,011	3,749,721	9,541,502	732,230
Total capital assets, not being depreciated	7,668,563	3,749,721	9,541,502	1,876,782
Capital assets, being depreciated/amortized				
Buildings	1,786,833	9,308,876	324,082	10,771,627
Improvements other than buildings	602,442	39,982	-	642,424
Infrastructure	27,979,884	328,341	-	28,308,225
Machinery and equipment	5,008,630	571,225	248,488	5,331,367
Right-to-use lease assets	52,570	17,997	18,660	51,907
Total capital assets being depreciated/amortized	35,430,359	10,266,421	591,230	45,105,550
Less accumulated depreciation/amortization for				
Buildings	1,270,755	165,449	324,082	1,112,122
Improvements other than buildings	448,659	12,152	-	460,811
Infrastructure	9,311,455	1,178,923	-	10,490,378
Machinery and equipment	3,409,417	316,824	245,288	3,480,953
Right-to-use lease assets	23,451	11,773	18,660	16,564
Total accumulated depreciation/amortization	14,463,737	1,685,121	588,030	15,560,828
Total capital assets, being depreciated/amortized, net	20,966,622	8,581,300	3,200	29,544,722
Governmental Activities Capital Assets, Net	\$ 28,635,185	\$ 12,331,021	\$ 9,544,702	\$ 31,421,504
Business-type Activities				
Capital assets, being depreciated				
Buildings	\$ 40,035	\$ -	\$ -	\$ 40,035
Improvements other than buildings	14,697,195	69,899	-	14,767,094
Total capital assets being depreciated	14,737,230	69,899	-	14,807,129
Less accumulated depreciation for				
Buildings	39,366	98	-	39,464
Improvements other than buildings	5,449,156	296,873	-	5,746,029
Total accumulated depreciation	5,488,522	296,971	-	5,785,493
Total capital assets, being depreciated, net	9,248,708	(227,072)	-	9,021,636
Business-type Activities Capital Assets, Net	\$ 9,248,708	\$ (227,072)	\$ -	\$ 9,021,636

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

Governmental Activities	
General government	\$ 39,497
Public safety	307,602
Public works	1,298,736
Culture and recreation	39,286
Total depreciation/amortization expense - governmental activities	<u>\$ 1,685,121</u>
Business-type Activities	
Water	\$ 157,727
Sewer	138,542
Refuse	702
Total depreciation expense - business-type activities	<u>\$ 296,971</u>

Note 6 - Leases

During prior years, the City entered into lease agreements as lessee for the acquisition and use of office equipment and police equipment. As of December 31, 2025, the value of the lease liability was \$35,516. The City is required to make monthly principal and interest payments through February 2030 from the general fund. The leases have interest rates of varying from 3.53% to 4.00%.

The future principal and interest lease payments as of December 31, 2025, were as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 9,930	\$ 1,609
2027	10,330	959
2028	10,745	543
2029	3,854	110
2030	657	3
	<u>\$ 35,516</u>	<u>\$ 3,224</u>

Note 7 - Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation bonds	\$ 25,200,000	\$ -	\$ 1,110,000	\$ 24,090,000	\$ 1,450,000
Unamortized bond premium	629,698	-	35,990	593,708	23,615
Notes payable	223,513	-	74,107	149,406	74,107
Lease liability	28,543	17,997	11,024	35,516	9,930
Compensated absences*	92,842	5,552	-	98,394	10,723
Governmental activity long-term debt	\$ 26,174,596	\$ 23,549	\$ 1,231,121	\$ 24,967,024	\$ 1,568,375
Business-type Activities					
General Obligation bonds	\$ 1,700,000	\$ -	\$ 80,000	\$ 1,620,000	\$ 85,000
Unamortized bond premium	18,309	-	1,309	17,000	1,309
Unamortized bond discount	(24,537)	-	(1,754)	(22,783)	(1,753)
Compensated absences*	102,202	12,148	-	114,350	12,463
Business-type activity long-term debt	\$ 1,795,974	\$ 12,148	\$ 79,555	\$ 1,728,567	\$ 97,019

*The roll-forward schedule only reports the net change in the compensated absences liability.

General Obligation Bonds

As of December 31, 2025, the City has the following general obligation bonds outstanding reported in the governmental activities:

	Interest Rate	Final Year of Maturity	Authorized and Issued	Outstanding
General Obligation Improvement Bonds of 2015B	2.00 - 2.50	2028	\$ 2,415,000	\$ 645,000
General Obligation Improvement Bonds of 2016	0.95 - 2.50	2032	1,560,000	430,000
General Obligation Improvement Bonds of 2018A	3.00 - 4.00	2040	7,590,000	7,250,000
General Obligation Improvement Bonds of 2018C	3.00 - 3.80	2035	1,865,000	1,340,000
General Obligation Improvement Bonds of 2020A	2.00	2032	1,230,000	910,000
General Obligation Improvement Bonds of 2022A	3.00 - 4.00	2044	9,500,000	9,175,000
General Obligation Capital Improvement Bonds of 2024A	4.00 - 5.00	2045	4,340,000	4,340,000
Total			\$ 28,500,000	\$ 24,090,000

General obligation improvement bonds are recorded as a liability in the governmental activities in the government-wide statement and are payable from the debt service funds primarily through special assessments levied and collected for local improvements. The City has a commitment relating to a pledge of full faith and credit on the special assessment bonds. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in the special assessment districts are insufficient to retire outstanding bonds.

As of December 31, 2025, the City has the following general obligation improvement bond outstanding reported in the business-type activities:

	<u>Interest Rate</u>	<u>Final Year of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
Sewer - General Obligation Improvement Bonds of 2018B	3.00 - 4.00	2040	<u>\$ 2,000,000</u>	<u>\$ 1,620,000</u>

General obligation improvement bonds of the enterprise funds are payable from the sewer fund primarily through special assessments levied and collected for local improvements and charges for services. The City has a commitment relating to a pledge of full faith and credit on the special assessment bonds. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in the special assessment districts are insufficient to retire outstanding bonds.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in substantial compliance with significant limitations and restrictions.

Notes Payable

As of December 31, 2025, the City has the following notes payable outstanding reported in the governmental activities:

	<u>Interest Rate</u>	<u>Final Year of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
Note payable	0.00	2026	\$ 145,827	\$ 36,456
Note payable	0.00	2028	<u>150,600</u>	<u>112,950</u>
Total			<u>\$ 296,427</u>	<u>\$ 149,406</u>

The City has issued notes payable to finance the purchase of land. Payments are made through the general fund.

The annual requirements to amortize all outstanding general obligation bonds and notes payable as of December 31, 2025, are as follows:

Years Ending December 31,	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Note Payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 1,450,000	\$ 851,653	\$ 74,107	\$ -	\$ 85,000	\$ 50,331
2027	1,385,000	802,619	37,650	-	90,000	47,281
2028	1,440,000	754,324	37,649	-	90,000	44,581
2029	1,255,000	708,815	-	-	95,000	41,806
2030	1,305,000	664,503	-	-	100,000	38,881
2031 - 2035	7,740,000	2,446,901	-	-	535,000	146,694
2036 - 2040	6,060,000	1,303,116	-	-	625,000	53,734
2041 - 2045	3,455,000	354,500	-	-	-	-
Total	<u>\$ 24,090,000</u>	<u>\$ 7,886,431</u>	<u>\$ 149,406</u>	<u>\$ -</u>	<u>\$ 1,620,000</u>	<u>\$ 423,308</u>

Leases Payable

Leases payable consists of long-term leases as described in Note 6. Leases payable of the governmental activities are liquidated by the general fund.

Compensated Absences

Compensated absences consist of earned but unused vacation leave and estimated future usage of accrued sick and safe leave as described in Note 1.

Conduit Debt

During 2019, the City issued Revenue Bonds on behalf of an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 to finance a revenue producing facility engaged in providing health care. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2025, there was one revenue bond outstanding, with a principal amount payable of \$8,763,845.

Legal Debt Margin

Minnesota statutes limit the net bonded indebtedness of the City to 3% of the market value. The legal debt limit as of December 31, 2025, is \$15,587,499. This debt limit excludes improvement bonds secured in whole or in part by special assessments. The city had no outstanding debt subject to the debt limit as of December 31, 2025, resulting in a debt margin of \$15,587,499.

Note 8 - Other Post-Employment Benefits

Plan Descriptions

The City of Dilworth other post-employment benefits plan is a defined OPEB plan that provides a single employer defined health care plan to eligible retirees. All employees are allowed upon meeting the eligibility requirements (Police and Fire: age 50 and 5 years of service with hire date before June 30, 2014, or 10 years of service with hire date after June 30, 2014; all others: age 55 and 5 years of service) under Minn. Stat. 471.61 subd. 2b, to participate in the City's health insurance plan after retirement. This single-employer plan covers active and retired employees. Benefit provisions are established through negotiations between the City and the union representing City employees and are renegotiated at the end of each contract period. Medical coverage is administrated by Medica. The plan does not issue a publicly available financial report. The General Fund is used to liquidate the OPEB liability. No assets are accumulated in a trust.

Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of \$568 for single and \$1,589 for family coverage. The implicit rate subsidy is only until Medicare eligibility. There are no subsidized post-employment medical, dental, or life benefits except for four officers injured in the line of duty with medical insurance premiums paid by the City until Medicare eligibility.

Employees Covered by Benefit Terms

At the valuation date of January 1, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	<u>17</u>
	<u><u>22</u></u>

Total OPEB Liability

The City's total OPEB liability of \$868,852 was measured as of January 1, 2025, and was determined by an actuarial valuation as of January 1, 2024.

Actuarial Assumptions

The total OPEB liability in the January 1, 2024, actuarial valuation was determined as using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent	
Salary Increases	Service graded table	
Discount Rate	4.20 percent	
Healthcare Cost Trend Rates	6.25% as of January 1, 2025, grading to 5.00% over 5 years and then to 4.00% over the next 48 years.	
Retiree Plan Participation	Future retirees electing coverage	
	Pre-65 subsidy available:	N/A
	Pre-65 subsidy not available:	10%
Percent of Married Retirees Electing Spouse Coverage	Percent Future Retirees Electing Pre-65 Spouse Coverage	
	Spouse subsidy available:	N/A
	Spouse subsidy not available:	10%

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

The actuarial assumptions used in the January 1, 2024, measurements were based the most recent four-year experience study for the Public Employees Retirement Association of Minnesota Police and Fire Plan completed in 2020 and the four-year experience study for the Public Employees Retirement Association of Minnesota General Employees Plan completed in 2019 and a review of the inflation assumption.

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the index rate for 20-year, tax-exempt municipal bonds.

Since the previous valuation dated January 1, 2022, the following changes have been made:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The discount rate was changed from 4.0% to 3.70% in fiscal year 2024 and from 3.70% to 4.20% in fiscal year 2025.
- The percent elect for pre-65 spouses without a subsidy was changed from 0% to 10%.

Changes in the Total OPEB Liability

Balance at January 1, 2025	\$ 916,035
Changes from the Prior Year	
Service Cost	1,242
Interest Cost	33,051
Assumption changes	(33,036)
Benefit Payments	(48,440)
Total Changes	(47,183)
Balance at December 31, 2025	<u>\$ 868,852</u>

Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount Rate	3.20%	4.20%	5.20%
Total OPEB Liability	\$ 937,028	\$ 868,852	\$ 807,699

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

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
Medical Trend Rate	5.25%, grading to 4.00% over 5 years, then to 3.00% over the next 48 years	6.25%, grading to 5.00% over 5 years, then to 4.00% over the next 48 years	7.25%, grading to 6.00% over 5 years, then to 5.00% over the next 48 years
Total OPEB Liability	\$ 816,378	\$ 868,852	\$ 920,627

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

For the year ended December 31, 2025, the City recognized OPEB expense of \$55,491. At December 31, 2025, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability losses	\$ 160,839	\$ -
Assumption changes	73,409	112,696
Employer contributions made after the measurement date	<u>51,393</u>	<u>-</u>
	<u><u>\$ 285,641</u></u>	<u><u>\$ 112,696</u></u>

The \$51,393 reported as deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2026.

Other amounts reported as deferred inflows of resources and deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ended June 30,</u>	<u>OPEB Expense Amount</u>
2026	\$ 21,198
2027	21,198
2028	21,198
2029	21,190
2030	15,630
Thereafter	21,138

Note 9 - Defined Benefit Pension Plans

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA).

For the year ended December 31, 2025 the City reported its proportionate share of net pension assets, net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense (income) for each of the plans as follows:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense (Income)
PERA - General Employees Fund	\$ 75,406	\$ 255,291	\$ 170,336	\$ 20,163
PERA - Police and Fire Fund	591,305	406,830	768,182	74,191
Total all plans	<u>\$ 666,711</u>	<u>\$ 662,121</u>	<u>\$ 938,518</u>	<u>\$ 94,354</u>

A. Plan Description

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

1. General Employees Retirement Plan (General Plan)

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

2. Public Employees Police and Fire Retirement Plan (Police and Fire Plan)

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

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.

1. General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2025 annual increase was 1.25 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

2. Police and Fire Plan Benefits

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

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

C. Contributions

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

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.50 percent for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were \$63,769. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2025 and the City was required to contribute 17.70 percent of pay for plan members in fiscal year 2025. The City's contributions to the Police and Fire Fund for the year ended December 31, 2025, were \$92,187. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2025, the City reported a liability of \$255,291 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 \$6,158.

City's proportionate share of the net pension liability	\$ 255,291
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>6,158</u>
Total	<u>\$ 261,449</u>

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0077 percent at the end of the measurement period and 0.0075 percent for the beginning of the period.

For the year ended December 31, 2025, the City recognized a reduction of pension expense of \$20,163 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$945 as a reduction of pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2025, the City 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	\$ 24,324	\$ -
Changes in actuarial assumptions	6,151	58,742
Net collective difference between projected and actual investment earnings	-	101,582
Changes in proportion	6,354	10,012
Contributions paid to PERA subsequent to the measurement date	38,577	-
Total	<u>\$ 75,406</u>	<u>\$ 170,336</u>

The \$38,577 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, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2026	\$ (35,817)
2027	(45,207)
2028	(34,337)
2029	(18,146)

1. Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of \$406,830 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0343 percent at the end of the measurement period and 0.0397 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2025. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until the fund is 110 percent funded for a minimum of three consecutive years (on an actuarial value of assets basis). The \$9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100 percent funded for three consecutive years (on an actuarial value of assets basis). The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$14,103.

City's proportionate share of the net pension liability	\$ 406,830
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>14,103</u>
Total	<u>\$ 420,933</u>

For the year ended December 31, 2025, the City recognized pension expense of \$74,191 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$6,824 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$9,271 for the year ended December 31, 2025, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2025, the City reported 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	\$ 187,969	\$ -
Changes in actuarial assumptions	308,508	509,741
Net collective difference between projected and actual investment earnings	-	181,574
Changes in proportion	32,203	76,867
Contributions paid to PERA subsequent to the measurement date	<u>62,625</u>	<u>-</u>
Total	<u>\$ 591,305</u>	<u>\$ 768,182</u>

The \$62,625 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2026	\$ 90,868
2027	(107,335)
2028	(209,313)
2029	(25,689)
2030	11,967

E. Long-Term Expected Return on Investment

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

<u>Asset Class</u>	<u>Target Allocations</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%	

F. Actuarial Methods and Assumptions

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

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

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 10.75 percent after one year of service to 3.0 percent after 23 years of service.

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

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

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

General Employees Fund**Changes in Actuarial Assumptions:**

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

Changes in Plan Provisions:

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

Police and Fire Fund**Changes in Plan Provisions:**

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued used of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.

- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 20248 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Join and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2025 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. 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 (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis				
<i>Net Pension Liability (Asset) at Different Discount Rates</i>				
	General Employees Fund		Police and Fire Fund	
1% Lower	6.00%	\$ 620,062	6.00%	\$ 1,065,982
Current Discount Rate	7.00%	255,291	7.00%	406,830
1% Higher	8.00%	(40,620)	8.00%	(134,437)

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.

Volunteer Fire Relief Association

Defined Contribution Plan Description

The Dilworth Fire Relief Association, which provides retirement benefits for volunteer fire fighters, is not a component unit of the City. The City receives state aid for retirement benefits, which, in turn, remits to the association. During 2025, the Relief Association is entitled to pension contributions of \$56,482 from the City that will be remitted in 2026. These transactions are accounted for in the general fund.

The City remits a state aid payment to the Dilworth Fire Relief Association, a single-employer public employee retirement system that acts as an administrator for the plan.

All volunteer firefighters of the City are members of the Association. Retiring individuals receive a lump sum distribution for each year of service. The minimum retirement age is 50 and members are fully vested after 20 years. These benefit provisions and all other requirements are consistent with enabling state statutes.

The Association issues a publicly available stand-alone financial report which includes six-year trend information, and which can be obtained at City Hall or by calling (218) 287-2313.

Note 10 - Interfund Receivables, Payables, Transfers, and Capital Contributions

Interfund receivables/payables are used to record accrued obligations between funds. The following interfund receivable/payables existed at December 31, 2025:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	<u>\$ 945,315</u>	Firehall	\$ 700,870
		Nonmajor Governmental Funds	
		2013A (Woodbridge 5th Addition)	113,096
		2020A (Southside Street Project)	46,264
		34th Street Project	34,651
		Community Center	<u>50,434</u>
			<u>\$ 945,315</u>

A summary of the City's interfund transfers is as follows:

		Transfer Out				
		Nonmajor Governmental Funds	Water	Sewer	Refuse	Total
Transfer in	General					
General	\$ -	\$ -	\$ 7,500	\$ 7,500	\$ 5,000	\$ 20,000
Nonmajor Governmental Funds	240,828	134,973	-	-	-	375,801
	\$ 240,828	\$ 134,973	\$ 7,500	\$ 7,500	\$ 5,000	\$ 395,801

These transfers were made to support general operations of the general fund and debt service payments.

Note 11 - Litigation

The City generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. In the ordinary course of its business, the City is party to legal proceedings as a plaintiff or defendant. The financial impact of remaining actions is not determinable at December 31, 2025, but in the opinion of management and legal counsel the ultimate disposition of any or all of these proceedings will not have a material effect on the City's financial position.

Note 12 - Construction Commitments

As of December 31, 2025, the City had construction commitments related to a street improvement project. Costs incurred to date totaled \$211,328. Management estimates remaining costs of approximately \$139,000, with anticipated completion in 2026.

As of December 31, 2025, the City had construction commitments related to a community center building project. Costs incurred to date totaled \$388,352. Management estimates remaining costs of approximately \$10,412,000, with anticipated completion in 2027.

Note 13 - Tax Abatements

The Council provides tax abatements through one program, Property Tax Incentives for New Single Family, Condo, and Townhouse Residential Properties. The exemption for certain new single family, condo, and townhouse residential properties, allows for newly constructed homes, excluding land, to possibly be exempt for up to two years from when construction begins.

The following is information relevant to the disclosure of this program for the year ended December 31, 2025:

Tax Abatement Program	
Property Tax Incentives for New Single Family, Condo, and	
Townhouse Residential Properties	<u>\$ 92,595</u>

Note 14 - Risk Management

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

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

The City continues to carry commercial insurance for employee health, standard liability, property, and automotive insurance. Settlements have not exceeded coverage for each of the three fiscal years. There has been no substantial change in coverage from the prior year.

Note 15 - Subsequent Event

Subsequent to year end, the City entered into a direct borrowing agreement in the amount of \$525,000 to finance the purchase of a Freightliner Pumper. Monthly principal and interest payments on this direct borrowing agreement will be made from the general fund beginning in 2026 through 2031.

Required Supplementary Information
December 31, 2025

City of Dilworth, Minnesota

City of Dilworth, Minnesota
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
December 31, 2025

Schedule of Changes in the City's Total OPEB Liability and Related Ratios, Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020
Service Cost	\$ 1,242	\$ 1,314	\$ 1,533	\$ 2,008	\$ 2,519	\$ 2,149
Interest	33,051	27,036	16,579	15,911	21,097	21,083
Changes of Assumptions	(33,036)	37,646	(134,067)	19,195	71,160	-
Differences between Expected and actual experience	-	197,534	-	25,381	-	-
Benefit Payments	(48,440)	(43,747)	(30,310)	(26,955)	(25,353)	(20,913)
Net Change in Total OPEB Liability	(47,183)	219,783	(146,265)	35,540	69,423	2,319
Total OPEB Liability - Beginning	916,035	696,252	842,517	806,977	737,554	735,235
Total OPEB Liability - Ending	<u>\$ 868,852</u>	<u>\$ 916,035</u>	<u>\$ 696,252</u>	<u>\$ 842,517</u>	<u>\$ 806,977</u>	<u>\$ 737,554</u>
Covered Payroll	\$ 1,179,991	\$ 1,145,622	\$ 875,078	\$ 849,590	\$ 918,703	\$ 891,945
Total OPEB Liability as A Percentage of Covered Payroll	73.63%	79.96%	79.56%	99.17%	87.84%	82.69%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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

Changes in Actuarial Assumptions for the year ending December 31, 2025:

- The discount rate was changed from 3.70% to 4.20%.

Changes in Actuarial Assumptions for the year ending December 31, 2024:

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The discount rate was changed from 4.0% to 3.70%.
- The percent elect for pre-65 spouses without subsidy was changed from 0% to 10%.

Changes in Actuarial Assumptions for the year ending December 31, 2023:

- The inflation rate was changed from 2.0% to 2.5%.
- The discount rate was changed from 2.0% to 4.0%.

Changes in Actuarial Assumptions for the year ending December 31, 2022:

- The health care trend rates, mortality tables, salary increase rates, and retirement and withdrawal rates were updated.
- The discount rate was changed from 2.5% to 2.0%.

Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

December 31, 2025

Schedule of Employer's Share of Net Pension Liability Last 10 Fiscal Years

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With City (b)	Total (c) (a+b)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Employees	6/30/2025	0.0077%	\$ 255,291	\$ 6,158	\$ 261,449	\$ 661,886	38.6%	90.8%
General Employees	6/30/2024	0.0077%	283,088	7,320	290,408	617,419	45.9%	89.1%
General Employees	6/30/2023	0.0075%	419,392	11,551	430,943	562,047	74.6%	83.1%
General Employees	6/30/2022	0.0082%	649,443	18,949	668,392	577,460	112.5%	76.7%
General Employees	6/30/2021	0.0084%	358,718	11,010	369,728	567,954	63.2%	87.0%
General Employees	6/30/2020	0.0077%	461,650	14,168	475,818	515,790	89.5%	79.1%
General Employees	6/30/2019	0.0080%	442,302	13,666	455,968	521,900	84.7%	80.2%
General Employees	6/30/2018	0.0076%	421,617	13,919	435,536	478,710	88.1%	79.5%
General Employees	6/30/2017	0.0080%	510,715	6,454	517,169	492,559	103.7%	75.9%
General Employees	6/30/2016	0.0085%	690,158	9,002	699,160	490,765	140.6%	68.9%
Police and Fire	6/30/2025	0.0347%	\$ 406,830	\$ 14,103	\$ 420,933	\$ 496,495	81.9%	91.8%
Police and Fire	6/30/2024	0.0343%	450,785	17,184	467,969	444,700	101.4%	90.2%
Police and Fire	6/30/2023	0.0397%	685,564	27,616	713,180	486,056	141.0%	86.5%
Police and Fire	6/30/2022	0.0380%	1,649,258	72,129	1,721,387	427,252	386.0%	70.5%
Police and Fire	6/30/2021	0.0400%	314,933	14,147	329,080	447,248	70.4%	93.7%
Police and Fire	6/30/2020	0.0360%	478,473	11,255	489,728	411,646	116.2%	87.2%
Police and Fire	6/30/2019	0.0440%	466,295	N/A	466,295	443,002	105.3%	89.3%
Police and Fire	6/30/2018	0.0440%	465,797	N/A	465,797	426,799	109.1%	88.8%
Police and Fire	6/30/2017	0.0410%	553,549	N/A	553,549	387,161	143.0%	85.4%
Police and Fire	6/30/2016	0.0410%	1,645,401	N/A	1,645,401	361,301	455.4%	63.9%

Schedule of Employer's Contributions Last 10 Fiscal Years

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
General Employees	12/31/2025	\$ 71,029	\$ 71,029	\$ -	\$ 948,356	7.5%
General Employees	12/31/2024	63,769	63,769	-	850,253	7.5%
General Employees	12/31/2023	59,530	59,530	-	793,733	7.5%
General Employees	12/31/2022	45,946	45,946	-	612,613	7.5%
General Employees	12/31/2021	45,482	45,482	-	606,427	7.5%
General Employees	12/31/2020	50,524	50,524	-	673,647	7.5%
General Employees	12/31/2019	49,665	49,665	-	662,210	7.5%
General Employees	12/31/2018	39,045	39,045	-	521,030	7.5%
General Employees	12/31/2017	39,549	39,549	-	525,315	7.5%
General Employees	12/31/2016	39,014	39,014	-	518,464	7.5%
Police and Fire	12/31/2025	\$ 109,489	\$ 109,489	\$ -	\$ 618,584	17.7%
Police and Fire	12/31/2024	92,187	92,187	-	520,831	17.7%
Police and Fire	12/31/2023	93,326	93,326	-	527,266	17.7%
Police and Fire	12/31/2022	81,519	81,519	-	460,559	17.7%
Police and Fire	12/31/2021	85,372	85,372	-	482,328	17.7%
Police and Fire	12/31/2020	81,427	81,427	-	460,038	17.7%
Police and Fire	12/31/2019	71,953	71,953	-	423,807	17.0%
Police and Fire	12/31/2018	74,376	74,376	-	458,651	16.2%
Police and Fire	12/31/2017	73,629	73,629	-	453,175	16.2%
Police and Fire	12/31/2016	62,947	62,947	-	389,737	16.2%

General Employees Fund

2025 Changes

Changes in Actuarial Assumptions

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%. Changes in Plan Provisions.
- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Changes in Plan Provisions

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

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 percent to 7.0 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.

- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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

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% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

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

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

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent 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 postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Police and Fire Fund

2025 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).

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

2024 Changes

Changes in Plan Provisions

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

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.5% to 5.4%.

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Combining and Individual Fund Schedules
December 31, 2025

City of Dilworth, Minnesota

City of Dilworth, Minnesota

General Fund

Schedule of Revenues – Budget and Actual

Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget
General Property Taxes	\$ 1,748,687	\$ 1,748,687	\$ 1,415,730	\$ (332,957)
Sales Taxes	-	-	326,367	326,367
Franchise Fees	125,000	125,000	125,488	488
Special Assessments	20,404	20,404	10,332	(10,072)
Licenses and Permits				
Building	51,000	51,000	60,799	9,799
Other	27,000	27,000	31,593	4,593
Total licenses and permits	78,000	78,000	92,392	14,392
Intergovernmental Revenue				
Local government aid	904,280	904,280	904,280	-
Grants	-	81,725	227,047	145,322
Other state aid	189,964	189,964	612,313	422,349
Other credits	5,000	5,000	6,961	1,961
County - streets	50,091	50,091	42,030	(8,061)
Total intergovernmental revenue	1,149,335	1,231,060	1,792,631	561,571
Charges for Services				
Storm water fee	134,000	134,000	153,755	19,755
Parks	22,000	22,000	29,062	7,062
Fire department	47,666	47,666	52,446	4,780
Total charges for service	203,666	203,666	235,263	31,597
Fines and Forfeitures	42,400	42,400	34,125	(8,275)
Investment Income	96,016	96,016	193,795	97,779
Miscellaneous Revenue				
Other	32,006	32,006	205,614	173,608
Refunds and reimbursements	32,000	32,000	26,642	(5,358)
Total miscellaneous revenue	64,006	64,006	232,256	168,250
Total revenues	\$ 3,527,514	\$ 3,609,239	\$ 4,458,379	\$ 849,140

City of Dilworth, Minnesota

General Fund

Schedule of Expenditures – Budget and Actual

Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget
General Government				
City Council				
Personnel services	\$ 43,060	\$ 43,060	\$ 35,039	\$ 8,021
Other services and charges	25,980	25,980	36,928	(10,948)
	<u>69,040</u>	<u>69,040</u>	<u>71,967</u>	<u>(2,927)</u>
City Administration				
Personnel services	216,093	216,093	220,812	(4,719)
Supplies	47,554	47,554	43,724	3,830
Contract services	3,100	3,100	1,875	1,225
Other services and charges	228,577	228,577	416,539	(187,962)
PERA Expense	169,000	169,000	168,670	330
	<u>664,324</u>	<u>664,324</u>	<u>851,620</u>	<u>(187,296)</u>
Legal and Audit				
Personnel services	74,000	74,000	75,992	(1,992)
Elections				
Salaries	4,000	4,000	837	3,163
Planning and Zoning				
Contract services	36,601	36,601	24,366	12,235
Other services and charges	28,975	28,975	43,920	(14,945)
	<u>65,576</u>	<u>65,576</u>	<u>68,286</u>	<u>(2,710)</u>
Total general government	<u>876,940</u>	<u>876,940</u>	<u>1,068,702</u>	<u>(191,762)</u>
Transit Ride Service	34,000	34,000	13,630	20,370
Public Safety				
Personnel services	959,344	959,344	954,642	4,702
Supplies	43,500	43,500	82,770	(39,270)
Other services and charges	272,763	272,763	318,105	(45,342)
Total public safety	<u>1,275,607</u>	<u>1,275,607</u>	<u>1,355,517</u>	<u>(79,910)</u>
Fire Department				
Public safety	141,143	141,143	183,004	(41,861)

City of Dilworth, Minnesota

General Fund

Schedule of Expenditures – Budget and Actual

Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance With Final Budget
Highways and Streets				
Personnel services	301,477	301,477	278,722	22,755
Supplies	32,554	32,554	28,022	4,532
Other services and charges	429,421	429,421	324,978	104,443
Total highways and streets	763,452	763,452	631,722	131,730
Health and Welfare				
Administration				
Other services and charges	3,100	3,100	4,266	(1,166)
Culture and Recreation				
Community center				
Supplies	-	-	59	(59)
Other services and charges	-	-	5,224	(5,224)
Total culture and recreation	-	-	5,283	(5,283)
Park				
Culture and recreation	148,618	148,618	158,781	(10,163)
Capital Outlay				
City administration	1,000	1,000	(97)	1,097
Public safety	33,125	33,125	97,029	(63,904)
Highways and streets	20,000	20,000	458,028	(438,028)
Parks	55,000	55,000	113,769	(58,769)
Fire department	105,000	105,000	45,643	59,357
Total capital outlay	214,125	214,125	714,372	(500,247)
Debt Service				
Principal	70,000	70,000	82,325	(12,325)
Interest	-	-	1,080	(1,080)
Total debt service	70,000	70,000	83,405	(13,405)
Total expenditures	\$ 3,526,985	\$ 3,526,985	\$ 4,218,682	\$ (691,697)

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

	Debt Service						
	Southside Improvements	Fire Hall Debt Service	Refunding Bonds 2015A	2008 Street Rehab	2004B Oak View (First Addition)	2011A Refunding Bonds	2012A (Street Repairs/ Orchard Est)
Assets							
Cash and cash equivalents	\$ 27,049	\$ 348,756	\$ 1,549,706	\$ 120,222	\$ 40,880	\$ 373,004	\$ 108,544
Investments	10,556	-	523,711	48,676	16,421	206,435	43,398
Receivables							
Special assessments	-	-	74,918	-	28,649	46,745	-
Due from other governmental units	-	1,813	33	-	-	51	-
Total assets	<u>\$ 37,605</u>	<u>\$ 350,569</u>	<u>\$ 2,148,368</u>	<u>\$ 168,898</u>	<u>\$ 85,950</u>	<u>\$ 626,235</u>	<u>\$ 151,942</u>
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources							
Unavailable revenue-special assessments	-	-	74,918	-	28,649	46,745	-
Fund Balance							
Restricted for:							
Debt service	37,605	350,569	2,073,450	168,898	57,301	579,490	151,942
TIF repayments	-	-	-	-	-	-	-
Unassigned							
Debt service	-	-	-	-	-	-	-
Capital project funds	-	-	-	-	-	-	-
Total fund balance	<u>37,605</u>	<u>350,569</u>	<u>2,073,450</u>	<u>168,898</u>	<u>57,301</u>	<u>579,490</u>	<u>151,942</u>
Total deferred inflows of resources and fund balances	<u>\$ 37,605</u>	<u>\$ 350,569</u>	<u>\$ 2,148,368</u>	<u>\$ 168,898</u>	<u>\$ 85,950</u>	<u>\$ 626,235</u>	<u>\$ 151,942</u>

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

	Debt Service						
	2013A (Woodbridge 5th Addition)	Refunding Bonds 2015B	2016A (1st Ave Reconstruction/ Seal Coat)	2020A (Southside Street Project)	2022A (7th Street Project)	Capitalized Interest Fund	Total Debt Service
Assets							
Cash and cash equivalents	\$ -	\$ 380,623	\$ 284,105	\$ -	\$ 449	\$ -	\$ 3,233,338
Investments	-	238,103	99,112	-	-	-	1,186,412
Receivables							
Special assessments	110,414	744,777	68,579	60,709	-	-	1,134,791
Due from other governmental units	-	-	1,153	402	-	-	3,452
Total assets	<u>\$ 110,414</u>	<u>\$ 1,363,503</u>	<u>\$ 452,949</u>	<u>\$ 61,111</u>	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ 5,557,993</u>
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	113,096	-	-	46,264	-	-	159,360
Total liabilities	<u>113,096</u>	<u>-</u>	<u>-</u>	<u>46,264</u>	<u>-</u>	<u>-</u>	<u>159,360</u>
Deferred Inflows of Resources							
Unavailable revenue-special assessments	<u>110,414</u>	<u>744,777</u>	<u>68,579</u>	<u>60,709</u>	<u>-</u>	<u>-</u>	<u>1,134,791</u>
Fund Balance							
Restricted for:							
Debt service	-	618,726	384,370	-	449	-	4,422,800
TIF repayments	-	-	-	-	-	-	-
Unassigned							
Debt service	(113,096)	-	-	(45,862)	-	-	(158,958)
Capital project funds	-	-	-	-	-	-	-
Total fund balance	<u>(113,096)</u>	<u>618,726</u>	<u>384,370</u>	<u>(45,862)</u>	<u>449</u>	<u>-</u>	<u>4,263,842</u>
Total deferred inflows of resources and fund balances	<u>\$ 110,414</u>	<u>\$ 1,363,503</u>	<u>\$ 452,949</u>	<u>\$ 61,111</u>	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ 5,557,993</u>

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

	Special Revenue	Capital Projects			Total Nonmajor Governmental Total
	TIF District 1-4	34th Street Project	Community Center	Total Capital Projects	
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 3,233,338
Investments	9,555	-	-	-	1,195,967
Receivables					
Special assessments	-	-	-	-	1,134,791
Due from other governmental units	-	-	-	-	3,452
Total assets	<u>\$ 9,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,567,548</u>
Liabilities					
Accounts payable	\$ -	\$ 309,343	\$ 97,258	\$ 406,601	\$ 406,601
Due to other funds	-	34,651	50,434	85,085	244,445
Total liabilities	<u>-</u>	<u>343,994</u>	<u>147,692</u>	<u>491,686</u>	<u>651,046</u>
Deferred Inflows of Resources					
Unavailable revenue-special assessments	-	-	-	-	1,134,791
Fund Balance					
Restricted for:					
Debt service	-	-	-	-	4,422,800
TIF repayments	9,555	-	-	-	9,555
Unassigned					
Debt service	-	-	-	-	(158,958)
Capital project funds	-	(343,994)	(147,692)	(491,686)	(491,686)
Total fund balance	<u>9,555</u>	<u>(343,994)</u>	<u>(147,692)</u>	<u>(491,686)</u>	<u>3,781,711</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,567,548</u>

City of Dilworth, Minnesota
Nonmajor Governmental Funds, Continued
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2025

	Debt Service						
	Southside Improvements	Fire Hall Debt Service	Refunding Bonds 2015A	2008 Street Rehab	2004B Oak View (First Addition)	2011A Refunding Bonds	2012A (Street Repairs/ Orchard Est)
Revenues							
General property taxes	\$ -	\$ 280,979	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	3,379	-	-	873	-
Intergovernmental	-	61,499	-	-	-	-	-
Investment income	1,324	12,274	65,926	5,944	2,017	25,371	5,346
Miscellaneous revenue	-	-	2	-	-	-	-
Total revenues	1,324	354,752	69,307	5,944	2,017	26,244	5,346
Expenditures							
Current							
General government	-	396	396	-	-	396	-
Miscellaneous	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest, fees, and fiscal charges	-	230,798	-	-	-	239	-
Total expenditures	-	231,194	396	-	-	635	-
Excess (deficiency) of revenues over (under) expenditures	1,324	123,558	68,911	5,944	2,017	25,609	5,346
Other financing sources (uses)							
Transfers from other funds	-	134,973	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-
Total other financing sources (uses)	-	134,973	-	-	-	-	-
Net Change in Fund Balances	1,324	258,531	68,911	5,944	2,017	25,609	5,346
Fund Balances (Deficits), Beginning, of year	36,281	92,038	2,004,539	162,954	55,284	553,881	146,596
Fund Balances (Deficits), End of Year	\$ 37,605	\$ 350,569	\$ 2,073,450	\$ 168,898	\$ 57,301	\$ 579,490	\$ 151,942

City of Dilworth, Minnesota
Nonmajor Governmental Funds, Continued
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2025

	Debt Service						
	2013A (Woodbridge 5th Addition)	Refunding Bonds 2015B	2016A (1st Ave Reconstruction/ Seal Coat)	2020A (Southside Street Project)	2022A (7th Street Project)	Capitalized Interest Fund	Total Debt Service
Revenues							
General property taxes	\$ -	\$ -	\$ 178,720	\$ 62,332	\$ -	\$ -	\$ 522,031
Special assessments	32,372	119,566	11,265	5,522	-	-	172,977
Intergovernmental	-	-	39,117	13,643	-	-	114,259
Investment income	291	21,873	13,487	(153)	844	-	154,544
Miscellaneous revenue	-	-	-	153	-	-	155
Total revenues	32,663	141,439	242,589	81,497	844	-	963,966
Expenditures							
Current							
General government	394	396	394	548	395	-	3,315
Miscellaneous	375	-	-	-	-	-	375
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal	-	210,000	205,000	120,000	-	-	535,000
Interest, fees, and fiscal charges	375	18,825	12,010	20,128	-	-	282,375
Total expenditures	1,144	229,221	217,404	140,676	395	-	821,065
Excess (deficiency) of revenues over (under) expenditures	31,519	(87,782)	25,185	(59,179)	449	-	142,901
Other financing sources (uses)							
Transfers from other funds	-	-	-	-	-	-	134,973
Transfers to other funds	-	-	-	-	-	(134,973)	(134,973)
Total other financing sources (uses)	-	-	-	-	-	(134,973)	-
Net Change in Fund Balances	31,519	(87,782)	25,185	(59,179)	449	(134,973)	142,901
Fund Balances (Deficits), Beginning, of year	(144,615)	706,508	359,185	13,317	-	134,973	4,120,941
Fund Balances (Deficits), End of Year	\$ (113,096)	\$ 618,726	\$ 384,370	\$ (45,862)	\$ 449	\$ -	\$ 4,263,842

City of Dilworth, Minnesota
Nonmajor Governmental Funds, Continued
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2025

	Special Revenue	Capital Projects			Total Nonmajor Governmental Total
	TIF District 1-4	34th Street Project	Community Center	Total Capital Projects	
Revenues					
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ 522,031
Special assessments	-	-	-	-	172,977
Intergovernmental	-	-	-	-	114,259
Investment income	284	-	-	-	154,828
Miscellaneous revenue	52	-	-	-	207
Total revenues	336	-	-	-	964,302
Expenditures					
Current					
General government	-	-	-	-	3,315
Miscellaneous	-	12,101	-	12,101	12,476
Capital outlay	-	323,339	388,352	711,691	711,691
Debt service					
Principal	-	-	-	-	535,000
Interest, fees, and fiscal charges	-	115	168	283	282,658
Total expenditures	-	335,555	388,520	724,075	1,545,140
Excess (deficiency) of revenues over (under) expenditures	336	(335,555)	(388,520)	(724,075)	(580,838)
Other financing sources (uses)					
Transfers from other funds	-	-	240,828	240,828	375,801
Transfers to other funds	-	-	-	-	(134,973)
Total other financing sources (uses)	-	-	240,828	240,828	240,828
Net Change in Fund Balances	336	(335,555)	(147,692)	(483,247)	(340,010)
Fund Balances (Deficits), Beginning, of year	9,219	(8,439)	-	(8,439)	4,121,721
Fund Balances (Deficits), End of Year	\$ 9,555	\$ (343,994)	\$ (147,692)	\$ (491,686)	\$ 3,781,711

City of Dilworth, Minnesota
General Fund, by Department

Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2025

	General Operations Department	Park Department	Fire Department	General Improvements Department	Transit Ride Service Department	General Fund Total
Revenues						
General property taxes	\$ 1,251,841	\$ -	\$ 163,889	\$ -	\$ -	\$ 1,415,730
Sales taxes	326,367	-	-	-	-	326,367
Franchise fees	125,488	-	-	-	-	125,488
Special assessments	10,332	-	-	-	-	10,332
Licenses and permits	92,392	-	-	-	-	92,392
Intergovernmental	1,750,462	-	42,169	-	-	1,792,631
Charges for service	155,287	29,062	50,914	-	-	235,263
Fines and forfeitures	34,125	-	-	-	-	34,125
Investment income	163,542	9,055	14,554	1,106	5,538	193,795
Contributions and other	84,715	24,291	123,250	-	-	232,256
Total revenues	3,994,551	62,408	394,776	1,106	5,538	4,458,379
Expenditures						
Current						
General government	1,068,702	-	-	-	13,630	1,082,332
Public safety	1,355,517	-	183,004	-	-	1,538,521
Highways and streets	631,722	-	-	-	-	631,722
Health and welfare	4,266	-	-	-	-	4,266
Culture and recreation	5,283	158,781	-	-	-	164,064
Capital outlay	554,960	113,769	45,643	-	-	714,372
Debt service						
Principal	82,325	-	-	-	-	82,325
Interest, fees, and fiscal charges	1,080	-	-	-	-	1,080
Total expenditures	3,703,855	272,550	228,647	-	13,630	4,218,682
Excess (deficiency) of revenues over (under) expenditures	290,696	(210,142)	166,129	1,106	(8,092)	239,697
Other financing sources (uses)						
Intrafund transfers	(256,597)	153,197	-	70,000	33,400	-
Transfers from other funds	20,000	-	-	-	-	20,000
Transfers to other funds	(240,828)	-	-	-	-	(240,828)
Lease proceeds	17,997	-	-	-	-	17,997
Total other financing sources (uses)	(459,428)	153,197	-	70,000	33,400	(202,831)
Net Change in Fund Balances	(168,732)	(56,945)	166,129	71,106	25,308	36,866
Fund Balance, Beginning of Year	4,889,578	464,251	156,914	30,319	164,715	5,705,777
Fund Balance, End of Year	\$ 4,720,846	\$ 407,306	\$ 323,043	\$ 101,425	\$ 190,023	\$ 5,742,643

City of Dilworth, Minnesota

Nonmajor Proprietary Funds

Combining Balance Sheet

December 31, 2025

	Forestry	Pest Control	Total Nonmajor Business-Type Funds
Assets			
Current Assets			
Cash and cash equivalents	\$ 179,945	\$ 64,524	\$ 244,469
Investments	63,924	37,534	101,458
Accounts receivable	5,423	5,963	11,386
Prepaid items	-	-	-
Total current assets	249,292	108,021	357,313
Capital assets			
Improvements other than buildings	-	21,913	21,913
Less accumulated depreciation	-	(21,913)	(21,913)
Net capital assets	-	-	-
Total Assets	249,292	108,021	357,313
Deferred Outflows of Resources			
Pension plans	-	2,571	2,571
Liabilities			
Current Liabilities			
Accounts payable	12,912	169	13,081
Accrued wages	-	2,537	2,537
Total current liabilities	12,912	2,706	15,618
Noncurrent Liabilities			
Net pension liability	-	8,705	8,705
Total Liabilities	12,912	11,411	24,323
Deferred Inflows of Resources			
Pension plans	-	5,808	5,808
Net Position			
Unrestricted	\$ 236,380	\$ 93,373	\$ 329,753

City of Dilworth, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended December 31, 2025

	Forestry	Pest Control	Total Nonmajor Business-Type Funds
Operating Revenues			
Charges for services	\$ 50,059	\$ 55,065	\$ 105,124
Miscellaneous	1,323	553	1,876
Total operating revenues	<u>51,382</u>	<u>55,618</u>	<u>107,000</u>
Operating Expenses			
Personnel services	-	63,925	63,925
Supplies	407	11,868	12,275
Repairs and maintenance	61,558	132	61,690
Insurance	-	2,494	2,494
Other	-	3,916	3,916
Total operating expenses	<u>61,965</u>	<u>82,335</u>	<u>144,300</u>
Operating Loss	(10,583)	(26,717)	(37,300)
Nonoperating Revenues			
Investment income	<u>7,265</u>	<u>3,036</u>	<u>10,301</u>
Change in Net Position	(3,318)	(23,681)	(26,999)
Net Position - Beginning	<u>239,698</u>	<u>117,054</u>	<u>356,752</u>
Net Position - Ending	<u><u>\$ 236,380</u></u>	<u><u>\$ 93,373</u></u>	<u><u>\$ 329,753</u></u>

City of Dilworth, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
Year Ended December 31, 2025

	Forestry	Pest Control	Total Nonmajor Business-Type Activities
Operating Activities			
Receipts from customers and users	\$ 51,306	\$ 55,544	\$ 106,850
Payments for cost of services	(69,053)	(10,341)	(79,394)
Payments to employee costs	-	(58,474)	(58,474)
Payments to other vendors	-	(6,241)	(6,241)
	<u>(17,747)</u>	<u>(19,512)</u>	<u>(37,259)</u>
Net cash used for operating activities			
Investing Activity			
Purchase of investments	(4,564)	(2,680)	(7,244)
Investment income	7,265	3,036	10,301
	<u>2,701</u>	<u>356</u>	<u>3,057</u>
Net cash from investing activities			
Net Change in Cash and Cash Equivalents	(15,046)	(19,156)	(34,202)
Cash and Cash Equivalents, Beginning of Year	194,991	83,680	278,671
Cash and Cash Equivalents, End of Year	<u>\$ 179,945</u>	<u>\$ 64,524</u>	<u>\$ 244,469</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities			
Operating loss	\$ (10,583)	\$ (26,717)	\$ (37,300)
Changes in assets and liabilities			
Accounts receivable	(76)	(74)	(150)
Prepaid items	-	1,659	1,659
Accounts payable	(7,088)	169	(6,919)
Accrued wages	-	956	956
Net pension liability and related deferred inflows and outflows of resources	<u>-</u>	<u>4,495</u>	<u>4,495</u>
Net cash used for operating activities	<u>\$ (17,747)</u>	<u>\$ (19,512)</u>	<u>\$ (37,259)</u>

City of Dilworth, Minnesota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
Department of Agriculture Community Facilities Loans and Grants	10.766	N/A	\$ 975,000
Department of Housing and Urban Development <i>Passed Through Minnesota Department of Housing and Urban Development</i> Community Development Block Grants	14.228	CDAP-20-0030-O-FY21	<u>187,196</u>
Total Federal Financial Assistance			<u>\$ 1,162,196</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Dilworth, Minnesota (the City) under programs of the federal government for the year ended December 31, 2025. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Organization does not draw for indirect administrative expenses and has not elected to use the de minimis cost rate of up to 15 percent.

Other Reports
December 31, 2025
City of Dilworth, Minnesota



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and
Members of the City Council
City of Dilworth, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dilworth, Minnesota (the City) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 28, 2026.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2025-001, 2025-002, and 2025-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
May 28, 2026



Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

The Honorable Mayor and
Members of the City Council
City of Dilworth, Minnesota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Dilworth, Minnesota's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2025. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eric Sully LLP".

Fargo, North Dakota
May 28, 2026



Independent Auditor's Report on *Minnesota Legal Compliance*

The Honorable Mayor and
Members of the City Council
City of Dilworth, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund, and the aggregate remaining fund information of the City of Dilworth, Minnesota (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 28, 2026.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting – 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 Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

Fargo, North Dakota
May 28, 2026

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing
Community Facilities Loans and Grants	10.766
Dollar threshold used to distinguish between type A and type B programs:	\$ 1,000,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**2025-001 Segregation of Duties
Material Weakness**

Criteria – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping and reconciliation functions.

Condition – The City does not have enough staff to adequately separate duties in cash receipts, cash disbursements, accounts payable and purchasing, payroll and related liabilities, general ledger maintenance and reconciliation, and review over the preparation of the schedule of expenditures of federal awards.

Cause – There is a limited amount of office employees involved in the internal control process.

Effect – Inadequate segregation of duties could adversely affect the City’s ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation – The functions should be reviewed to determine if additional segregation of duties is feasible and to improve efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials – There is no disagreement with the audit finding.

2025-002 Material Journal Entries
Material Weakness

Criteria – A good system of internal accounting control consists of an adequate system for internally preparing the City's financial statements, including all necessary adjustments.

Condition – During the course of our engagement, we proposed numerous material audit adjustments, that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Cause – The City does not have an internal control system designed to identify all necessary adjustments.

Effect – This control deficiency could result in a material misstatement to the financial statements that would not be prevented or detected.

Recommendation – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be performed at both the accounting staff and accounting supervisor levels.

Views of Responsible Officials – There is no disagreement with the audit finding.

2025-003 Preparation of Financial Statements
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the City's financial statements.

Condition – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

Cause – The City does not have an internal control system to provide for the preparation of the financial statements being audited.

Effect – The disclosures in the financial statements could be incomplete.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – *Minnesota Legal Compliance Findings*

None reported

FORM OF LEGAL OPINION

(See following pages)

FORM OF LEGAL OPINION

City of Dilworth
Dilworth, Minnesota

[Purchaser]
[City, State]

Re: \$[PAR] General Obligation Sales Tax and Abatement Bonds, Series 2026A
 City of Dilworth, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by the City of Dilworth, Minnesota (the “City”), of the obligations described above, dated, as originally issued, as of July [], 2026 (the “Bonds”), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

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

2. The principal of and interest on the Bonds are payable from ad valorem taxes duly levied on all taxable property in the City, tax abatement revenues received by the City, and the collection of sales and use taxes imposed by the City, which ad valorem taxes, abatement revenues, and sales and use taxes are expected to produce amounts sufficient to pay the principal of and interest on the Bonds when due, and, to any extent not so paid, from additional ad valorem taxes required by law to be levied on all taxable property in the City, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds (a) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code.

4. Interest on the Bonds (a) is excludable from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates.

The opinions expressed in paragraphs 1 and 2 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors’ rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 3 and 4 above are subject to the compliance by the City with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that interest on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon representations of the City and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to 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 occur after the date hereof and which may be retroactive.

Dated this [] day of July, 2026.

Very truly yours,

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**FORM OF CONTINUING DISCLOSURE COVENANTS
(EXCERPTS FROM AWARD RESOLUTION)**

(See following pages)

Form of Continuing Disclosure Covenants

Excerpt from Resolution

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2026, the following financial information and operating data in respect of the City (the “Disclosure Information”):
 - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the

reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and

- (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: “VALUATIONS – Current Property Valuations”; “DEBT – Direct Debt”; “TAX RATES, LEVIES AND COLLECTIONS – Tax Levies and Collections”; “GENERAL INFORMATION – U.S. Census Data – Population Trend”; and “– Employment/Unemployment Data,” which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access System (“EMMA”) or to the SEC. The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events (each a “Material Fact”):
 - (A) Principal and interest payment delinquencies;
 - (B) Non-payment related defaults, if material;
 - (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (E) Substitution of credit or liquidity providers, or their failure to perform;

- (F) 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;
- (G) Modifications to rights of security holders, if material;
- (H) Bond calls, if material, and tender offers;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities, if material;
- (K) Rating changes;
- (L) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (M) 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; and
- (N) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (O) 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
- (P) 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.

For purposes of the events identified in paragraphs (O) and (P) above, the term “financial obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). 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.

As used herein, for those events that must be reported if material, an event is “material” if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also “material” if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

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

- (3) In a timely manner, notice of the occurrence of any of the following events or conditions:
 - (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
 - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
 - (C) the termination of the obligations of the City under this section pursuant to subsection (d);
 - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
 - (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable

requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

TERMS OF PROPOSAL

\$11,375,000* GENERAL OBLIGATION SALES TAX AND ABATEMENT BONDS, SERIES 2026A CITY OF DILWORTH, MINNESOTA

Proposals for the purchase of \$11,375,000* General Obligation Sales Tax and Abatement Bonds, Series 2026A (the "Bonds") of the City of Dilworth, 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 June 22, 2026, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 6:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 469 and 475, as amended, including Sections 469.1812 through 469.1815, and Minnesota Session Laws of 2023, First Session, Chapter 64, Article 10, Section 32, by the City, for the purpose of financing the capital costs of the City's Community Center Project. 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 July 16, 2026, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2028	\$150,000	2035	\$600,000	2042	\$780,000
2029	490,000	2036	620,000	2043	815,000
2030	505,000	2037	640,000	2044	405,000
2031	525,000	2038	670,000	2045	425,000
2032	545,000	2039	695,000	2046	445,000
2033	555,000	2040	720,000	2047	465,000
2034	575,000	2041	750,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** 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 U.S. Bank Trust Company, National Association, St. Paul, Minnesota to act as paying agent (the "Paying Agent"). 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

The Bonds maturing on and after February 1, 2036 are be subject to redemption and prepayment at the option of the City, in whole or in part, in such order as the City shall determine and within a maturity by lot as selected by the Registrar in multiples of \$5,000, on February 1, 2035, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption.

The City is required to cause notice of the call for redemption thereof to be published as required by law and, at least thirty (30) days and no more than sixty (60) days prior to the designated redemption date, cause notice of the call for redemption to be mailed, by first class mail, to the registered owners of any Bonds to be redeemed at their addresses as they appear on the bond register, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

DELIVERY

On or about July 16, 2026, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the City.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$11,261,250 plus accrued interest on the principal sum of \$11,375,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 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 \$227,500 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds shall not be "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, 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, in the resolution awarding the Bonds, the City will agree to provide certain information and notices of the occurrences of certain events to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) System. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

In order to establish the issue price of the Bonds for federal income tax purposes, the City requires bidders to agree to the following, and by submitting a proposal, each bidder agrees to the following.

If a proposal is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the "initial offering price") for each maturity as set forth in the proposal and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate "maturity", and the public does not include underwriters (including members of a selling group or retail distribution group) or persons related to underwriters.

If, however, a proposal is submitted for the bidder's own account in a capacity other than as an underwriter of the Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the bidder shall notify the City to that effect at the time it submits its proposal and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the City shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the "hold-the-offering price" rule applies.

If the City advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the City at or prior to closing a certification, in a form reasonably acceptable to bond counsel, as to the reasonably expected initial offering price as of the award date.

If the City advises the Purchaser that the requirements for a competitive sale have not been satisfied and that the hold-the-offering price rule applies, the Purchaser shall (1) upon the request of the City confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the City a certification as to such matters, in a form reasonably acceptable to bond counsel, together with a copy of the pricing wire.

Any action taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Ehlers & Associates, Inc.

Bidders should prepare their proposals on the assumption that the Bonds will be subject to the "hold-the-offering-price" rule. Any proposal submitted pursuant to the Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, and Bonds submitted will not be subject to cancellation or withdrawal.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, Telephone (651) 697-8500.

By Order of the City Council

City of Dilworth, Minnesota

PROPOSAL FORM

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

June 22, 2026

RE: \$11,375,000* General Obligation Sales Tax and Abatement Bonds, Series 2026A (the "Bonds")

DATED: July 16, 2026

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$11,261,250) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2028	_____ % due	2035	_____ % due	2042
_____ % due	2029	_____ % due	2036	_____ % due	2043
_____ % due	2030	_____ % due	2037	_____ % due	2044
_____ % due	2031	_____ % due	2038	_____ % due	2045
_____ % due	2032	_____ % due	2039	_____ % due	2046
_____ % due	2033	_____ % due	2040	_____ % due	2047
_____ % due	2034	_____ % due	2041		

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 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) 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 \$227,500 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about July 16, 2026.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: _____ NO: _____.

If the competitive sale requirements are not met, we elect to use either the: _____ 10% test, or the _____ hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from July 16, 2026 of the above proposal is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Dilworth, Minnesota, on June 22, 2026.

By: _____ By: _____
Title: _____ Title: _____