PRELIMINARY OFFICIAL STATEMENT DATED JULY 31, 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.

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

New Issue **Rating Application Made: Moody's Investors Service, Inc.**

CITY OF HUTCHINSON, MINNESOTA
(McLeod County)

$4,295,000* PUBLIC UTILITY REVENUE BONDS, SERIES 2026B

PROPOSAL OPENING: August 11, 2026, 10:00 A.M., C.T. **CONSIDERATION**: August 11, 2026, 4:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $4,295,000* Public Utility Revenue Bonds, Series 2026B (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 453, by the City, to provide funds for the public purpose of financing improvements to the City's electric generation and distribution system. **THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE PAYABLE ONLY FROM NET REVENUES TO BE DERIVED FROM THE OPERATION OF THE ELECTRIC AND NATURAL GAS UTILITY SYSTEMS.** Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF BONDS: September 3, 2026

MATURITY: December 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2027	$295,000	2031	$375,000	2035	$435,000
2028	340,000	2032	390,000	2036	450,000
2029	350,000	2033	405,000	2037	470,000
2030	365,000	2034	420,000		

***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: June 1, 2027 and semiannually thereafter.

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

MINIMUM PROPOSAL: $4,243,460.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $85,900 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

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).

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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CITY COUNCIL

		Term Expires
Gary Forcier	Mayor	January 2027
Tim Burley	Council Member	January 2027
Chad Czmowski	Council Member	January 2029
Pat May	Council Member	January 2029
Dave Sebesta	Council Member	January 2027

CITY ADMINISTRATION

Matt Jaunich, City Administrator

Andy Reid, Finance Director

Marc Sebora, City Attorney

HUTCHINSON UTILITIES COMMISSION

		Term Expires
Don Martinez	President	January 2029
Tom Lambert	Vice President	January 2030
Matt Cheney	Secretary	January 2028
Kathy Silvermale	Commissioner	January 2027
Vacant*	Commissioner	

*The vacant Commissioner seat is expected to be filled by the end of 2026.

UTILITIES ADMINISTRATION

Jeremy Carter, General Manager

Jared Martig, Financial Manager

Matt Cheney, Recording Secretary

PROFESSIONAL SERVICES

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 Hutchinson, Minnesota (the "City"), the Hutchinson Utilities Commission (the "HUC" or the "Commission") and the issuance of the City's $4,295,000* Public Utility Revenue Bonds, Series 2026B (the "Bonds" or the "Series 2026B 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 August 11, 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 September 3, 2026. The Bonds will mature on December 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on June 1 and December 1 of each year, commencing June 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

The Bonds maturing on and after December 1, 2035 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 December 1, 2034, 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 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, Chapter 453, by the City, to provide funds for the public purpose of financing improvements to the City's electric generation and distribution system.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$4,295,000	
Total Sources		**$4,295,000**
Uses		
Total Underwriter's Discount (1.200%)	$51,540	
Costs of Issuance	87,000	
Deposit to Project Fund	4,156,460	
Total Uses		**$4,295,000**

*Preliminary, subject to change.

SECURITY

This section is a summary of security provisions. A detailed explanation of the security provisions is contained in the Award Resolution.

Source of Payment: THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY but are payable solely from the net revenues of the Electric and Gas Utility Systems. The City will pledge a first lien on the net revenues of the electric generation and distribution system and the nautral gas distribution systems (the "Electric and Gas Utility Systems") operated and managed by the Hutchinson Utilities Commission (the "Commission") for payment of principal of and interest on the Bonds after payment of operation and maintenance expenses. The Bonds will be issued on a parity with the City's $20,720,000 Public Utility Revenue Refunding Bonds, Series 2012A, dated July 19, 2012 (the "Series 2012A Bonds"), and the City's $16,675,000 Public Utility Revenue Bonds, Series 2017B, dated October 31, 2017 (the "Series 2017B Bonds") (together, the "Parity Bonds").

Rate Covenant: The City will establish and maintain charges, fees and rentals for all service and benefits of whatsoever nature furnished and made available by the Electric and Gas Utility Systems to all individuals, firms, corporations and governmental subdivisions and agencies, including the City itself, in accordance with schedules such that the gross revenues derived therefrom will at all times be sufficient to meet all payments due from and to maintain all reserves required in the Public Utilities Fund and the several accounts therein as provided in the Award Resolution, and also to provide adequate funds in the Depreciation and Replacement Account for repairs, replacements and improvements of Electric and Gas Utility Systems properties, and will revise such rates, charges and rentals whenever necessary for these purposes; and sufficient to produce each year net revenues of not less than one and three tenths (1.30) times the amount of all principal and interest on Parity Bonds to become due and payable from the Sinking and Interest Account in such year.

Additional Revenue Bonds:

Subordinate Bonds: No series of additional revenue bonds will be issued and secured under the Award Resolution except as provided in the Award Resolution, and no other obligations of any kind, payable from or constituting a charge upon the net revenues of the Electric and Gas Utility Systems, will be issued unless such obligations are made junior and subject to the lien and charge on the net revenues of the Parity Bonds.

Refunding Matured Bonds. The City reserves the right to issue one or more additional series of Parity Bonds to refund outstanding Parity Bonds, if and to the extent that the balance then on hand or available for transfer to the Sinking and Interest Account is insufficient for their payment. Such refunding revenue bonds are payable from the Sinking and Interest Account on a parity with any non-refunded Parity Bonds, but the maturities of any refunding revenue bonds issued under these circumstances will be subsequent to the maturity of all other Parity Bonds then outstanding.

Parity Bonds. The City also reserves the right to issue one or more additional series of revenue bonds for the purpose of financing capital improvements and additions to the Electric and Gas Utility Systems, or of refunding outstanding obligations secured by the provisions of the Award Resolution in advance of the maturity thereof, which revenue bonds will be payable from the Sinking and Interest Account on a parity with those issued under the Award Resolution and will be secured by each and all of the covenants and other provisions of the Award Resolution as fully as though such additional revenue bonds were expressly described and authorized herein, provided that:

(a) The amount of the net revenues of the Electric and Gas Utility Systems during the fiscal year (January 1 to December 31) next preceding the issuance of such additional revenue bonds will have been not less than one and three tenths (1.30) times the maximum amount of principal and interest to become due and payable from the Sinking and Interest Account in any subsequent fiscal year of the term of the then outstanding bonds payable from said Account, on such outstanding Parity Bonds and the Parity Bonds to be issued.

(b) In the computation of the principal and interest to become due and subsequent to the issuance of any additional Parity Bonds, the principal and interest payable on the additional Parity Bonds will be included and that which would have been payable on any obligations refunded thereby will be excluded; and

(c) If the rates, charges and rentals for Electric and Gas Utility Systems service in effect at the time of issuance of any additional bonds have been changed in any manner since the beginning of the preceding fiscal year, the net revenues for that year, for the purpose of subsection (a) above, will be deemed to be those which would have been received from such rates, charges and rentals if applied to the quantities of Electric and Gas Utility Systems services furnished and made available during the year, after deduction of the actual operation and maintenance expenses incurred during the year.

Public Utilities Fund and Flow of Funds under the Award Resolution

Public Utilities Fund: The Award Resolution provides that all of the gross income and revenue derived from the operation of the Electric and Natural Gas Utility Systems by the Commission, and of any future additions thereto and betterments thereof, including all amounts received in respect of sales of utility services, facilities, products or by-products furnished by the Electric and Natural Gas Utility Systems to the City and its inhabitants and all other customers, are to be set aside, appropriated and pledged to the Public Utilities Fund, which shall be maintained as a separate and special fund on the books of the City and the Commission at least until bonds secured by the Award Resolution have been fully paid. The Commission and the City Finance Director shall maintain books and records showing all receipts and disbursements of revenues herein pledged to the Public Utilities Fund and of all other moneys pertaining to the system, on which books and records there shall be maintained, the following separate subfunds or accounts designated in the Award Resolution:

General Account: To the General Account shall be credited, as received, all of the gross revenues received from the operation of the Electric and Natural Gas Utility Systems, and all penalties and proceeds of the voluntary sale of any real or personal property comprising part of the Electric and Natural Gas Utility Systems.

The General Account shall be used only to pay, promptly when due, expenses which under accepted accounting practice constitute current, reasonable and necessary costs of the Electric and Natural Gas Utility Systems, including but not limited to the amounts to be paid to the City, exclusive of depreciation and interest costs, and to maintain in accordance with accepted accounting practice a reasonable working capital and reserves for recurring expenses.

The revenues of the Electric and Natural Gas Utility Systems from time to time on hand in the General Account in excess of the foregoing requirements are the net revenues pledged and appropriated, to make the transfers to other subfunds or accounts in the Public Utilities Fund required and contemplated in the Award Resolution.

Sinking and Interest Account:

From the net revenues of the Electric and Natural Gas Utility Systems, there shall be transferred to the Sinking and Interest Account from the General Account each month, a sum not less than one-twelfth of the aggregate amount of principal to become due within the twelve months next following, and not less than one-sixth of the amount of interest to become due within the six months next following, on all then outstanding bonds issued pursuant to and as contemplated by the Award Resolution which have been made payable therefrom, including the Parity Bonds, exclusive of interest to be paid from the Capital Improvement Account and exclusive of the principal of the Bonds. This requirement is cumulative, and if the full amount required cannot be transferred in any month, the deficiency shall be restored from the next net revenues available in the General Account.

The Sinking and interest Account will be used only to pay the interest and principal when due n the outstanding bonds, including the Parity Bonds, which have been made payable therefrom.

Upon the call of any bonds payable from the Sinking and Interest Account for redemption in advance of maturity, there shall also be provided in the Sinking and Interest Account, over and above the amounts herein required, from surplus net revenues or the proceeds of refunding revenue bonds, additional funds sufficient to pay the principal amount of the obligations redeemed and the premium required for such redemption.

Reserve Account:

There is required to be maintained in the Reserve Account an amount equal to the lesser of (i) 10% of the original principal amount of the Bonds if then outstanding and the original principal amount of any series of additional bonds payable from the Sinking and Interest Account on a parity with the Bonds secured by the Award Resolution then outstanding, (ii) the maximum annual amount of principal and interest to become due on the Bonds and all additional bonds secured by the Award Resolution, or (iii) 125% of the average annual amount of principal and interest to become due on the Bonds and all additional bonds secured by the Award Resolution (the "Reserve Requirement").

It shall be a condition to the issuance of any series of additional bonds payable from the Sinking and Interest Account that the amount in the Reserve Account be equal to the Reserve Requirement upon the issuance of such additional bonds. The Reserve Requirement may be satisfied by cash or a Qualified Surety Bond, or any combination thereof. Such required balance shall be maintained by the transfer to the Reserve Account of net revenues in excess of the requirements of the General Account and Sinking and Interest Account whenever and to the extent necessary. If the balance in the Reserve Account is more than required, the excess shall be transferred to the Sinking and Interest Account. The Reserve Account shall be used only to pay interest or principal actually due on the Bonds and any additional bonds secured by the Award Resolution, when and if and to the extent that such interest or principal cannot be paid in full from the Sinking and Interest Account.

If the balance in the Sinking and Interest Account should at any time be insufficient to pay principal and interest then due on the Parity Bonds, and cannot be made sufficient by the transfer of funds from the Reserve Account, the combined balance in said Accounts shall first be used to pay the interest due on all such obligations, and any funds then remaining shall be used to pay the principal of said obligations in order of their maturity dates, or as among obligations maturing on the same date by lot.

Depreciation and Replacement Account:

The Depreciation and Replacement Account may be used to segregate net revenues of the Electric and Natural Gas Utility Systems from time to time received in excess of those currently needed for the purposes of the General Account, the Sinking and Interest Account and the Reserve Account.

Any balance therein shall be transferred to these Accounts whenever and to the extent needed for such purposes.

Any balance therein, when not so needed, may be transferred to the Capital Improvement Account and used to make repairs, replacements and improvements of the properties of the Electric and Natural Gas Utility Systems, or to the Sinking and Interest Account for the purpose of redemption of obligations in advance of maturity; or may be transferred to any other fund and used for any proper municipal purpose, in accordance with the City Charter.

Capital Improvement Account:

The Capital Improvement Account shall be used only to pay expenses which under accepted accounting practice constitute capital costs necessarily incurred for the acquisition and betterment of the Electric and Natural Gas Utility Systems, including but not limited to land, easements, buildings, structures, machinery and equipment, and the cost of all architectural, engineering, legal and other professional services, printing and publication, and other costs reasonably necessary and incidental thereto.

To the Capital Improvement Account shall be credited the proceeds of any additional bonds issued in the future as contemplated by the Award Resolution, for the financing of capital improvements or additions to the Electric and Natural Gas Utility Systems, and such other funds as may from time to time be appropriated by the Commission for this purpose.

From the balance, if any, remaining in the Capital Improvement Account after the project to be financed by the proceeds of any additional bonds is completed and the costs paid there shall be transferred to the Reserve Account established by the Award Resolution, the amount required, if any, to bring the balance on hand in the Reserve Account to the amount required; and any amount not so transferred shall be transferred to the Sinking and Interest Account established by the Award Resolution.

RISK FACTORS

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.

Risks Associated with HUC

System Revenues: The City is obligated to pay the principal of and interest on the Bonds solely from Net Revenues of the Electric and Gas Utility Systems. Should rates prove to be inadequate to cover unforseen operating and maintenance expenses, an unusual number of delinquencies occur, or a major breakdown or other disaster cause the Electric and Gas Utility Systems to be inoperable, a shortfall of revenues could result in a delay of debt payments.

Environmental Regulation: HUC's operations are subject to various environmental laws and regulations. In addition, there are continuing legislative and regulatory efforts which seek to limit or control emission of greenhouse gases and other pollutants. The impact and costs of such proposed legislative and regulatory initiatives on HUC are not yet known but could require capital outlays on HUC's existing generation assets or increased costs on the power purchased in the open market or through existing or future power purchase contracts. See "ELECTRIC UTILITY INDUSTRY AND REGULATORY MATTERS - Environmental Regulation" herein.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions could affect the local economy and result in reduced energy and gas consumption and collections or increased costs of purchased or produced power or natural gas.

Larger Users: Should larger users increase or decrease usage of the electric and gas services currently provided, the revenues of the Electric and Gas Utility Systems will be affected proportionately.

Additional Subordinate Lien Bonds

Notwithstanding the above provisions, nothing contained in the Award Resolution or in the Bonds shall be construed to preclude the City from issuing additional subordinate bonds when necessary for the enlargement, improvement or extension of the Electric and Gas Utility Systems; provided such additional subordinate bonds, whether constituting a general obligation of the City or payable solely from revenues of the Electric and Gas Utility Systems, shall not be issued unless such obligations are made junior and subject to the lien and charge on the net revenues of the revenue bonds secured by the Award Resolution..

The Electric Utility Industry Generally

The following is a brief description of certain environmental, transmission and other regulatory matters affecting the Electric Utility and electric utilities generally. It does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date of this Official Statement as a result of rapidly evolving regulatory policy at both the state and federal levels. Extensive information on the electric utility industry is available from sources in the public domain, and potential purchasers of the Bonds should obtain and review such information.

The electric utility industry has been, and in the future will be, affected by a number of factors which could impact the financial condition and competitiveness of electric utilities, such as the Electric Utility. Such factors include, among others: (i) effects of compliance with changing environmental, safety, licensing, regulatory and legislative requirements; (ii) changes resulting from conservation and demand-side management programs on the timing and use of electric energy; (iii) other federal and state legislative changes; (iv) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and “strategic alliances” of competing electric (and gas) utilities and from competitors offering less expensive electricity from much greater distances transmitted over an interconnected system, and new methods of producing low cost electricity; (v) increased competition from independent power producers, marketers and brokers; (vi) "self-generation" by certain industrial and commercial customers; (vii) issues relating to the ability to issue tax-exempt obligations; (viii) severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects financed with outstanding tax-exempt obligations; (ix) changes from projected future load requirements; (x) increases in costs; (xi) shifts in the availability and relative costs of different fuels; and (xii) global warming and the future legislation and regulations that target contributions made by coal-fired and other fossil-fueled generating units. Any of these factors and the factors discussed herein (as well as other factors) could have an effect on the financial condition of the Electric Utility.

The Electric Utility and other electric utilities are subject to various federal and state laws requiring compliance with environmental rules and regulations. In addition, the Electric Utility is also subject to various federal and state laws relating to its facilities as well as various federal and state laws which affect the construction and operation of its facilities.

Energy Policy Act of 1992

The Energy Policy Act of 1992 (the "Energy Policy Act of 1992") made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access under Sections 211, 212, and 213 of the Federal Power Act. The purpose of these changes, in part, was to bring about increased competition. While the Electric Utility could contest before the Federal Energy Regulatory Commission ("FERC") or in federal court any application under Sections 211, 212 and 213 of the Federal Power Act on jurisdictional, procedural or substantive grounds, those Sections of the Federal Power Act provided the FERC with the authority, upon application by an electric utility, federal power marketing agency, or any person generating electricity for sale or resale, to require a transmitting utility such as the Electric Utility to provide transmission services to the applicant at rates, charges, terms and conditions set by FERC based on standards and provisions in the Federal Power Act. However, the Energy Policy Act of 1992 specifically denied the FERC the authority to mandate "retail wheeling," under which a retail customer of one utility could obtain power from another utility or non-utility power generator.

On April 24, 1996, the FERC issued two final rules. The final rules effected significant changes in the regulation of transmission services provided by public utilities (as defined in the Federal Power Act) that own, operate or control interstate transmission facilities and which are subject to the FERC jurisdiction over wholesale contracts, rates and services ("jurisdictional utilities"). The Electric Utility is not a public utility, as defined by the Federal Power Act, and is not a jurisdictional utility under the Federal Power Act for its sales or generation of power.

One of the final rules, Order No. 888, (i) requires the provision of open access transmission services on a nondiscriminatory basis by all jurisdictional utilities by requiring all such utilities to file tariffs that offer other entities seeking to effect wholesale power transactions the same transmission services they provide themselves, under comparable terms and conditions, and (ii) may require a non-jurisdictional utility, such as the Electric Utility, that purchases transmission services from a jurisdictional utility under an open access tariff and that owns or controls transmission facilities to, in turn, provide open access service to the jurisdictional utility under terms that are comparable to the service that the non-jurisdictional utility provides itself. This is referred to as the reciprocity requirement. Order No. 888 also includes provisions which, in effect, would permit jurisdictional utilities to recover under certain conditions so-called "stranded costs" for generating and other facilities from wholesale customers of a utility which use open access transmission service to purchase from other power suppliers.

The other final rule, Order No. 889, (i) implements standards of conduct for jurisdictional utilities that offer open access transmission services to ensure that transmission owners and their affiliates do not have an unfair competitive advantage in using transmission to sell power, and (ii) requires those jurisdictional utilities to establish or use an electronic "Open Access Same-time Information System" ("OASIS") to share transmission-related information (including information about available capacity) on the Internet, and to require that those jurisdictional utilities also obtain information about their transmission systems for their own wholesale power transactions, such as available capacity, in the same way that their competitors do through the OASIS.

In 2007, the FERC issued Order No. 890 which, as modified and clarified on rehearing, updated Order Nos. 888 and 889. Order 890 did not substantially change the requirements or jurisdictional reach of those orders with respect to the Electric Utility.

The Electric Utility, as a non-jurisdictional utility, is not directly subject to Order No. 888, 889 and 890. Therefore, at this time, the Electric Utility is unable to predict what effect, if any these rules will have on the Electric Utility.

Energy Policy Act of 2005

The Energy Policy Act of 2005 (the "2005 Act") made additional changes to the federal regulation of the electric utility industry, some of which affect the Electric Utility.

The 2005 Act required the creation of an electric reliability organization that has authority to establish and enforce mandatory reliability standards on a nation-wide basis. The electric reliability organization is subject to FERC's oversight. FERC approved the North American Electric Reliability Council ("NERC") as the electric reliability organization and has approved nation-wide reliability standards. FERC has also approved NERC's delegation of certain functions to regional reliability organizations, including the Midwest Reliability Organization ("MRO").

The standards that are administered by NERC and the MRO apply to all users, owners, and operators of the bulk power system including the Electric Utility.

The 2005 Act requires the Department of Energy to designate national interest electric transmission corridors, where constraints or congestion adversely affect consumers. FERC may authorize the siting of transmission facilities within those corridors if the states have failed to act. The courts held that FERC may act when a state, rather than failing to act, has denied an application for siting. It is anticipated that FERC will continue to assert broad authority to authorize the siting of transmission facilities and that Congress might act expressly to expend FERC's authority.

The 2005 Act requires price transparency and prohibits market manipulation for all wholesale markets. The requirements apply to all entities that participate in those markets, including the Electric Utility.

Retail Electric Service Territories

The State of Minnesota (the "State") presently prohibits other electric utilities from serving areas within a municipality which are presently receiving retail electric service from a municipal utility. The State permits municipal utilities to expand their retail electric services to additional areas located within the municipalities' boundaries, including areas added by way of annexation. When municipal utilities expand their retail electric service territory, they are required to pay compensation to any other displaced electric utility. The compensation due to such displaced utilities is determined by the courts, utility regulatory commissions, or by mutual agreement between the two parties.

State Regulatory Initiatives

On May 21, 2001, the Minnesota Legislature passed the Minnesota Energy Security and Reliability Act (the "Act") which was signed by the Governor into law on May 29, 2001 and became Chapter 212 of Laws of Minnesota 2001. Although the Act constituted the most extensive re-write of the State's law on energy policy in 25 years, the focus was primarily on promoting conservation and renewables rather than on creating a more effective process for securing needed transmission and generation facilities. In part, to address the issue of the need for substantial new investment in transmission, the Minnesota Legislature also passed the Omnibus Energy Bill, Laws of Minnesota 2005, Chapter 97 (the "Omnibus Energy Bill"), codified in Minnesota Statutes Chapter 216B, as amended, whose provisions took effect August 1, 2005. The following discussion of some major provisions that affect municipal utilities is a summary and is qualified in its entirety by reference to the Act and the Omnibus Energy Bill.

Distributed Generation. The Omnibus Energy Bill establishes the terms and conditions that govern the interconnection and parallel operation of on-site distributed generation. The Public Utilities Commission of the State of Minnesota (the "PUC") has established generic standards for utility tariffs providing for the standardized interconnection of facilities and reasonable interconnection agreements. Municipal utilities and cooperatives must adopt tariffs of their own, which must address the same issues as those addressed by the PUC. The Act requires all utilities to keep records of applications for interconnections and to annually report interconnection activity to the Commissioner of the Minnesota Department of Commerce (the "DOC").

Renewables. Renewables are generally defined as solar, wind, or hydroelectric facilities; however, the Omnibus Energy Bill allows for biogas projects to be eligible for the renewal energy production incentive and promotes the use of soy-diesel and hydrogen as energy sources. The Act, amended in 2010, allows for all utilities to offer its customers one or more options to secure electric energy from renewables or high efficiency, low emissions distributed generation such as fuel cells and micro-turbines fueled by renewable fuels. The DOC Commissioner must certify the applicable power source as renewable. Electric utilities unable to supply their customers with the renewable option must provide an explanation to the PUC. The Omnibus Energy Bill makes a number of changes designed to promote the use of renewable resources, which include expediting regulatory approval of transmission projects related to renewable generation, establishing a framework for a (non-binding) wind energy tariff for community-based energy for development projects, requiring utility participation in a wind integration study, requiring the adjustment of power purchase agreements to account for production tax payments, and requiring a study of the use of bio-diesel fuel to heat homes. The 2005 Minnesota Legislature authorized a study to determine if the State of Minnesota could reliably and cost-effectively integrate a Renewable Energy Standard ("RES") mandate. This study was delivered late in 2006 and the 2007 Minnesota Legislature, acting on the strength of the study results, passed into law the Net Generation Energy Act ("NGEA"), Laws of Minnesota 2007, Chapter 3, which will require 25% renewable electric generation by the year 2025, with intervening steps to reach the standard.

Consumer Protection. Changes were made to the list of concerns that a municipal or an electric cooperative must address before disconnecting a residential customer for non-payment during the winter heating season. The Act also requires all utilities to offer a payment agreement to residential customers for past due bills or for making up undercharges, if the undercharge is caused through no fault of the customer. If a utility has more than 3,000 customers, it must provide budget billing for residential customers.

Conservation Improvement Program ("CIP"). In 2007, the State established new conservation of energy policy that sets CIP goals for all energy utilities in Minnesota to reduce energy consumption by 1.5% per year. While not a mandate with penalties, this new law will guide the expansion of utility incentives to drive energy efficiency at the consumer level. The 1.5% is an annual target and shouldn't be viewed cumulatively. NGEA also increases mandatory CIP expenditures from 1% to 1.5% of gross revenues. CIP progress reports submitted to DOC, Division of Energy Resources, have received favorable response.

The Omnibus Energy Bill. The Omnibus Energy Bill makes several other major changes to the statutory and regulatory scheme that governs the operation of electric utilities. The Omnibus Energy Bill allows investor-owned utilities ("IOUs"), with the approval of the PUC, to include in their rates the cost of new transmission improvements without going through an expensive general rate case. This authority will provide greater incentive to IOUs to make needed improvements to their transmission systems. The Omnibus Energy Bill modifies several State approval processes involving the construction of large power plants and transmission lines. It transfers the authority for routing transmission lines and siting power plants from the Environmental Quality Board to the PUC, thereby centralizing the need certification and the siting processes in one agency. The law eliminates the limits involved in the need certification and siting processes, provides added criteria to analyze the need for transmission projects, and eliminates the deadline imposed on the PUC for need certification decisions.

Minnesota Clean Energy Law. The Clean Energy Law requires a transition to 100 percent carbon-free energy for all Minnesota electric customers by 2040. Minnesota Statutes §216B.1691 Subd. 2g (as amended by the Clean Energy Law) reads:

Subd. 2g. Carbon-free standard. In addition to the requirements under subdivisions 2a and 2f, each electric utility must generate or procure sufficient electricity generated from a carbon-free energy technology to provide the electric utility's retail customers in Minnesota, or the retail customers of a distribution utility to which the electric utility provides wholesale electric service, so that the electric utility generates or procures an amount of electricity from carbon-free energy technologies that is equivalent to at least the following standard percentages of the electric utility's total retail electric sales to retail customers in Minnesota by the end of the year indicated:

(1) 2030: 60 percent for electric utilities (other than public utilities)

(2) 2035: 90 percent for all electric utilities

(3) 2040: 100 percent for all electric utilities.

Minnesota Statutes §216B.1691, Subd. 4 (as amended by the Minnesota Clean Energy Law) explains that renewable energy credits may be utilized to comply with the carbon-free requirements:

. . . (b) In lieu of generating or procuring energy directly to satisfy a standard obligation under subdivision 2a, 2f, or 2g, an electric utility may utilize renewable energy credits allowed under the program to satisfy the standard.

Per Minnesota Statutes § 216B.1691, Subd. 4(b), compliance can be achieved if the energy delivered to Minnesota consumers is accompanied by a corresponding quantity of renewable energy credits being retired on their behalf. The Electric Utility is working towards compliance.

It is not possible to predict whether the Minnesota State Legislature or Congress will enact further legislation restructuring the electric utility industry or what the substance of any such legislation would be or what the effect might be upon the Electric Utility.

Environmental Matters

The Electric Utility's generation operations are subject to continuing environmental regulation by the U.S. Environmental Protection Agency (the "EPA"), the Minnesota Pollution Control Agency (the "MPCA") and other regulatory agencies and are in compliance with all regulations.

Federal, state and local standards and rules which regulate the environmental impact of generation and transmission facilities used by the Electric Utility are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and rules. Consequently, there is no assurance that the asset in operation or contemplated will remain subject to the regulations currently in effect, will always be in compliance with future regulations, or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in a reduced operating level or the complete shutdown of individual electric generating units not in compliance.

Federal legislation and EPA rule-making have had a significant effect on electric utilities. The Clean Air Act Amendments ("CAA") established requirements to obtain operating permits for an affected facility which set forth emissions limits and other requirements, including monitoring, record keeping and reporting. The CAA also established a regulatory program to address the effects of acid rain and impose restrictions on sulfur dioxide (SO2) and nitrogen oxide (NOx).

The EPA has introduced or proposed in recent years various rules to reduce NOx and SO2 emissions on a regional level to achieve ambient air quality standards, reduce hazardous air pollutants from power plants, to reduce regional haze and to regulate the disposal and management of coal combustion by-products. The CAA also requires that the EPA establish National Ambient Air Quality Standards and the regulation of greenhouse gases. Revisions to the Clean Water Act Section 316 (a) and (b) may have an impact on the electric utility industry, but the cost at this time is impossible to estimate.

The Clean Water Act, Endangered Species Act, and Resource Conservation and Recovery Act currently are scheduled for reauthorization by Congress. The impact of this legislation on the electric utility industry is uncertain; however, no new programs related to the electric utility industry are expected.

A number of electrical industry and other studies have been conducted regarding the potential long-term health effects resulting from exposure to electromagnetic fields ("EMF") created by transmission and distribution lines and equipment. At this time, any relationship between EMF and certain adverse health effects remains inconclusive; however, electric utilities have been experiencing challenges in various forms claiming financial damages associated with electric equipment and EMF. At this time, it is not possible to predict the extent of the cost, if any, and other impacts which the EMF concern may have on electric utilities, including the Electric Utility. Up to this point there have been no claims against the Electric Utility related to EMF exposure.

Litigation claiming personal or property injury arising from alleged stray voltage has resulted in some damage awards against some electric utilities (other than the Electric Utility). In 1993, the Minnesota Legislature extended service requirements governing grounding and stray voltage to electric utilities that provide or furnish retail electric service to agricultural customers in Minnesota. It cannot be predicted at this time whether such legislation or litigation may affect the operations and costs of the Electric Utility.

The Electric Utility cannot predict at this time whether any additional legislation or rules will be enacted which will affect the Electric Utility's operations, and if such laws or rules are enacted, what the costs to the Electric Utility might be in the future because of such action.

Risks Associated with the Bonds

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.

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 and the HUC are 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 or the HUC 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.

CONCURRENT FINANCING

By means of a separate Preliminary Official Statement, the City will be offering for sale its $5,705,000 General Obligation Bonds, Series 2026A, (the "Concurrent Obligations" or the "Series 2026A Bonds"), which are scheduled to close on September 3, 2026.

RATING

Outstanding revenue debt of the City is currently rated "A1" by Moody's Investors Service, Inc. ("Moody's").

The City has requested a rating on the Bonds from Moody's, 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 Moody's.

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.

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. 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 "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 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

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

INDEPENDENT AUDITORS

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

The basic financial statements of the HUC for the fiscal year ended December 31, 2025 have been audited by Conway, Deuth & Schmiesing, PLLP, Litchfield, Minnesota, independent auditors (the "HUC Auditor"). The report of the HUC Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX B – FINANCIAL STATEMENTS". The HUC 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 HUC Auditor also has not performed any procedures relating to this Preliminary Official Statement.

PUBLIC UTILITY REVENUE DEBT OUTSTANDING

The schedule on the next page presents the outstanding public utility revenue debt.

HISTORIC ELECTRIC AND NATURAL GAS UTILITY SYSTEMS REVENUES AND EXPENSES

The exhibit on Page 20 presents the historic revenues and expenses of the Electric and Gas Utility Systems.

City of Hutchinson, Minnesota
Schedule of Bonded Indebtedness
Revenue Debt Secured by Public Utilities Revenue
(As of 09/03/2026)

	Public Utility Revenue Refunding Bonds Series 2012A		Public Utility Revenue Bonds Series 2017B		Public Utility Revenue Bonds Series 2026B								
Dated	07/19/2012		10/31/2017		09/03/2026								
Amount	$20,720,000		$16,675,000		$4,295,000*								
Maturity	12/01		12/01		12/01								
Calendar Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Calendar Year Ending**	**Coverage**
2026	2,080,000	52,000	820,000	180,828	0	0	2,900,000	232,828	3,132,828	15,225,000	16.00%	**2026**	2.55
2027			850,000	328,856	295,000	197,674	1,145,000	526,530	1,671,530	14,080,000	22.32%	**2027**	4.78
2028			885,000	294,856	340,000	149,258	1,225,000	444,114	1,669,114	12,855,000	29.08%	**2028**	4.79
2029			910,000	272,731	350,000	137,868	1,260,000	410,599	1,670,599	11,595,000	36.03%	**2029**	4.78
2030			930,000	249,981	365,000	125,968	1,295,000	375,949	1,670,949	10,300,000	43.17%	**2030**	4.78
2031			960,000	222,081	375,000	113,193	1,335,000	335,274	1,670,274	8,965,000	50.54%	**2031**	4.78
2032			990,000	193,281	390,000	99,693	1,380,000	292,974	1,672,974	7,585,000	58.15%	**2032**	4.77
2033			1,020,000	163,581	405,000	85,458	1,425,000	249,039	1,674,039	6,160,000	66.01%	**2033**	4.77
2034			1,050,000	132,981	420,000	70,473	1,470,000	203,454	1,673,454	4,690,000	74.12%	**2034**	4.77
2035			1,080,000	101,481	435,000	54,723	1,515,000	156,204	1,671,204	3,175,000	82.48%	**2035**	4.78
2036			1,110,000	69,081	450,000	37,975	1,560,000	107,056	1,667,056	1,615,000	91.09%	**2036**	4.79
2037			1,145,000	35,781	470,000	19,975	1,615,000	55,756	1,670,756	0	100.00%	**2037**	4.78
	2,080,000	52,000	11,750,000	2,245,522	4,295,000	1,092,254	18,125,000	3,389,776	21,514,776				

* Preliminary, subject to change.

2025
Net Revenue Available for Debt Service**
7,987,411

Issue Series Name	**Historic Debt Service Payments** 2022	**2023**	**2024**	**2025**	**2026**
Series 2012A	$2,150,050	$2,158,550	$2,173,800	$2,183,000	$2,184,000
Series 2017B	$1,180,856	$1,182,856	$1,183,656	$1,183,256	$1,181,656
Series 2026B					

**The debt service coverage ratios included on this page are calculated using 2025 Net Revenues. No guarantee can be given that the Net Revenues in future years will be the same as the Net Revenues in 2026 and future Net Revenues may be materially different.

HISTORIC ELECTRIC AND NATURAL GAS UTILITY SYSTEMS REVENUES AND EXPENSES

The following table sets forth the historic three-year comparison of Net revenues and debt service secured by Net revenues of the Electric and Natural Gas Utility Systems.

	FISCAL YEAR ENDING DECEMBER 31		
	2023 Audited	**2024 Audited**	**2025 Audited**
Operating Revenues			
Electric Energy Sales	$28,055,608	$27,516,949	$30,727,888
Natural Gas Sales	$11,976,909	$11,287,412	$11,711,866
Other Operating Revenues	1,968,197	2,937,466	3,033,038
Total Operating Revenues	$42,000,714	$41,741,827	$45,472,792
Operating Expenses			
Production	$5,147,394	$4,888,013	$6,021,891
Purchased Power/Gas	19,688,330	19,167,749	19,776,673
Other Power Supply	296,850	328,766	351,474
Transmission	3,456,580	3,179,110	3,440,382
Distribution	3,169,253	3,462,328	3,609,834
Depreciation and Amortization	$4,451,820	$4,312,636	$4,261,165
Contribution to City	1,904,536	2,195,248	1,942,628
Administrative & General	3,280,055	3,432,768	3,519,564
Total Operating Expenses	$41,394,818	$40,966,618	$42,923,611
Operating Income	$605,896	$775,209	$2,549,181
Plus: Depreciation and Amortization	$4,451,820	$4,312,636	$4,261,165
Interest Income	1,354,735	1,241,242	1,177,065
Net Revenues Available for Debt Service	$6,412,451	$6,329,087	$7,987,411
Actual Annual Debt Service Paid	$3,341,406	$3,357,456	$3,366,256
Demonstrated Debt Service Coverage	1.92%	1.89%	2.37%
Additonal Bonds Test			
Net Revenues Available for Debt Service	$6,412,451	$6,329,087	$7,987,411
Estimated Maximum Annual Debt Service Outstanding and Proposed	$3,365,656	$3,365,656	$3,365,656
Estimated Debt Service Coverage	1.91%	1.88%	2.37%

SUMMARY OF LIQUIDITY

The following table sets forth the histroic three-year comparison of the liquidity of the Electric and Natural Gas Utility Systems.

	FISCAL YEAR ENDING DECEMBER 31		
	2023 Audited	**2024 Audited**	**2025 Audited**
Cash and Cash Equivalents (less Restricted Debt Service Funds)	$24,524,926	$20,596,789	$15,311,768
Total Operating Expenses (less Depreciation)	$36,942,998	$36,653,982	$38,662,446
Days Cash on Hand	242	205	145

THE HUTCHINSON UTILITIES COMMISSION

GOVERNANCE AND MANAGEMENT

The City owns its electric, natural gas, water, sewer and storm water utilities. In accordance with the City Charter, the management and operation of the Electric and Natural Gas Utilities is under the direction of the Hutchinson Utilities Commission (the "HUC"). The five-member Commission is appointed by the City Council and serve overlapping five year terms. The HUC has complete authority to establish rates and charges for the Electric and Natural Gas Utilities, subject to right of the City Council to veto any proposed charge and rate by a four-fifths vote. HUC operations are directed by the General Manager.

HUC EMPLOYEES; PENSIONS; UNIONS

The HUC currently has 53 full-time and seven (7) seasonal employees. All full-time employees of the HUC are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (GERP) which is cost-sharing multiple-employer retirement plan. 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 B for a detailed description of the Plan.

Recognized and Certified Bargaining Units

Bargaining Unit	**Expiration Date of Current Contract**
IBEW Local 949	December 31, 2026

HUC FUNDS ON HAND

Fund	**Total Cash and Investments**
Cash	$31,519
Bond Reserve	3,247,000
Sinking and Interest Payment Account	1,448,828
Capital Reserves	3,450,000
Catastrophic Fund	1,000,000
Rate Stabilization	1,686,387
Operating Reserves	7,079,514
Pilot	1,942,626
Total Funds on Hand	$19,885,874

HUC LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the HUC 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.

INSURANCE

HUC is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. HUC purchases commercial insurance coverage through 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, with other cities in the state. HUC pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City, including HUC, is covered through the pool for any claims incurred but unreported, but retains the risk for the deductible portion of its insurance policies.

GENERAL INFORMATION OF THE ELECTRIC AND NATURAL GAS UTILITIES

HUC's Electric Utility provides retail electric service within the city limits of Hutchinson. Minnesota law provides for exclusive electric service territories and prohibits the intrusion of other electric utilities into areas within a municipality which are presently receiving retail electric service from a municipal utility such as HUC. The law also permits HUC to expand its retail electric services to additional areas located within the City's corporate boundaries, including areas added by way of annexation. HUC would be required to pay compensation to any other displaced electric utility. The compensation due to such displaced utility is determined by negotiated settlement, or by the courts or utility regulatory commissions.

HUC's Natural Gas Utility supplies natural gas to the City and surrounding areas including the City of New Ulm, City of Fairfax, City of Gibbon, City of Brownton, Heartland Corn Ethanol Plant, and United Farmers Cooperative. Exclusive retail service territories like those for electric service are not currently provided for under Minnesota law for natural gas.

The following table summarizes information concerning the revenues, operating income and net utility plant of each utility.

Summary of Business Segments (2025)

	Operating Revenue		Operating Income		Net Utility Plant	
	$	% of Total	$	% of Total	$	% of Total
Electric	$30,894,401	67.9%	$255,853	10.0%	$54,813,119	68.11%
Gas	14,578,390	32.1%	2,293,328	90.0%	25,668,045	31.89%
Total	$45,472,791		$2,549,181		$80,481,164	

DESCRIPTION OF ELECTRIC UTILITY

CUSTOMERS

The Electric Utility provides retail electric service within the City limits. In 2025, HUC sold 284.4 million kWh to over 7,700 retail customers and 42.5 million kWh to wholesale customers.

Electric Utility Operations

	2021	2022	2023	2024	2025
Revenues ($)					
Residential	$6,013,887	$6,129,443	$5,914,078	$6,040,987	$6,228,332
Commercial	9,731,853	9,615,989	8,815,434	9,050,761	10,023,369
Industrial	9,524,147	8,990,927	8,065,784	8,644,375	7,491,674
Street/Security Lights	137,710	138,294	139,778	124,399	121,336
Wholesale	421,535	5,446,484	5,120,534	3,656,427	6,803,177
Total	**$25,829,132**	**$30,321,137**	**$28,055,608**	**$27,516,949**	**$30,667,888**
Electric Sales (Kwh)					
Residential	56,222,258	56,403,050	56,307,720	54,495,218	57,055,935
Commercial	103,397,995	101,880,479	97,788,017	95,295,876	110,441,761
Industrial	120,065,000	112,228,000	106,372,000	109,141,000	96,872,000
Street/Security Lights	97,742	93,386	61,008	31,446	31,266
Wholesale	19,706,000	27,568,000	46,626,000	18,020,000	42,459,000
Total	**$299,488,995**	**$298,172,915**	**$307,154,745**	**$276,983,540**	**$306,859,962**
Customers					
Residential	6,551	6,604	6,615	6,653	6,731
Commercial	943	1,005	1,001	1,009	1,017
Industrial	3	3	3	3	1
Total	**7,497**	**7,612**	**7,619**	**7,665**	**7,749**
Peak Demand (Kw)	59,500	59,400	58,200	54,400	56,100

2025 Larger Electric Customers

Customer	kWh Sold	Total Billings	Percent of Electric Revenues
Customer 1	94,930,000	$7,392,177	24.1%
Customer 2	7,641,000	599,367	2.0%
Customer 3	7,481,900	584,148	1.9%
Customer 4	7,681,000	575,398	1.9%
Customer 5	6,653,000	569,919	1.9%
Customer 6	6,610,000	518,001	1.7%
Customer 7	4,210,600	340,409	1.1%
Customer 8	3,197,600	263,814	0.9%
Customer 9	3,147,200	245,139	0.8%
Customer 10	2,866,300	223,480	0.7%

POWER SUPPLY

HUC provides power to its electric customers through long term purchase power contracts, spot market purchases and its own generation assets. In 2025, HUC purchased approximately 71.4% of its energy from long term contracts and 8.6% through opportunistic market purchases. The remaining 20.0% came from HUC generating assets.

Purchased Power

HUC purchased power derives from contracts. Missouri River Energy Services ("MRES") provides HUC with power under a contract that ends on January 1, 2046. The MRES contract provides demand of 25 MW starting January 1, 2013. HUC expects the MRES contract to comprise 65-75% of its energy needs in the near term. The MRES contracts are take and pay contracts where HUC is only required to pay for energy delivered to designated delivery points.

Owned Generation

HUC currently maintains 107.7 MW of installed natural gas fired capacity that HUC utilizes as a hedge against high market prices for energy requirements above its baseload purchase power contracts. In 2025, HUC generation assets produced approximately 13.3% of HUC's energy needs. When HUC is able to generate energy at a cheaper cost than market prices, HUC generates its own energy. In addition, HUC also opportunistically sells energy into the wholesale market when HUC sells 20 MW of excess capacity to AEP Energy Partners, INC. ("AEP") and 21 MW to Next Era Marketing, LLC through a contract which took effect June 1, 2025 and runs through May 31, 2030. HUC will sell 5 MW the first year and 45 MW for the final five years. HUC will also sell 20 MW of excess capacity to Rice Lake Utilities through a contract which took effect June 1, 2020 and runs through May 31, 2040.

HUC's current installed capacity is comprised of the following generating units:

Unit	Model	Year Installed	Fuel	Nameplate KW Rating	Dependable KW Capacity
1	General Electric	1993	Steam	11,500	11,500
1	General Electric	1993	Gas	42,500	42,500
5	Wartsila	2013	Gas	11,600	9,300
6	Caterpillar G20CM34	2018	Gas	12,125	9,700
7	Caterpillar G20CM34	2018	Gas	12,125	9,700
9	General Electric	2001	Oil/Gas	25,000	25,000
	Dependable Capacity				107,700

History of Electricity Produced, Purchased and Cost

Year	kWh Produced (000's)	kWh Purchased (000's)	Cost of kWh Purchased	Fuel Adjustment Cost
2021	48,269,000	264,593,000	$16,195,490	0
2022	43,733,000	267,310,000	15,984,989	0
2023	56,745,000	262,308,000	14,937,966	0
2024	38,031,000	248,349,000	14,393,038	0
2025	70,977,000	245,537,000	15,013,385	0

Renewable Energy; Energy Conservation

Beginning in 2025, HUC is not required to meet the State's renewable energy standard of having 25% of power generated from alternative resources. HUC accesses renewable energy through its contract with MRES who is required to meet the renewable standard. Each year, MRES will provide HUC with Renewable Energy Certificates to satisfy any applicable renewable energy standards.

The Minnesota Legislature has declared that annual energy savings of 1.5 percent are a part of the State's energy policy. HUC is required to spend and invest 1.5 percent of its gross operating revenues on energy conservation improvements. HUC is also required to establish and satisfy an annual energy savings goal of 1.5 percent of gross annual retail energy sales. HUC must file a report on its energy conservation improvement plan with the Department of Commerce (now Office of Energy Security, "OES") on a schedule fixed by OES at least once every three years. OES is authorized to make recommendations to increase the effectiveness of these conservation plans.

Currently, HUC is implementing multiple Energy Conservation programs in its residential, commercial and industrial customer bases. Programs involve both electric and gas conservation measures that include weatherization, Energy Star Appliances, retrofit lighting, and custom rebate programs to ensure the 1.5 percent energy savings mandated by the State. The purchase of AMI meters by HUC the last three years has also been partially funded in the amount of $200,000 per year from the HUC's Conservation Improvement budget.

Transmission Facilities

All purchased power is delivered to the HUC distribution system via transmission facilities owned by the HUC which include the McLeod, 3M, and Hutchinson substations. HUC is an asset owning market participant of the Midwest Independent Transmission System Operator (MISO) and has a network service agreement with Great River Energy ("GRE") for transmission of energy across GRE's joint pricing zone. The network service agreement went into effect in January of 2012 and replaced the Integrated Transmission Agreement (ITA) which HUC had been utilizing for transmission service since 1986. HUC owns a 230/115 kV transmission substation, a 115kV/69kV substation, and 7.7 miles of 115kV transmission line.

Distribution Facilities

HUC owns approximately 150 miles of distribution lines. Beginning in the mid-1990's, HUC began to transition its distribution systems to underground lines to improve reliability. To further improve reliability and enhance grid management, HUC installed over 7,000 smart meters. HUC has favorable reliability measures. In 2025, HUC's average electric customer experienced .93 outages which on average lasted approximately 10.57 minutes.

ELECTRIC RATES AND CHARGES

The HUC has complete authority to establish rates and charges for the Electric Utility, subject to right of the City Council to veto any proposed charge and rate by a four-fifths vote, which has not occurred in recent history. The following electric rates and charges became effective October 1, 2025.

Electric Residential Service: Available for domestic purposes only, in a single or multiple residence. All newly connected multiple dwelling units shall have one meter per unit, and a house meter.

One meter single phase:

Energy Charge	9.04 cents per kWh
Meter Charge	$17.20 per meter

Electric Small General Service: Available to any customer for single or three phase electric service with less than 50 KW demand supplied through one meter at the secondary voltage at that location. At any time the customer demand reaches 50 kilowatts for three consecutive months, the customer will be removed from the Electric Small General Service rate and billed under Electric Larger General Service rate.

Energy Charge:

First 2000 kWh per month	9.78 cents per kWh
Over 2000 kWh per month	8.78 cents per kWh
Monthly meter charge	$28.50

Electric Large General Service: Available to any customer for combined power and lighting with a minimum demand of 50 kilowatts for single or three phase electric service supplied through one meter at the secondary voltage at that location. If demand drops below 50 kilowatts for twelve consecutive months, the customer will be removed from Electric Large General Service rate and billed under Electric Small General Service.

Demand charge	$11.50 per kilowatt of demand per month
Energy charge	5.83 cents per kWh
Monthly charge	$152.30

Large Industrial Service: Available to any customer for combined power and lighting with a minimum demand over 4000 KW during any one month in a 12 month period. Service will be delivered at the primary voltage available at the customer's property line. The customer will own and maintain all electrical facilities on the customer's side of the metering transformer.

Demand charge	$12.50 per kilowatt
Energy charge	$5.45 cents per kWh
Monthly charge	$432.50

Power Cost Adjustment

HUC electric rates include a power cost adjustment ("PCA") which provides for increases or decreases to rates to cover increases or decreases in the cost of fuel or power to the extent such costs vary from a predetermined base cost. The enactment of a PCA is automatic and monthly and does not require management or Commission approval. HUC often utilizes rate stabilization funds to reduce volatility of monthly rate adjustments.

WHOLESALE SALES

In 2025, HUC's wholesale sales totaled $6,803,177. This figure includes the $1,222,256 capacity sale to AEP, $3,963,927 from opportunistic sales to the wholesale market, $1,176,000 capacity sale to Rice Lake Municipal Utilities and $441,000 Capacity sale to Next Era Marketing LLC.

DESCRIPTION OF NATURAL GAS UTILITY

CUSTOMERS

HUC is a retail provider of natural gas to customers in the City. In addition, HUC provides wholesale natural gas to cities and companies in the surrounding region.

Natural Gas Operations

	2021	2022	2023	2024	2025
Revenues ($)					
Residential	$4,639,771	$4,474,818	$3,949,946	$3,526,225	$3,636,316
Commercial	3,469,964	3,275,405	2,888,770	2,526,865	2,560,549
Industrial	5,334,891	5,769,905	5,138,193	5,234,322	5,515,001
Penalties/Fees	0	0	0	55,177	56,407
Transportation	1,762,198	1,861,469	1,821,348	2,728,054	2,810,118
Total	**$15,206,824**	**$15,381,597**	**$13,798,257**	**$14,070,643**	**$14,578,391**
Natural Gas Sales (CF)					
Residential	391,997,679	468,419,771	397,209,731	367,176,151	419,927,409
Commercial	302,691,207	360,645,718	309,694,761	282,949,225	319,004,351
Industrial	861,030,863	900,160,272	786,468,863	773,724,270	829,667,950
Total	**1,555,719,749**	**1,729,225,761**	**1,493,373,355**	**1,423,849,646**	**1,568,599,710**
Customers					
Residential	5,347	5,398	5,412	5,459	5,533
Commercial	574	579	577	576	576
Industrial	5	5	5	5	5
Total	**5,926**	**5,982**	**5,994**	**6,040**	**6,114**
Peak Day Demand (MCF)	12,494	13,008	11,658	15,719	13,926

2025 Larger Gas Customers

The ten largest customers of HUC's Natural Gas Utility represent approximately 41.8% of the total retail revenues of HUC's Natural Gas Utility. The two largest customers have been HUC customers for more than 40 years.

Customer	Cubic Feet Sold	Total Billings	Percent of Natural Gas Revenues
Customer 1	717,312,000	$4,862,904	33.4%
Customer 2	72,111,000	244,936	1.7%
Customer 3	70,743,212	454,090	3.1%
Customer 4	45,712,000	114,157	0.8%
Customer 5	26,031,700	154,227	1.1%
Customer 6	16,760,000	60,241	0.4%
Customer 7	13,223,128	81,957	0.6%
Customer 8	7,712,288	48,305	0.3%
Customer 9	7,256,810	44,010	0.3%
Customer 10	5,584,454	34,831	0.2%

HUC has transportation agreements with both 3M and Hutchinson Technology, Inc. that limit HUC's commodity exposure. HUC does not have to secure gas for these two companies in its long range planning as they make their own purchases. Approximately 80% of the total billings related to these two companies are simply pass through costs for their natural gas purchases ($4.1 million out of $9.1 million in 2025).

GAS SUPPLY

HUC entered into a contract with the Public Energy Authority of Kentucky ("PEAK") in December 2024 for the purchase of between 1,500 MCF and 3,300 MCF daily depending on the month in a prepay deal that gives HUC a $.10/MMBtu discount. This contract runs throu June 2032.

Beginning in January 2014 the Commission has purchased the remaining portion of its baseload natural gas under contracts with BP Canada Energy Marketing Corp. ("BP"). The current contract with BP commenced in 2014 and has been extended/rolled over to 2026. The following terms are stated in the existing contracts:

- All monthly Firm Gas baseload will be priced based on market conditions at the time Hutchinson makes their monthly Firm Gas baseload purchase. HUC will have the flexibility to purchase monthly firm baseload gas by month or ulti-month purchases.

- HUC shall have a choice of pricing mechanisms including but not limited to; monthly, index, daily index, fixed price, and various structured products, for supply purchases from BP, subject to any applicable credit requirements being satisfied.

- Except as may otherwise be agreed by the Parties and subject to the above points, provided that Hutchinson advises BP of its requirement for any Day not less than twenty four (24) hours prior to the start of the Day, BP will sell and deliver Firm (Variable Quantity) Gas to Hutchinson from the Northern Natural or Northern Border systems, after taking into account Firm (Baseload) Quantities delivered pursuant to the first point above, up to the level of Hutchinson's firm takeawa entitlement from Northern Natural or Norther Border ("Firm Variable Gas"). Except as otherwise agreed, Hutchinson shall pay for Firm Variable Gas delivered on each Day at the applicable price, as published for the Day by Platt's "Gas Dailey" in its "Daily Price Survey ($1MMBtu)" for "Northern Ventura" "Midpoint" ("Dally Index"), flat. If Hutchinson requests that BP deliver Firm Variable Gas less than twenty four (24) hours prior to the start of any Day, BP's obligation to deliver such Gas shall be on a reasonable commercial efforts basis only. Hutchinson shall pay for Firm Variable Gas delivered on each Day at Daily Index for the delivery Day, plus $0.12/Dth.

GAS HEDGING STRATEGY

To limit and manage HUC's exposure to natural gas price uncertainty, HUC maintains a hedging program in accordance with Commission approved parameters. The hedging strategy is a time base purchasing program that allows HUC to diversify its purchases by increasingly hedging its overall price exposure over time. HUC hedges 65-75% of its base load natural gas requirements. The strategy allows HUC to lock in pricing from 3 months to as long as nine years in advance of its needs. HUC utilizes fixed rate forward contracts that do not require HUC to post collateral under any circumstance. BP is the counterparty on all of the contracts.

GAS TRANSPORTATION AND DISTRIBUTION SYSTEM

All purchased gas is transported and delivered to the City on pipeline facilities owned by HUC. In 2003, HUC installed a 93-mile natural gas transmission line that interconnects with the Northern Border Pipeline at Compressor Station #13 (Trimont, Minnesota) and terminates in Hutchinson. Natural gas purchases are delivered from the HUC pipeline system to the City's border station. The initial 33 miles of pipeline from Trimont is constructed of 16 inch diameter steel pipe, with the remaining 60 miles of pipeline being constructed of 12 inch diameter pipe. The HUC gas distribution system contains about 106 miles of pipe ranging in size from 2" in diameter up to 10" in diameter. To improve reliability and meter accuracy, HUC has installed over 5,000 smart meters on all natural gas customers' meters.

GAS RATES AND CHARGES

The HUC has complete authority to establish rates and charges for the Natural Gas Utility Systems, subject to right of the City Council to veto any proposed charge and rate by a four-fifths vote. The following gas rates and charges became effective October 1, 2025.

Residential Gas: Available to customers who use less than 70 MCF of gas per day.

Energy Charge	$7.100 per MCF
Meter Charge	$17.90 per meter

Commercial Gas: Available to customers who use less than 200 MCF of gas per day.

Energy Charge	$7.1447 per MCF
Meter Charge	$100.70 per meter

Large Industrial Gas: Customers who use in excess of 200 MCF of gas per day. The demand level shall be based on the maximum daily volume (MCF per day) of natural gas delivered to the customer per month.

Monthly Demand Charge per MCF of Billing Demand	$8.00 per MCF
Energy Charge of Gas per MCF Delivered	$7.5450 per MCF
Monthly charge	$363.00

Fuel Cost Adjustment

HUC natural gas rates include a fuel cost adjustment ("FCA") which provides for increases or decreases to rates to cover increases or decreases in the cost of natural gas to the extent such costs vary from a predetermined base cost. The enactment of a FCA is automatic and monthly and does not require management or Commission approval. HUC often utilizes rate stabilization funds to reduce volatility of monthly rate adjustments.

TRANSPORTATION

HUC uses its pipeline capacity to transport natural gas to nearby cities and private entities, including the City of New Ulm, City of Fairfax, City of Gibbon, City of Brownton, United Farmers Cooperative and Heartland Corn Ethanol Plant. In 2025, revenues from these transportation arrangements totaled $2,866,525. HUC's Electric Utility paid the Natural Gas Utility $727,666 for the capacity to transport natural gas for electrical generation in 2025.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY AND ARE NOT GENERAL OBLIGATIONS OF THE CITY, AND SHALL NOT BE A PLEDGE OF OR INVOLVE THE FULL FAITH AND CREDIT OR TAXING POWER OF THE CITY.

THE FOLLOWING INFORMATION CONCERNING THE CITY IS PRESENTED FOR INFORMATIONAL PURPOSES ONLY AND NOT AS A REPRESENTATION OF SECURITY FOR THE BONDS.

GENERAL INFORMATION OF THE CITY

CITY GOVERNMENT

The City was organized as a municipality in 1855. The City operates under a home rule charter form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Administrator and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 116 full-time, 24 part-time, and 130 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
Minnesota Public Employees Association, Inc.	December 31, 2025
Law Enforcement Labor Services, Inc.	December 31, 2028

Status of Contract

The contract which expired on December 31, 2025 will begin arbitration in the near future.

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent Annual Comprehensive Financial Report (Audit) shows a total OPEB liability of $537,404 as of December 31, 2025. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent Audit.

LITIGATION

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

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.

LOCATION

The City, with a 2020 U.S. Census population of 14,599 and a 2024 population estimate of 14,870, and comprising an area of six square miles, is located approximately 75 miles west of St. Paul, Minnesota.

LARGER EMPLOYERS[1]

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
3M	Adhesive products developer and manufacturer	1,321
I.S.D. No. 423 (Hutchinson Public Schools)	Elementary and secondary education	550
Hutchinson Health	Hospital and clinics	515
Wal-Mart	Discount retail and grocery store	290
The City	Municipal government and services	270
Resonetics	Micro manufacturer	199
Hutchinson Early Intervention	Schools with special academic education	170
Harmony River	Assisted living community	150
Menards	Home improvement store	132
Cash Wise Foods	Grocery Store	125

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

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

BUILDING PERMITS (as of June 30, 2026)

	2022	2023	2024	2025	2026
New Single Family Homes					
No. of building permits	24	20	21	23	10
Valuation	$5,393,727	$4,551,758	$6,098,465	$7,573,890	$3,119,112
New Multiple Family Buildings					
No. of building permits	0	0	0	1	4
Valuation	$0	$0	$0	$14,498,839	$22,863,248
New Commercial/Industrial					
No. of building permits	7	1	4	4	2
Valuation	$5,865,030	$637,353	$4,340,471	$2,646,727	$676,420
All Building Permits *(including additions and remodelings)*					
No. of building permits	899	1,079	1,133	1,114	663
Valuation	$40,527,420	$20,169,745	$23,553,490	$37,809,214	$43,030,660

Source: The City.

U.S. CENSUS DATA

Population Trend: The City

2010 U.S. Census population	14,178
2020 U.S. Census population	14,599
Percent of Change 2010 - 2020	2.97%
2025 State Demographer Population Estimate	14,870

Income and Age Statistics

	The City	McLeod County	State of Minnesota	United States
2024 per capita income	$44,845	$42,495	$48,237	$44,673
2024 median household income	$72,836	$80,084	$89,062	$80,734
2024 median family income	$99,332	$101,727	$113,993	$99,999
2024 median gross rent	$940	$941	$1,280	$1,413
2024 median value owner occupied units	$229,600	$246,100	$329,300	$332,700
2024 median age	41.9 yrs.	41.6 yrs.	38.8 yrs.	38.9 yrs.

	State of Minnesota	United States
City % of 2024 per capita income	92.97%	100.39%
City % of 2024 median family income	87.14%	99.33%

Housing Statistics

	The City		
	2020	2025	Percent of Change
All Housing Units	6,238	6,454	3.46%

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.

	Average Employment	Average Unemployment	
Year	McLeod County	McLeod County	State of Minnesota
2022	19,212	2.6%	2.5%
2023	19,263	3.1%	2.8%
2024	19,298	3.4%	3.1%
2025	19,409	4.3%	3.9%
2026, June	19,260	4.7%	4.6%

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

CITY FINANCIAL STATEMENTS

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

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

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2025

PREPARED BY:

FINANCE DEPARTMENT

ANDREW REID
Finance Director

Member GFOA of U.S. and Canada
Published June 18, 2026

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City of Hutchinson, Minnesota
Annual Comprehensive Financial Report
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For the Year Ended December 31, 2025

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INTRODUCTORY SECTION

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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HUTCHINSON

A CITY ON PURPOSE.

June 18, 2026

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

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles in the United States of America (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to these requirements, we hereby issue the annual financial report of the City of Hutchinson (City) for the fiscal year ended December 31, 2025.

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

The City's financial statements have been audited by Abdo, a firm of independent licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2025 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2025 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing single auditor engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. The auditor places a special emphasis on internal controls and legal requirements involving the administration of federal awards. The City did not meet the requirement for a Single Audit in 2025.

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

PROFILE OF THE GOVERNMENT

The City of Hutchinson was incorporated in 1855 and exists under the state laws of Minnesota. The City is located in McLeod County in south-central Minnesota, 60 miles west of the Twin Cities at the junctions of Highways 7, 15, and 22 and occupies 4,734 acres. Considered a Greater Minnesota Regional Center, Hutchinson's economy is diverse and includes retail, manufacturing, medical, agricultural and services. For 2025, the latest estimate of the City's population is 14,850.

The City is governed under City charter, which was readopted by voters on November 5, 2002. The charter provides for a separate electric and gas commission that oversees its operations but requires Council rate review. The Council is comprised of a mayor, serving a two (2) year term, and four Council members, each serving four (4) year staggered terms. Council members are elected at large but each candidate must file by seat. The City shall hold a primary election if there should be three or more candidates filing for one designated seat. The City Administrator is appointed by the Council and serves as the City Clerk.

The City's mission statement is as follows; "The City of Hutchinson exists so that residents, businesses, property owners and visitors are provided with quality services and programs that support a safe, healthy, sustainable and business-friendly community with a small-town atmosphere, for a cost of government similar to, or less than, comparable out-state Minnesota cities". To achieve its mission, the City has established seven core areas of focus:

1) Public Safety
    - Provide residents and visitors a "safe" environment with protection of property.
2) Health & Recreation
    - Provide and contribute to a "healthy quality of life".
3) Transportation
    - Provide safe and effective movement throughout the city.
4) Economic Development
    - Provide diversification, job growth and employment opportunities.
5) Environment
    - Provide concepts that are sustainable and environmentally friendly.
6) Good Government
    - Citizens perceive the City is delivering quality services at a reasonable price and that there is adequate planning for the future.
7) Housing
    - The City will advocate for safe and affordable housing and encourage collaboration with other agencies and the private sector to meet community housing needs.

The City provides the full range of municipal services prescribed by statute or charter. This includes police and fire protection, construction and maintenance of highways, streets and other infrastructure, and recreational and cultural events. Enterprise activities include water, wastewater, storm water, refuse, composting services and a municipal off-sale liquor store. The City owns and operates the cemetery, airport, electric and natural gas services.

The City's financial statements include all funds and departments of the City (primary government) and its component units. Component units are included in the city's reporting because of the significance of their operational or financial relationship to the City. The City has the following component units and further information regarding these entities can be found within Note 1 to the financial statements:

1) Economic Development Agency (EDA)
2) Housing Redevelopment Authority (HRA)

Each year the Council approves an annual budget which serves as the foundation for the City's financial planning and control. The budget process begins in May of each year with a council workshop to discuss expectations for the preliminary budget and to identify any Council initiatives or direction to be included in the budget. Requests from all departments and agencies are submitted and prepared by the City Administrator for presentation to the Council. The Council, following a public hearing no later than December 31, approves the final budgets and tax levies. Page 120 of this 2025 Annual Comprehensive Financial Report provides the General fund budget to actual results.

The Council formally approves annual budgets for the following funds:

- General fund
- Enterprise funds: Liquor, Water, Wastewater, Storm Water, Compost and Refuse

Budgets for the following governmental funds are compiled but not approved by Council:

- Rural Fire, H.A.T.S Joint Powers Facility and the Hutchinson Enterprise Center

The legal level of budgetary control is the department level. The City Administrator is authorized to approve a transfer of funds from one appropriation to another within the budget of any city department. Department means any city function organized under the direct control of a single department head within the same fund.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

Hutchinson's economy continued to reflect stability in 2025, and city management believes stability will continue with moderate growth.

The 2025 tax base increased from $16,264,288 to $16,410,588, or a 0.9% increase from 2024. The City's overall market value increased 1.7% in 2025. The City's market valuation is comprised of Residential (75.8%), Commercial & Industrial (15.5%), Apartments (8.2%) and Agriculture (0.5%). The market values increased for Residential (1.4%), Commercial & Industrial (4.1%) and Apartments (0.7%) while Agricultural values decreased 9.7%. The 2025 market values serve as the basis for property taxes paid in 2026.

Construction continued to be slightly slower than normal, with 23 single family homes built compared to 21 in 2024 and 20 in 2023. The City issued 1,114 building permits in 2025 with an estimated valuation of $37,809,214 compared to 1,133 permits in 2024 with a valuation of $23,553,490. The increase in valuation is due mostly to a new apartment complex in the downtown area valued at approximately $14,500,000.

Hutchinson serves as a regional retail-shopping hub with a variety of local retailers as well as national and regional retail stores such as Target, Wal-Mart, and Menards. The City's retail trade area covers a 30-mile radius with an estimated customer base of 130,000 people. A sizable number of fast food franchise restaurants are present in the community along with locally owned full service establishments. Hutchinson is also home to a 233,300 square foot enclosed shopping mall with Marshall's, Running's Fleet and Dunham's Sports as anchor tenants. Several strip malls along with a vibrant downtown add to Hutchinson's retail shopping base.

Hutchinson's unemployment rate is 4.3%, which is equal to the Federal rate and moderately higher than the State rate of 3.9%.

Long-term Financial Planning

The City annually prepares a 5-year capital improvement plan detailing specific projects and proposed financing sources. The plan is a collaborative effort between the City's fleet committee, facility committee, resource allocation committee, department directors and city council. Additionally, as part of the annual General fund budget process, a 5-year financial forecast is updated, trending revenues and expenditures. The intent of the 5-year forecast is to determine how easily a future balanced budget can be achieved based on a set of assumptions. Management can then make operational changes in the near-term that will positively affect the long-term budget outlook. Enterprise funds utilize a 10-year financial forecast to help determine when, or if, user rate increases may be warranted.

Relevant Financial Policies

The City of Hutchinson's Financial Management Plan is designed to serve as the framework upon which consistent operations may be built and sustained, guides responsible use of municipal resources and contributes to the City's overall financial health. The Plan serves three main purposes:

1) Draws together the City's major financial policies into a single document.
2) Establishes principles to guide both staff and city council members to make consistent and informed financial decisions.
3) Provides guidelines for ensuring and maintaining an appropriate level of funds, unreserved and reserved, to sustain the financial integrity of the City.

Management's philosophy used in the General fund budget for City Council consideration and approval included conservative revenue estimates and realistic expenditures. The City's fund balance policy designates 40 percent of General fund reserves for working capital to ensure the City can meet ongoing monthly obligations with cash on hand. Another 10 percent is reserved for budgetary contingencies and tax levy stabilization. In addition, management maintains a philosophy that expenditures included in the budget are not automatically considered "approved". Capital expenditures as well as other significant expenditures are not approved until it has been determined that adequate monies are available and the expenditure is necessary.

The City annually issues 15-year general obligation bonded debt for roadway and infrastructure improvement projects. A debt tax levy and special assessments against benefitting properties are the main revenue sources for debt service payments. Federal and state aid or grants, enterprise fund transfers, and City reserves are other financing sources annually leveraged to reduce project costs to a level supported by the City's Debt Management plan. The Debt Management plan is a mechanism to control long-term debt funded by the debt tax levy and to assist in prioritizing capital infrastructure needs. The City's bond rating was reaffirmed by Standard & Poor's in 2025 at AA-. S&P noted that the City's record of stable financial performance, healthy reserves and sound management framework are key factors supporting the City's creditworthiness.

The City uses a "pooled cash" concept of investing, which means that all the funds with cash balances participate in an investment pool. Available cash is invested in short-term government money market accounts, certificates of deposit, obligations of the U.S. Treasury and its agencies, and municipal bonds.

Major Initiatives

The City is in the final design phase of the Otter Lake and Campbell Lake restoration project. Both lakes are located on the western side of the City, forming a contiguous body of water created by a dam to the east of the lakes on the South Fork Crow River. The project's goals are to improve water quality and habitat, reduce soil loss, increase recreational opportunities and increase access for the public. The City committed $500,000 from its Community Improvement fund and received $3,100,000 of Minnesota State bonding dollars to complete the project. Construction is expected to start in late 2026 on several forebays located on private land to the west of city limits. Water from the Crow River will be diverted through the forebays where sediment is removed resulting in cleaner water entering Otter and Campbell lakes.

In 2025, the City sold its Franklin Street development site along the Crow River in the downtown area to GC Real Estate for an 81-unit apartment complex. The City originally purchased the blighted site in 2016 and invested funds to ready it for future development. The City incurred costs in 2025 to reroute a sanitary sewer line that previously went through the middle of the property and will invest additional funds in 2026 to construct a storm water pond adjacent to the site. The developer is utilizing a Housing TIF provided by the City and the completion is expected by December 2026.

A new fire ladder truck is being constructed over a 2 to 3-year period, with the chassis being purchased in 2025 and the build-out occurring throughout 2026 and completed in early 2027. The total cost of the truck is just under $2,100,000 and is being financed by cash on hand from various City funds in addition to approximately $850,000 of debt to be issued in 2026. The debt will be repaid by the City's debt tax levy.

A major improvement project, with an estimated cost over $5,700,000, commenced in 2025 at the City's wastewater facility. The improvements will address aging equipment within the Solids Process Building. Wastewater reserves will fund approximately 50% of the cost and new debt is expected to be issued in 2026 to finance the remaining costs. The debt will be repaid by revenues generated within the Wastewater fund.

The City continued to invest in street improvements as part of its annual pavement management program. The 2025 program included the mill and overlay of Hassan Street, Stoney Point Road and a major portion of Dale Street.

A potential remodel of City Center is currently being designed and could be a late 2026 or early 2027 start if approved by the city council. Current cost estimates are in the range of $2,000,000 to $3,000,000. If approved, a combination of cash reserves and new debt would be used to finance the project. The debt would be repaid by the City's debt tax levy.

The City updated its strategic plan in 2025, focusing on Housing, Health & Recreation, Environment, Economic Development, Transportation, Public Safety and Good Government. The plan should help guide the work of the City for the next 5-8 years.

Tax Abatements

The City adopted a resolution on August 8, 2017 to provide a tax abatement subsidy for GF (formerly Uponor, Inc), a global pioneer in intelligent plumbing and climate solutions with a North American headquarters in Apple Valley, Minnesota. The abatement was requested to provide financial assistance to GF for the purchase and expansion of a vacant 237,000 square foot manufacturing facility previously owned by Hutchinson Technology, Inc (HTI). The building was vacant for several years due to HTI downsizing its Hutchinson operations.

The City expects the benefits of the abatement to at least equal the costs thereof. Granting the abatement was in the public interest as it will increase or preserve the tax base of the City, help retain and expand commercial and industrial enterprise in the City, and provide employment opportunities.
It's important to note that only the City taxes are abated on the property's valuation increase above the base value of $4,702,500. The county and school district are not participating in the abatement. The City's taxpayers continue to receive the tax revenue on the base valuation and will see the benefit of increased valuation after the abatement expires on 12/31/2033. The annual abatement subsidy amount is included within the City's General fund operations as an expenditure, funded by the tax revenue received from GF. The 2025 valuation of $6,710,400 is $2,007,900 above the base value.

AWARDS & ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for

HUTCHINSON

A CITY ON PURPOSE.

Excellence in Financial Reporting to the City of Hutchinson, Minnesota for its annual comprehensive financial report for the fiscal year ended December 31, 2024. The Certificate of Achievement is a prestigious national award recognizing the City's conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized financial report, with contents conforming to program standards. Such financial report must satisfy both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year. The City of Hutchinson has received a certificate of achievement award each year since fiscal year ended 1996. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

We would like to express our appreciation to all members of the finance department who assisted and contributed to the preparation of this report. Without their efficient and dedicated service, this report could not be accomplished. Special recognition is in order for Justin Juergensen, Assistant Finance Director, for his major contribution to the preparation and production of this report. We also thank Mayor Forcier and the City Council members for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

CITY OF HUTCHINSON

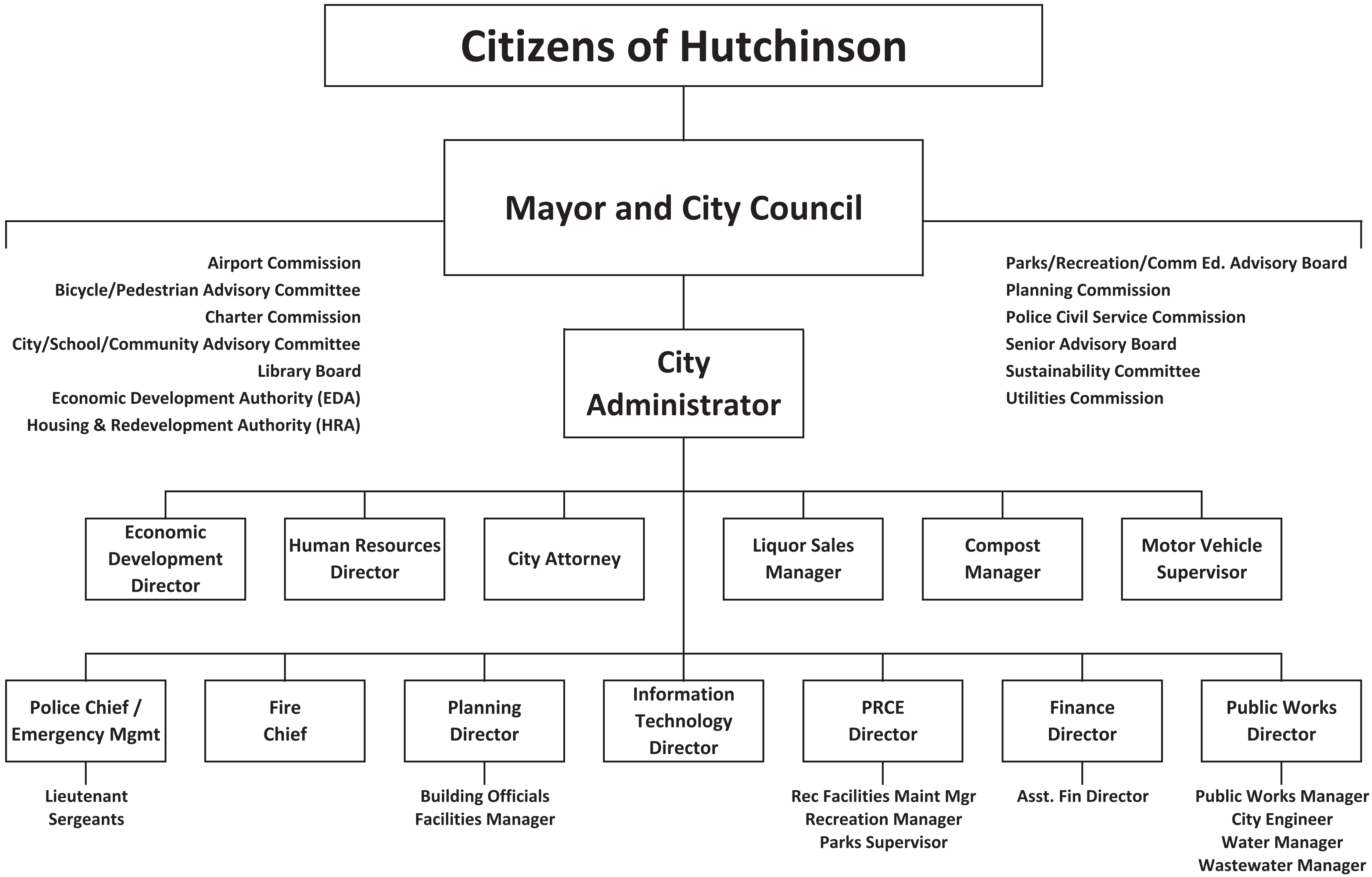
Matthew Jaunich
City Administrator

Andrew J. Reid
Finance Director

A CITY ON PURPOSE

111 Hassan St SE | Hutchinson, MN 55350-2522 | 320-587-5151
www.hutchinsonmn.gov

City of Hutchinson
Organizational Chart



CITY OFFICIALS

The City of Hutchinson operates under its own Home Rule Charter. The City is governed by the Council, consisting of the mayor (2-year term) and four council members elected at large (4-year staggered terms). The Council exercises legislative authority and determines all matters of policy.

Council Members	Term Expires
Gary Forcier, Mayor	12/31/2026
Chad Czmowski	12/31/2028
Pat May	12/31/2028
Tim Burley	12/31/2026
Dave Sebesta	12/31/2026

City Administrator

Matt Jaunich

Department Directors

Police	Tom Gifferson	Legal	Marc Sebora
Fire	Mike Schumann	Informational Tech.	Tom Kloss
Public Works	Mike Stifter	Human Resources	Kellie Wendland
Parks/Recreation	Lynn Neumann	Finance	Andy Reid
Planning	Dan Jochum	Motor Vehicle	Mary Filzen
EDA	Miles Seppelt	Liquor Store	Candice Woods
HRA	Judy Flemming	Compost/Refuse	Andy Kosek

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hutchinson
Minnesota

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Hutchinson, Minnesota

Report on the Financial Statements

Opinions

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

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

We did not audit the financial statements of the Hutchinson Public Utilities Commission, which is a major fund and 56 percent, 53 percent and 74 percent, respectively, of the assets, net position and revenues of the business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hutchinson Public Utilities Commission mentioned above, is based solely on the reports of the other auditors.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 25 and the Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the City's Total OPEB Liability and Related Ratios, the respective budgetary comparison schedules and related note disclosures starting on page 108 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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June 18, 2026

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Management's Discussion and Analysis

As management of the City of Hutchinson, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 9 of this report.

Overview of the Financial Statements

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

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

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

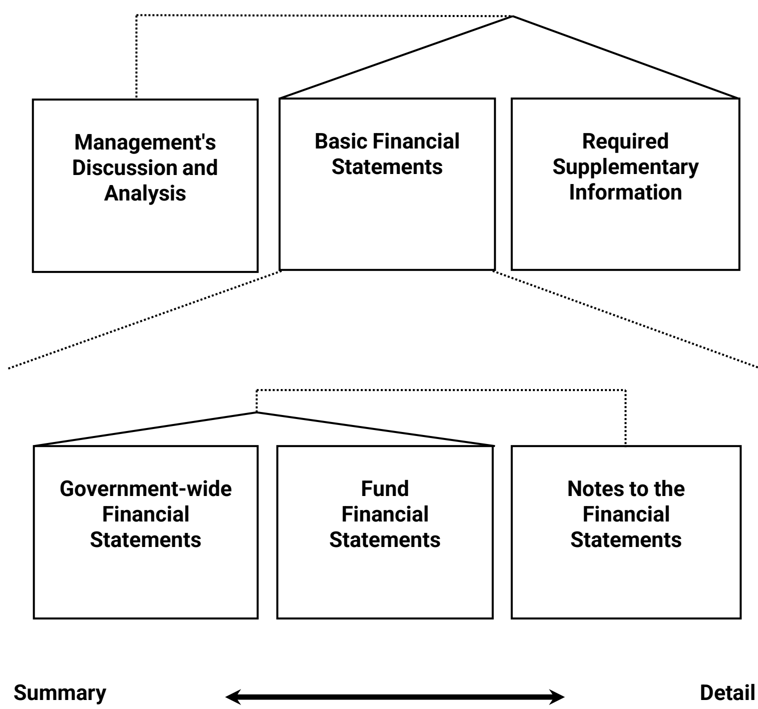


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two legally separate component units under the community redevelopment agency, the Economic Development Authority (EDA) and the Housing and Redevelopment Authority (HRA). Financial information for these component units is discretely presented in the government-wide financial statements.

The government-wide financial statements can be found starting on page 41 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, MSA Construction and Special Assessment Improvement 2025 funds which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in the report.

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 59 of this report.

Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Hutchinson's share of net pension liabilities (assets) for defined benefit plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 108 of this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison schedule has been provided for the General fund on page 120 in this report to demonstrate compliance with this budget. The basic governmental fund financial statements can be found starting on page 46 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund financial statements and schedules can be found starting on page 124 of this report.

Further, a statistical section has been included as part of the annual comprehensive financial report to facilitate additional analysis and can be found starting on page 172 of this report.

Government-wide Financial Analysis

The two government-wide statements report the City's net position and how they have changed. The table below presents net position - the difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources - is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the City consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads.

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

City of Hutchinson's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Current and Other Assets	$ 29,480,736	$ 29,395,493	$ 85,243	$ 48,323,274	$ 51,873,012	$ (3,549,738)
Capital Assets	101,372,040	102,092,516	(720,476)	139,904,995	135,184,423	4,720,572
Total Assets	130,852,776	131,488,009	(635,233)	188,228,269	187,057,435	1,170,834
Deferred Outflows of Resources	2,975,771	3,915,568	(939,797)	731,009	691,829	39,180
Noncurrent Liabilities	33,237,814	33,656,280	(418,466)	24,937,623	31,054,823	(6,117,200)
Other Liabilities	1,491,753	1,821,834	(330,081)	4,633,880	5,068,127	(434,247)
Total Liabilities	34,729,567	35,478,114	(748,547)	29,571,503	36,122,950	(6,551,447)
Deferred Inflows of Resources	5,034,869	5,852,007	(817,138)	2,977,265	3,485,686	(508,421)
Net Position						
Net investment in capital assets	72,479,471	72,865,707	(386,236)	119,511,518	109,119,154	10,392,364
Restricted	9,012,749	9,055,544	(42,795)	3,247,000	-	3,247,000
Unrestricted	12,571,891	12,152,205	419,686	33,651,992	39,021,474	(5,369,482)
Total Net Position	$ 94,064,111	$ 94,073,456	$ (9,345)	$ 156,410,510	$ 148,140,628	$ 8,269,882
Net Position as a Percentage of Total						
Net investment in Capital assets	77.0 %	77.5 %		76.4 %	73.7 %	
Restricted	9.6	9.6		2.1	-	
Unrestricted	13.4	12.9		21.5	26.3	
	100.0 %	100.0 %		100.0 %	100.0 %	

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

At the end of 2025, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities. Governmental activities decreased the City's net position as shown below. Key elements of the activities are shown below:

City of Hutchinson's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	$ 4,444,712	$ 4,008,774	$ 435,938	$ 64,936,768	$ 62,298,074	$ 2,638,694
Operating grants and contributions	2,407,403	2,304,013	103,390	93,697	276,960	(183,263)
Capital grants and contributions	1,114,264	1,103,452	10,812	272,684	129,550	143,134
General Revenues						
Property taxes/tax increments	9,307,035	8,870,216	436,819	-	-	-
Other taxes	689,989	685,939	4,050	1,913,580	1,963,236	(49,656)
Grants and contributions not restricted to specific programs	3,104,142	3,184,441	(80,299)	-	-	-
Unrestricted investment earnings	975,840	866,744	109,096	2,036,207	1,956,722	79,485
Other	-	-	-	-	-	-
Gain on sale of capital assets	71,245	658,960	(587,715)	145,346	351,121	(205,775)
Total Revenues	22,114,630	21,682,539	432,091	69,398,282	66,975,663	2,422,619
Expenses						
General government	3,379,592	2,866,422	513,170	-	-	-
Public safety	6,497,410	6,277,883	219,527	-	-	-
Streets and highways	6,936,682	6,751,159	185,523	-	-	-
Culture and recreation	4,883,547	4,820,161	63,386	-	-	-
Housing and economic development	548,042	588,546	(40,504)	-	-	-
Cemetery, airport and other	1,472,530	1,197,781	274,749	-	-	-
Interest on long-term debt	789,385	738,723	50,662	-	-	-
Electric	-	-	-	29,653,869	27,930,393	1,723,476
Natural gas	-	-	-	11,703,130	11,325,169	377,961
Water	-	-	-	2,543,512	2,767,455	(223,943)
Sewer	-	-	-	3,341,583	3,505,360	(163,777)
Refuse	-	-	-	1,617,352	1,585,690	31,662
Composting	-	-	-	2,293,036	2,620,997	(327,961)
Storm water	-	-	-	783,021	831,213	(48,192)
Municipal liquor store	-	-	-	6,809,684	7,060,274	(250,590)
Total Expenses	24,507,188	23,240,675	1,266,513	58,745,187	57,626,551	1,118,636
Increase (Decrease) in Net Position Before Transfers	(2,392,558)	(1,558,136)	(834,422)	10,653,095	9,349,112	1,303,983
Transfers	3,354,400	3,839,530	(485,130)	(3,354,400)	(3,839,530)	485,130
Contributed capital	(971,187)	(1,625,142)	653,955	971,187	1,625,142	(653,955)
Change in Net Position	(9,345)	656,252	(665,597)	8,269,882	7,134,724	1,135,158
Net Position - January 1	94,073,456	93,417,204	656,252	148,140,628	141,005,904	7,134,724
Net Position - December 31	$ 94,064,111	$ 94,073,456	$ (9,345)	$ 156,410,510	$ 148,140,628	$ 8,269,882

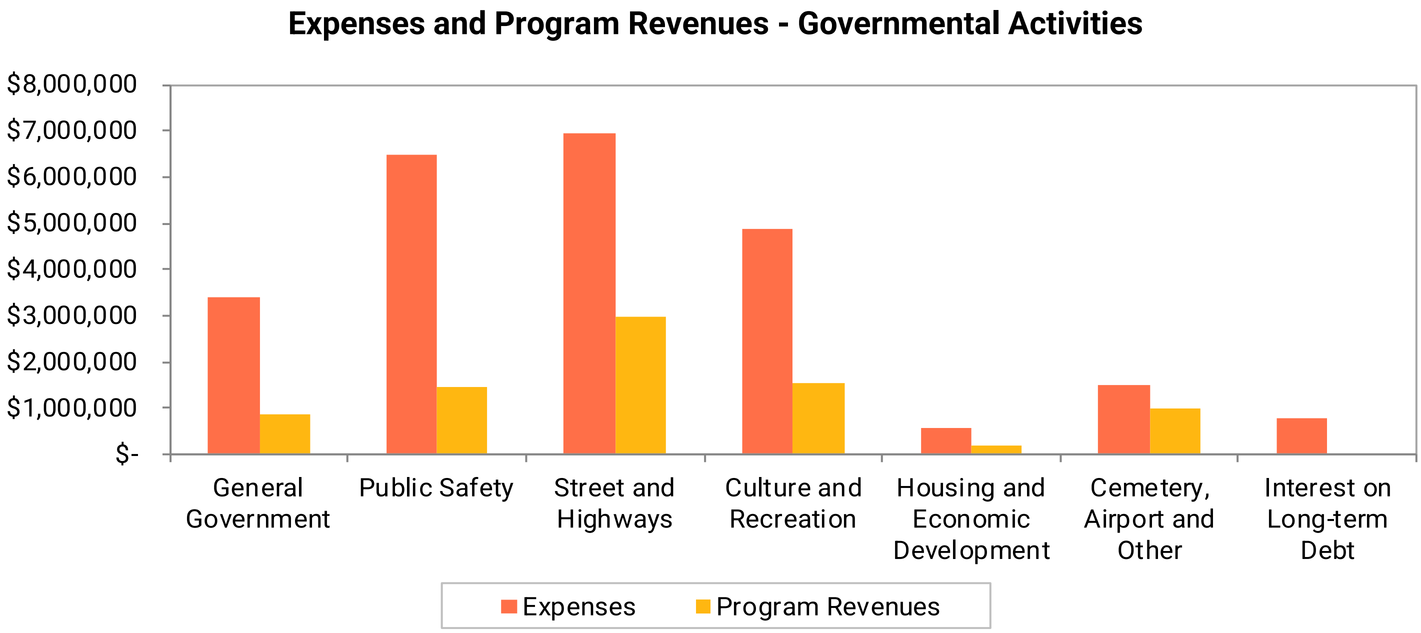
Key elements of this decrease are as follows

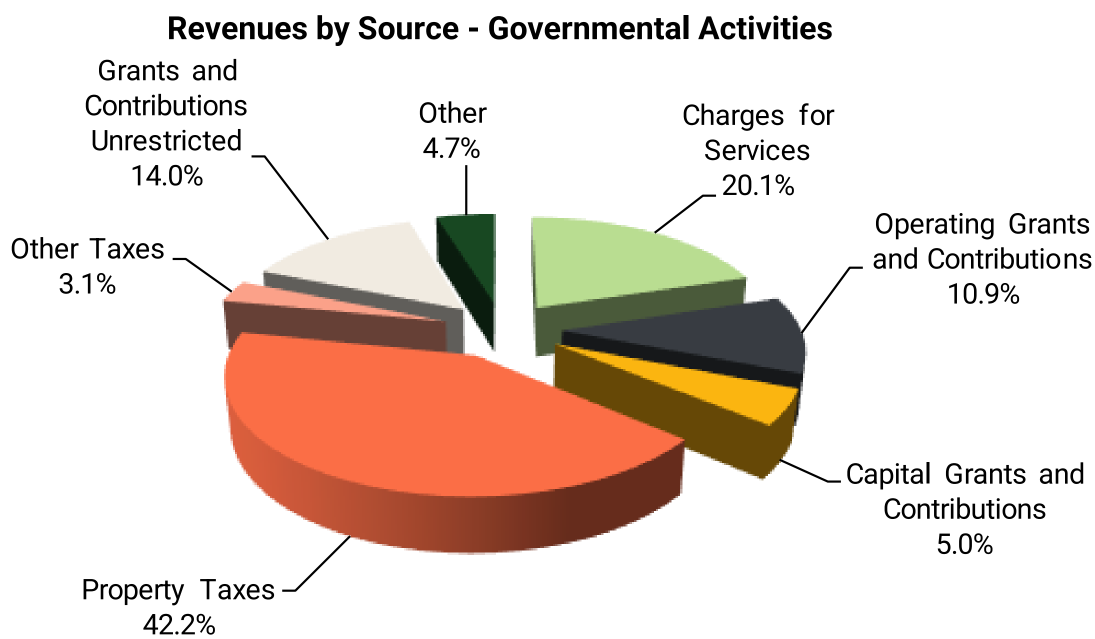
- Increases in expenses related to general government: primarily due to the disposal of City land that was sold to a developer as part of the construction of The Landing, a new downtown apartment complex that began construction in 2025. In 2016 and 2023, the City purchased land with plans for future redevelopment of prime downtown riverfront property, which came to fruition in 2025 with this apartment complex.

- Increases in expenses related to cemetery, airport and other: due to several projects that took place in 2025. Asphalt repairs at the Cemetery contributed to this increase, but the primary factor in this category's increase was due to several projects at the city-operated airport that included grading and runway improvements, along with the re-roofing of multiple hangars.

- Decrease in revenues related to gain on sale of capital assets: stems from prior year sales being higher than normal due to the sale of multiple old Police facilities following the construction of the City's new Police Station in 2023.

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



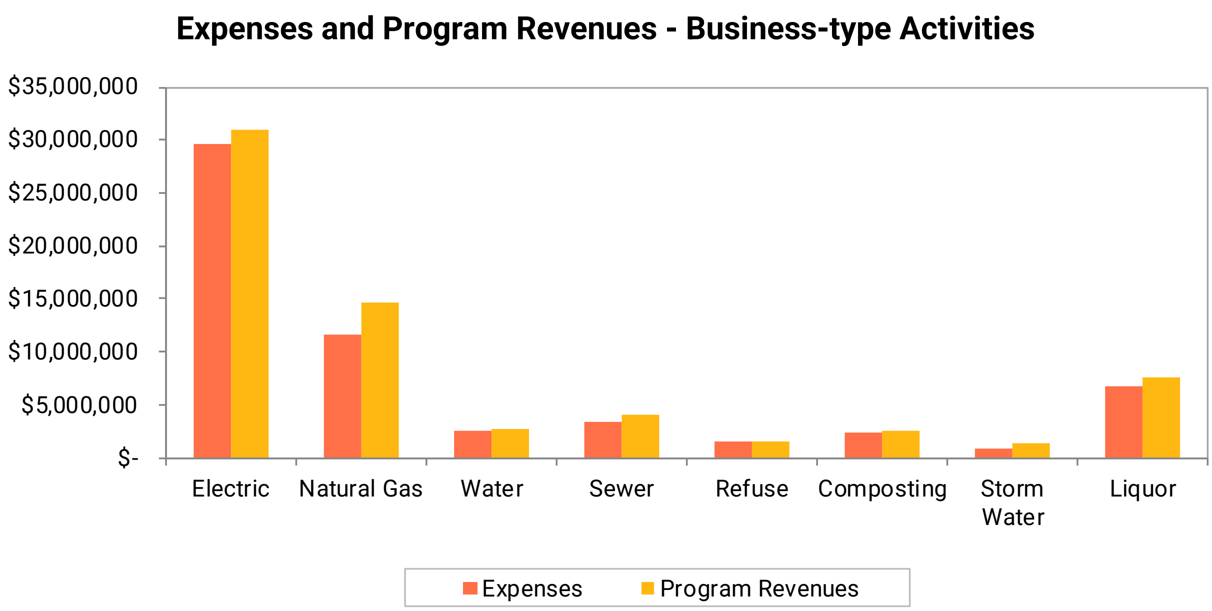


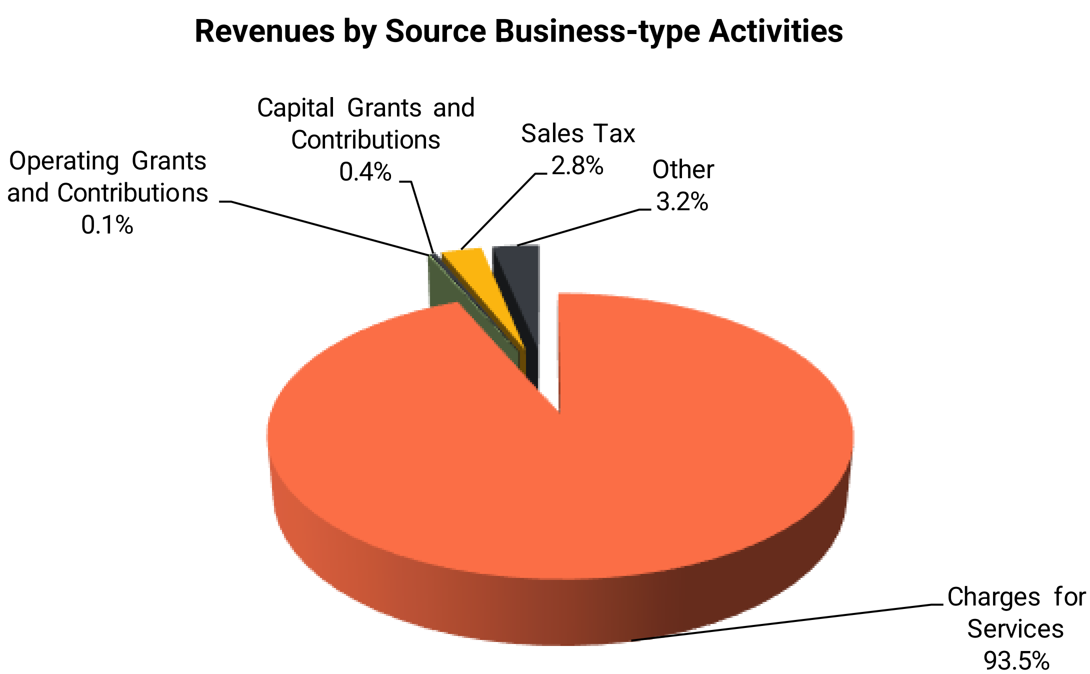
Business-type Activities. Business-type activities increased the City's net position as shown in the changes in net position table. Key elements of the activities are shown below:

- Charges for services for business-type activities increased in large part due to a significant increase in electric sales at the Hutchinson Utilities Commission (HUC). Electric energy prices on the market were extremely high in 2025, which resulted in HUC generating more of their own electricity and selling it into the market. Planned fee increases in the Storm Water fund (8%) and Refuse fund (5%) also contributed towards the increased charges for services.

- The decrease in composting expenses was primarily attributable to lower cost of sales resulting from a planned decrease of Bitcon product in 2025. The City's composting facility historically gathers enough of this asphalt and concrete material to where it fiscally makes sense to crush and create the finished product for sale every other year. 2025 was an off-year, which is the primary factor in this large decrease in expenses at the facility.

- Business-type activity expenses decreased in all areas except for a minor increase in Refuse expenses, along with larger increases in Electric and Gas expenses as an offset to the revenue increases mentioned above. This increased revenue also saw increased expenses to generate product for sale, while still providing for an overall increase in net position.





Financial Analysis of City's Funds

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

Governmental Funds - The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending December 31, 2025:

	General Fund	Special Assessment Improvement 2025	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances						
Nonspendable	$ 59,044	$ -	$ -	$ 59,044	$ 39,045	$ 19,999
Restricted	-	-	7,163,038	7,163,038	7,445,224	(282,186)
Committed	8,274,329	-	1,568,442	9,842,771	9,460,712	382,059
Assigned	-	-	5,627,694	5,627,694	5,750,955	(123,261)
Unassigned	744,510	(70,860)	(573,994)	99,656	(547,146)	646,802
Total Fund Balances	$ 9,077,883	$ (70,860)	$ 13,785,180	$ 22,792,203	$ 22,148,790	$ 643,413

The General fund is the chief operating fund of the City. At the end of 2025, fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Fund Balance		Increase/
	2025	2024	(Decrease)
General Fund Fund Balances			
Nonspendable	$ 59,044	$ 39,045	$ 19,999
Committed	8,274,329	7,854,865	419,464
Unassigned	744,510	788,482	(43,972)
Total Fund Balances	$ 9,077,883	$ 8,682,392	$ 395,491
General Fund expenditures	$ 15,243,121	$ 14,549,942	
Unassigned as a percent of expenditures	4.9%	5.4%	
Total Fund Balance as a percent of expenditures	59.6%	59.7%	

The fund balance of the City's General fund increased during the current fiscal year as shown in the table above.

Other Major Governmental Fund Analysis

The MSA Construction fund is considered a major fund of the City. There were no changes in net position during the year as the fund consists solely of intergovernmental receivables offset with deferred inflows of resources. Other major governmental fund analysis is shown below:

	Net Position		Increase
	2025	2024	(Decrease)
Special Assessment Improvement 2025	$ (70,860)	$ (60,960)	$ (9,900)
The decrease in fund balance during the year was due to capital outlay expenditures outweighing current year revenues.			

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

	Net Position		Increase/
	2025	2024	(Decrease)
Water Utility	$ 22,802,101	$ 21,540,395	$ 1,261,706
The increase is attributed to the collection of sales tax and charges for services in excess of operating expenses. Operating expenses also decreased due in part to fewer meters and related parts purchased than planned.			
Sewer Utility	$ 32,603,349	$ 30,439,203	$ 2,164,146
The increase is attributed to the collection of sales tax and charges for services in excess of operating expenses.			
Public Utilities Commission	$ 82,876,759	$ 79,372,652	$ 3,504,107
The increase is attributed to the collection of charges for services in excess of operating expenses due to increased electric and natural gas sales. This offset the increase in operating expenses caused by production expenses from higher quantities of purchased gas.			

The Water and Sewer funds saw an increase in their net position due in large part to higher interest earnings than forecasted, while also seeing less than expected contracted repairs & maintenance, along with a smaller portion of contributions to fund construction projects. The local sales tax of 0.5 percent in place since January 1, 2012 resulted in $1.914 million of revenue for these two funds in 2025, a 2.5% decrease from 2024. The local sales tax revenue is being used exclusively for debt service payments on the Water and Sewer facilities

General Fund Budgetary Highlights

Several positive fluctuations in actual versus budgeted revenues resulted in a positive budget variance of $517,799. Actual expenditures came in greater than budget by $78,934. Significant budget variances are summarized below:

- Licenses and Permits exceeded the budget by $116,797, primarily due to building permit revenue being $126,001 higher than budget.

- Investment earnings exceeded the budget by $259,151. This is the result of true interest earnings being $144,910 higher than budget and the fair value of our investments being $114,241 higher than expected.

- Public Safety expenditures exceeded the budget by $79,058. The biggest contributing factors in this overage was unplanned Police Department retirements as well as an increase in officer Overtime pay.

- Culture and Recreation expenditures exceeded the budget by $10,954. This is the result of Civic Arena services and charges being $70,299 over budget because of significant maintenance repairs completed throughout the year.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2025, is shown below in the capital asset table (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure and improvements, machinery and equipment, office furniture and fixtures, automotive equipment, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year is due to the major capital asset events noted below.

Significant asset additions that occurred during the year are as follows:

- 2025 Western Star plow trucks
- Fountain installed by the dam in the Crow River
- Veterans Memorial Field grandstand
- Oddfellows Park playground
- Sanitary Sewer realignment for The Landing project
- Dale Street SW construction – South Grade Rd SW to Roberts Rd SW
- Hassan Street SE construction – 1st Ave NE to Oakland Ave SE
- Land Purchase for storm water pond on Michigan St
- Creekside Soils cold storage enclosure
- X-Treme Leaf Vacuum
- City-Wide water meter replacement project

Significant asset disposals that occurred during the year are as follows:

- Compost Blending line equipment
- Old Medical Building lot & 1st Ave NW land for The Landing project
- Keene compost containers
- Bystrom Conveyor

Additional information on the City's capital assets can be found in Note 3C starting on page 74 of this report.

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

	Governmental Activities			Business-type Activities			Total		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Land	$ 9,644,892	$ 10,224,575	$ (579,683)	$ 2,214,381	$ 1,994,381	$ 220,000	$ 11,859,273	$ 12,218,956	$ (359,683)
Buildings and structures	24,262,366	24,473,793	(211,427)	14,902,866	15,787,167	(884,301)	39,165,232	40,260,960	(1,095,728)
Infrastructure and Improvements	60,912,051	61,242,178	(330,127)	106,354,319	107,636,733	(1,282,414)	167,266,370	168,878,911	(1,612,541)
Machinery and Equipment	2,827,928	2,881,634	(53,706)	4,304,237	4,744,442	(440,205)	7,132,165	7,626,076	(493,911)
Automotive Equipment	2,385,182	1,926,278	458,904	787,568	856,170	(68,602)	3,172,750	2,782,448	390,302
Construction in Progress	1,339,621	1,344,058	(4,437)	11,341,624	4,165,530	7,176,094	12,681,245	5,509,588	7,171,657
Total	$ 101,372,040	$ 102,092,516	$ (720,476)	$ 139,904,995	$ 135,184,423	$ 4,720,572	$ 241,277,035	$ 237,276,939	$ 4,000,096
Percent increase (decrease)			(0.7) %			3.5 %			1.7 %

Long-term Debt - At the end of the current fiscal year, the City had total bonded debt outstanding consisting of revenue related debt and general obligation debt as noted in the table below. While all of the City's (non-Electric and Gas Utility) bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Hutchinson's Outstanding Debt

	Governmental Activities			Business-type Activities			Total		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
G.O. Bonds	$ 12,870,000	$ 13,620,000	$ (750,000)	$ -	$ -	$ -	$ 12,870,000	$ 13,620,000	$ (750,000)
G.O. Improvement Bonds	14,370,000	13,565,000	805,000	-	-	-	14,370,000	13,565,000	805,000
G.O. Revenue Bonds	-	-	-	5,364,000	8,083,000	(2,719,000)	5,364,000	8,083,000	(2,719,000)
Revenue Bonds	-	-	-	13,830,000	16,600,000	(2,770,000)	13,830,000	16,600,000	(2,770,000)
Financed Purchase Arrangements	-	-	-	-	71,666	(71,666)	-	71,666	(71,666)
Total	$ 27,240,000	$ 27,185,000	$ 55,000	$ 19,194,000	$ 24,754,666	$ (5,560,666)	$ 46,434,000	$ 51,939,666	$ (5,505,666)
Percent increase (decrease)			0.2 %			(22.5) %			(10.6) %

The City's total debt decreased during 2025. Issuances of debt totaled $2,195,000 and long-term debt of $7,700,666 was retired during the year.

Standard & Poor's rates the City of Hutchinson's 2025 bonds as "AA-". The revenue bonds of the Electric and Gas Utility fund are separately rated "Aa3" by Moody's Investor Service.

Additional information on the City's long-term debt can be found in Note 3G starting on page 82 of this report.

Currently Known Facts, Decisions, or Conditions

- Hutchinson had an average unemployment rate of 4.0 percent during the fiscal year end 2025. This is an estimate based on information obtained from the Minnesota Department of Employment and Economic Development, which compares unfavorably to the average rate of 3.2 percent in the City a year ago. This current rate compares unfavorably to the state average unemployment rate of 3.9 percent and favorably to the federal average unemployment rate of 4.3 percent.

- Inflationary trends in the region on average for fiscal year 2025 were similar to national indices (i.e. Consumer Price Index).

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

City management and City Council continually look at cooperative partnerships as a cost savings measure, reductions in program and service areas, and where personnel cost savings can be achieved while at the same time minimizing service impacts on the community. The City continues to rely on a 5-year budget model to predict long-term challenges that may be faced so that in the near-term they can be addressed. Every effort is made each year to provide a realistic balanced budget to maintain long-term financial viability for the City of Hutchinson.

Factors involved in balancing the 2026 General fund budget included a 7.8 percent tax levy increase to address rising costs. Wage and benefit increases, including a 14% increase in health premiums, along with the creation of a new full-time Information Technology position, and budgeting for 2026 election workers led to this increase. Critical repairs at City facilities including the Civic Arena, Recreation Center, and Aquatic Center contributed to this increased tax levy.

The City's LGA received from the state increased by just $8,592 in 2026 to a total of $3,112,060. The City continued in 2026 the allocation of LGA as a 50/50 split between the General fund and the Capital Improvement Projects fund. This decision led to an additional $4,296 being allocated to the General fund, for a total of $1,556,030 which is being used to cover operating expenses. The remaining LGA is being reserved in the Capital Improvements Projects fund for General fund facility improvements, miscellaneous infrastructure maintenance, playground replacements, fleet replacements, and other projects as approved by City Council

The annual PILOT from the Hutchinson Utilities Commission remained the same in 2026 as it was in 2025. Water, Sewer, and Compost fund business-type activity transfers to the General fund increased by a total of $50,000 in 2026 compared to 2025.

The Storm Water fund rates were increased 8% and Refuse fund rates were increased 5% in 2026 to address cash flow needs within the funds. To lessen the General fund tax levy, a substantial amount of other City user-fees were increased for the first time in several years, primarily in the Parks & Recreation area. The Compost pricing has been adjusted either up or down depending on the product line for 2026. Pricing adjustments occurred based on the actual cost to produce a certain product line or to neutralize market pricing from competitors.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Hutchinson, 111 Hassan Street Southeast, Hutchinson, Minnesota 55350.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Authority	Housing and Redevelopment Authority
Assets					
Cash and temporary investments	$ 23,053,534	$ 33,389,261	$ 56,442,795	$ 230,231	$ 3,638,868
Restricted assets	-	3,247,000	3,247,000	-	762,289
Receivables					
Interest	88,264	184,834	273,098	1,012	-
Delinquent taxes	133,943	-	133,943	-	-
Accounts, net of allowances	144,343	4,759,873	4,904,216	-	2,812
Sales taxes receivable	-	121,584	121,584	-	-
Notes	946,707	-	946,707	-	9,246
Leases	54,491	751,254	805,745	-	263,837
Special assessments	1,732,612	-	1,732,612	-	-
Intergovernmental	2,620,496	421,945	3,042,441	592	358
Internal balances	(188,218)	188,218	-	-	-
Due from component unit	25	-	25	-	-
Inventories	56,802	5,022,903	5,079,705	-	-
Land Held for resale	-	-	-	-	60,175
Prepaid items	2,242	236,402	238,644	385	6,192
Net pension asset	835,495	-	835,495	-	-
Capital assets					
Nondepreciable	10,984,513	13,556,005	24,540,518	-	-
Depreciable, net of accumulated depreciation	90,387,527	126,348,990	216,736,517	-	866,253
Total Assets	130,852,776	188,228,269	319,081,045	232,220	5,610,030
Deferred Outflows of Resources					
Deferred pension resources	2,943,325	716,554	3,659,879	9,619	-
Deferred other postemployment benefit resources	32,446	14,455	46,901	423	-
Total Deferred Outflows of Resources	2,975,771	731,009	3,706,780	10,042	-
Liabilities					
Accounts payable	741,061	3,306,051	4,047,112	9,916	17,768
Contracts payable	15,411	52,308	67,719	-	-
Due to primary government	-	-	-	25	-
Due to other governments	42,989	106,253	149,242	24	50,860
Accrued interest payable	356,617	109,956	466,573	-	-
Accrued salaries payable	300,730	241,285	542,015	4,354	7,629
Deposits payable	393	341,674	342,067	-	31,960
Unearned revenue	34,552	476,353	510,905	-	21,396
Noncurrent liabilities					
Due within one year					
Long-term liabilities	2,658,051	5,166,531	7,824,582	6,080	13,958
Other postemployment benefits liability	10,939	4,492	15,431	80	-
Due in more than one year					
Long-term liabilities	26,774,410	16,536,680	43,311,090	3,878	323,699
Net pension liability	3,468,593	3,038,162	6,506,755	38,905	-
Other postemployment benefits liability	325,821	191,758	517,579	4,314	-
Total Liabilities	34,729,567	29,571,503	64,301,070	67,576	467,270
Deferred Inflows of Resources					
Deferred pension resources	4,805,605	2,194,767	7,000,372	32,983	-
Deferred other postemployment benefit resources	176,337	73,291	249,628	2,301	-
Deferred lease resources	52,927	709,207	762,134	-	242,704
Total Deferred Inflows of Resources	5,034,869	2,977,265	8,012,134	35,284	242,704
Net Position					
Net investment in capital assets	72,479,471	119,511,518	191,990,989	-	553,253
Restricted					
Pension asset	835,495	-	835,495	-	-
Debt service	5,198,967	3,247,000	8,445,967	-	-
Future loans	2,021,608	-	2,021,608	-	-
Public sites	327,979	-	327,979	-	-
Rural fire	21,417	-	21,417	-	-
Public safety	239,447	-	239,447	-	-
Drug forfeiture	28,423	-	28,423	-	-
Tax increment activities	211,448	-	211,448	-	-
Affordable housing	127,965	-	127,965	-	-
Unrestricted	12,571,891	33,651,992	46,223,883	139,402	4,346,803
Total Net Position	$ 94,064,111	$ 156,410,510	$ 250,474,621	$ 139,402	$ 4,900,056

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

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	$ 3,379,592	$ 812,887	$ 24,773	$ 15,402
Public safety	6,497,410	840,697	592,633	9,446
Streets and highways	6,936,682	1,023,756	1,227,447	713,946
Culture and recreation	4,883,547	1,298,182	165,080	69,100
Housing and economic development	548,042	113,911	76,484	-
Miscellaneous	1,472,530	355,279	320,986	306,370
Interest on long-term debt	789,385	-	-	-
Total Governmental Activities	24,507,188	4,444,712	2,407,403	1,114,264
Business-type Activities				
Electric	29,653,869	30,937,826	-	-
Natural gas	11,703,130	14,666,393	-	-
Water	2,543,512	2,519,644	-	120,199
Sewer	3,341,583	3,984,166	-	152,485
Refuse	1,617,352	1,532,880	12,690	-
Composting	2,293,036	2,518,778	-	-
Storm water	783,021	1,208,220	81,007	-
Liquor	6,809,684	7,568,861	-	-
Total Business-type Activities	58,745,187	64,936,768	93,697	272,684
Total Primary Government	$ 83,252,375	$ 69,381,480	$ 2,501,100	$ 1,386,948
Component units				
Economic development	$ 336,000	$ 9,207	$ 24,492	$ -
Housing and redevelopment	943,449	439,875	518,887	-
Total Component Units	$ 1,279,449	$ 449,082	$ 543,379	$ -

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

Transfers

Transfers - Capital Assets

Total General Revenues and Transfers

Change in Net Position

Net Position - January 1

Net Position - December 31

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Economic Development Authority	Housing and Redevelopment Authority
$ (2,526,530)	$ -	$ (2,526,530)	$ -	$ -
(5,054,634)	-	(5,054,634)	-	-
(3,971,533)	-	(3,971,533)	-	-
(3,351,185)	-	(3,351,185)	-	-
(357,647)	-	(357,647)	-	-
(489,895)	-	(489,895)	-	-
(789,385)	-	(789,385)	-	-
(16,540,809)	-	(16,540,809)	-	-
-	1,283,957	1,283,957	-	-
-	2,963,263	2,963,263	-	-
-	96,331	96,331	-	-
-	795,068	795,068	-	-
-	(71,782)	(71,782)	-	-
-	225,742	225,742	-	-
-	506,206	506,206	-	-
-	759,177	759,177	-	-
-	6,557,962	6,557,962	-	-
(16,540,809)	6,557,962	(9,982,847)	-	-
-	-	-	(302,301)	-
-	-	-	-	15,313
-	-	-	(302,301)	15,313
6,759,656	-	6,759,656	282,697	170,279
2,547,379	-	2,547,379	-	-
392,466	-	392,466	-	-
-	1,913,580	1,913,580	-	-
129,688	-	129,688	-	-
167,835	-	167,835	-	-
3,104,142	-	3,104,142	-	-
975,840	2,036,207	3,012,047	10,539	31,864
71,245	145,346	216,591	-	-
3,354,400	(3,354,400)	-	-	-
(971,187)	971,187	-	-	-
16,531,464	1,711,920	18,243,384	293,236	202,143
(9,345)	8,269,882	8,260,537	(9,065)	217,456
94,073,456	148,140,628	242,214,084	148,467	4,682,600
$ 94,064,111	$ 156,410,510	$250,474,621	$ 139,402	$ 4,900,056

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

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FUND FINANCIAL STATEMENTS

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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

	General	MSA Construction	*(Formerly Nonmajor)* Special Assessment Improvement 2025	Other Governmental Funds	Total
Assets					
Cash and investments	$ 9,435,136	$ -	$ -	$ 13,202,184	$ 22,637,320
Receivables					
Interest	43,392	-	-	42,777	86,169
Delinquent taxes	133,943	-	-	-	133,943
Accounts	137,448	-	-	6,895	144,343
Notes	-	-	-	946,707	946,707
Special assessments	-	-	-	1,732,612	1,732,612
Intergovernmental	139,453	2,351,873	-	129,170	2,620,496
Leases	54,491	-	-	-	54,491
Due from other funds	-	-	-	225,341	225,341
Advances to other funds	-	-	-	277,213	277,213
Inventory	56,802	-	-	-	56,802
Prepaid items	2,242	-	-	-	2,242
Total Assets	$ 10,002,907	$ 2,351,873	$ -	$ 16,562,899	$ 28,917,679
Liabilities					
Accounts payable	$ 372,894	$ -	$ 7,367	$ 351,054	$ 731,315
Contracts payable	-	-	-	15,411	15,411
Due to other funds	-	-	63,493	361,848	425,341
Advances from other funds	-	-	-	277,213	277,213
Due to other governments	42,989	-	-	-	42,989
Accrued salaries payable	287,326	-	-	13,404	300,730
Deposits payable	393	-	-	-	393
Unearned revenue	34,552	-	-	-	34,552
Total Liabilities	738,154	-	70,860	1,018,930	1,827,944
Deferred Inflows of Resources					
Unavailable revenue					
Loan interest receivable	-	-	-	26,177	26,177
Taxes	133,943	-	-	-	133,943
Special assessments	-	-	-	1,732,612	1,732,612
Intergovernmental	-	2,351,873	-	-	2,351,873
Deferred lease resources	52,927	-	-	-	52,927
Total Deferred Inflows of Resources	186,870	2,351,873	-	1,758,789	4,297,532
Fund Balances					
Nonspendable	59,044	-	-	-	59,044
Restricted	-	-	-	7,163,038	7,163,038
Committed	8,274,329	-	-	1,568,442	9,842,771
Assigned	-	-	-	5,627,694	5,627,694
Unassigned	744,510	-	(70,860)	(573,994)	99,656
Total Fund Balances	9,077,883	-	(70,860)	13,785,180	22,792,203
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 10,002,907	$ 2,351,873	$ -	$ 16,562,899	$ 28,917,679

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

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

Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	$ 22,792,203
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	101,372,040
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year-end consist of	
Severance payable	(762,405)
Other postemployment benefit liability	(336,760)
Net pension liability	(2,633,098)
Bonds payable	(27,240,000)
Bond premiums issued, net of accumulated amortization	(1,430,056)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Interest receivable	26,177
Delinquent property taxes receivable	133,943
Special assessments receivable	1,732,612
Intergovernmental receivable	2,351,873
Governmental funds do not report long-term amounts related to pensions and other post employment benefits.	
Deferred outflows of pension resources	2,943,325
Deferred inflows of pension resources	(4,805,605)
Deferred outflows of other postemployment benefit resources	32,446
Deferred inflows of other postemployment benefit resources	(176,337)
Governmental funds do not report a liability for accrued interest until due and payable.	(356,617)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	420,370
Total Net Position - Governmental Activities	$ 94,064,111

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

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

	General	MSA Construction	*(Formerly Nonmajor)* Special Assessment Improvement 2025	Other Governmental Funds	Total
Revenues					
Taxes	$ 7,069,631	$ -	$ -	$ 2,944,936	$ 10,014,567
Special assessments	-	-	69,665	729,775	799,440
Licenses and permits	531,322	-	-	-	531,322
Intergovernmental	2,284,156	-	1,265,898	2,342,799	5,892,853
Charges for services	2,533,456	-	-	607,632	3,141,088
Fines and forfeits	43,585	-	-	-	43,585
Investment earnings	399,151	-	425	584,109	983,685
Miscellaneous	553,599	-	-	357,283	910,882
Total Revenues	13,414,900	-	1,335,988	7,566,534	22,317,422
Expenditures					
Current					
General government	2,808,809	-	-	-	2,808,809
Public safety	5,710,420	-	-	182,538	5,892,958
Streets and highways	2,169,956	-	-	665,414	2,835,370
Culture and recreation	3,557,424	-	-	108,845	3,666,269
Housing and economic development	-	-	-	476,686	476,686
Miscellaneous	917,750	-	-	-	917,750
Capital outlay					
General government	15,500	-	-	150,280	165,780
Public safety	-	-	-	818,073	818,073
Streets and highways	40,189	-	4,144,459	1,182,919	5,367,567
Culture and recreation	23,073	-	-	1,189,641	1,212,714
Housing and economic development	-	-	-	6,438	6,438
Miscellaneous	-	-	-	241,131	241,131
Debt service					
Principal	-	-	-	2,140,000	2,140,000
Interest and other	-	-	-	861,908	861,908
Bond issuance costs	-	-	76,763	-	76,763
Total Expenditures	15,243,121	-	4,221,222	8,023,873	27,488,216
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,828,221)	-	(2,885,234)	(457,339)	(5,170,794)
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	71,245	71,245
Transfers in	2,812,628	-	486,772	1,134,239	4,433,639
Bonds issued	-	-	2,195,000	-	2,195,000
Premium on bonds issued	-	-	193,562	-	193,562
Transfers out	(545,542)	-	-	(533,697)	(1,079,239)
Total Other Financing Sources (Uses)	2,267,086	-	2,875,334	671,787	5,814,207
Net Change in Fund Balances	438,865	-	(9,900)	214,448	643,413
Fund Balances, January 1, as Previously Reported	8,639,018	-	-	13,509,772	22,148,790
Change to the financial reporting entity (Note 10)					
Change from nonmajor to major fund	-	-	(60,960)	60,960	-
Fund Balances, January 1, as Adjusted	8,639,018	-	(60,960)	13,570,732	22,148,790
Fund Balances, December 31	$ 9,077,883	$ -	$ (70,860)	$ 13,785,180	$ 22,792,203

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

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

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

Net Change in Fund Balances - Governmental Funds	$ 643,413
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.	
Capital outlay	6,725,899
Depreciation expense	(5,893,707)
The net effect of various miscellaneous transactions involving capital assets is to increase (decrease) net position.	
Sale/disposal of capital assets	(581,481)
Capital contributions from business-type activities, net	(971,187)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal repayments	2,140,000
Debt issued or incurred	(2,195,000)
Premium on bonds issued, net of amortization expense	(34,420)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(9,856)
Long-term pension activity is not reported in governmental funds.	
Pension expense	425,330
Direct aid contributions	24,846
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes/tax increments	(17,543)
Special assessments	(85,494)
Intergovernmental	(188,001)
Interest earnings	(28,492)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	18,686
Other postemployment benefits costs	4,638
Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.	13,024
Change in Net Position - Governmental Activities	$ (9,345)

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

City of Hutchinson, Minnesota
Statement of Net Position
Proprietary Funds (Continued on the Following Page)
December 31, 2025

	Business-type Activities - Enterprise Funds		Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Public Utilities Commission	Other Enterprise Funds	Total	Self Insurance
Assets						
Current Assets						
Cash and investments	$ 4,687,915	$ 7,729,017	$ 15,311,768	$ 5,660,561	$ 33,389,261	$ 416,214
Receivables						
Interest	23,738	37,719	99,570	23,807	184,834	2,095
Accounts, net of allowances	231,390	349,705	3,794,475	384,303	4,759,873	-
Sales tax	-	-	121,584	-	121,584	-
Leases	86,665	-	-	-	86,665	-
Intergovernmental	169,342	170,821	-	81,782	421,945	-
Due from other funds	-	200,000	-	-	200,000	-
Inventories	-	-	2,785,157	2,237,746	5,022,903	-
Prepaid items	-	-	230,002	6,400	236,402	-
Total Current Assets	5,199,050	8,487,262	22,342,556	8,394,599	44,423,467	418,309
Noncurrent Assets						
Restricted assets						
Cash and investments	-	-	3,247,000	-	3,247,000	-
Lease receivable	664,589	-	-	-	664,589	
Capital assets						
Land	16,282	311,915	559,528	1,326,656	2,214,381	-
Buildings and structures	17,698,455	28,303,744	-	4,262,107	50,264,306	-
Infrastructure and improvements	21,916,500	28,977,388	143,621,333	11,064,154	205,579,375	-
Machinery and equipment	3,707,362	7,013,444	-	4,805,116	15,525,922	-
Automotive equipment	169,595	826,047	-	836,711	1,832,353	-
Construction in progress	21,818	1,298,639	9,896,637	124,530	11,341,624	-
Less accumulated depreciation	(24,247,951)	(37,984,835)	(74,325,474)	(10,294,706)	(146,852,966)	-
Total Capital Assets (Net of Accumulated Depreciation)	19,282,061	28,746,342	79,752,024	12,124,568	139,904,995	-
Total Noncurrent Assets	19,946,650	28,746,342	82,999,024	12,124,568	143,816,584	-
Total Assets	25,145,700	37,233,604	105,341,580	20,519,167	188,240,051	418,309
Deferred Outflows of Resources						
Deferred pension resources	38,142	49,037	495,019	134,356	716,554	-
Deferred other postemployment benefit resources	2,528	3,370	969	7,588	14,455	-
Total Deferred Outflows of Resources	40,670	52,407	495,988	141,944	731,009	-

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

City of Hutchinson, Minnesota
Statement of Net Position
Proprietary Funds (Continued)
December 31, 2025

	Business-type Activities - Enterprise Funds		Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	601	602		Other		
	Water	Sewer	Public Utilities Commission	Enterprise Funds	Total	Self Insurance
Liabilities						
Current Liabilities						
Accounts payable	$ 35,759	$ 224,551	$ 2,670,293	$ 375,448	$ 3,306,051	$ 9,746
Contracts payable	-	52,308	-	-	52,308	-
Due to other governments	1,999	969	-	103,285	106,253	-
Accrued interest payable	14,375	47,388	38,805	9,388	109,956	-
Accrued salaries payable	17,752	24,732	140,081	58,720	241,285	-
Accrued vacation payable	32,385	31,874	198,526	106,148	368,933	-
Deposits payable	-	-	341,674	-	341,674	-
Unearned revenue	9,251	-	467,102	-	476,353	-
Other postemployment benefit liability	830	1,205	-	2,457	4,492	-
Current portion of debt	275,000	1,254,000	3,103,598	165,000	4,797,598	-
Total Current Liabilities	387,351	1,637,027	6,960,079	820,446	9,804,903	9,746
Noncurrent Liabilities						
Accrued vacation payable	23,929	-	1,085,895	29,521	1,139,345	-
Other postemployment benefit liability	25,406	33,776	56,282	76,294	191,758	-
Net pension liability	165,360	200,464	2,113,771	558,567	3,038,162	-
Bonds payable	1,209,143	3,879,996	14,398,836	706,958	20,194,933	-
Less current portion of debt	(275,000)	(1,254,000)	(3,103,598)	(165,000)	(4,797,598)	-
Total Noncurrent Liabilities	1,148,838	2,860,236	14,551,186	1,206,340	19,766,600	-
Total Liabilities	1,536,189	4,497,263	21,511,265	2,026,786	29,571,503	9,746
Deferred Inflows of Resources						
Deferred pension resources	125,135	167,082	1,449,544	453,006	2,194,767	-
Deferred other postemployment benefit resources	13,738	18,317	-	41,236	73,291	-
Deferred lease resources	709,207	-	-	-	709,207	-
Total Deferred Inflows of Resources	848,080	185,399	1,449,544	494,242	2,977,265	-
Net Position						
Net investment in capital assets	18,072,918	24,667,802	65,353,188	11,417,610	119,511,518	-
Restricted						
Debt service	-	-	3,247,000	-	3,247,000	-
Unrestricted	4,729,183	7,935,547	14,276,571	6,722,473	33,663,774	408,563
Total Net Position	$ 22,802,101	$ 32,603,349	$ 82,876,759	$ 18,140,083	156,422,292	$ 408,563
			Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.		(11,782)	
			Net position of business-type activities		$ 156,410,510	

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

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

	Business-type Activities Enterprise Funds		Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund Self Insurance
	Water	Sewer	Public Utilities Commission	Other Enterprise Funds	Total	
Operating Revenues						
Sales	$ -	$ -	$ -	$ 10,076,840	$ 10,076,840	$ -
Cost of sales	-	-	-	(7,288,345)	(7,288,345)	-
Gross Profit	-	-	-	2,788,495	2,788,495	-
Charges for services	2,358,740	3,906,200	42,439,754	2,721,928	51,426,622	111,364
Penalties	13,904	18,490	-	12,189	44,583	-
Other operating revenue	-	-	3,033,038	16,883	3,049,921	-
Total Operating Revenues	2,372,644	3,924,690	45,472,792	5,539,495	57,309,621	111,364
Operating Expenses						
Personal services	590,650	816,402	-	1,793,998	3,201,050	-
Supplies and maintenance	168,618	199,007	-	333,250	700,875	-
Other services and charges	582,367	929,084	-	1,381,613	2,893,064	122,175
Depreciation	1,167,196	1,336,034	4,233,121	685,048	7,421,399	-
Production	-	-	6,021,891	-	6,021,891	-
Purchased power/gas	-	-	20,128,147	-	20,128,147	-
Transmission	-	-	3,440,382	-	3,440,382	-
Distribution	-	-	3,609,834	-	3,609,834	-
Customer accounts expense	-	-	602,137	-	602,137	-
Sales expense	-	-	187,304	-	187,304	-
Administration and general	-	-	2,730,123	-	2,730,123	-
Total Operating Expenses	2,508,831	3,280,527	40,952,939	4,193,909	50,936,206	122,175
Operating Income (Loss)	(136,187)	644,163	4,519,853	1,345,586	6,373,415	(10,811)
Nonoperating Revenues (Expenses)						
Sales tax	956,790	956,790	-	-	1,913,580	-
Intergovernmental	-	-	-	94,070	94,070	-
Interest earnings	218,732	394,907	1,177,065	245,503	2,036,207	20,647
Rents	96	6,858	-	-	6,954	-
Lease revenue	105,340	-	-	-	105,340	-
Merchandise and contract work, net	-	-	(46,200)	-	(46,200)	-
Other income	41,564	52,618	177,627	-	271,809	-
Gain (loss) on sale of capital assets	43,905	-	22,450	78,991	145,346	-
Interest expense - bonds	(48,887)	(129,543)	(623,125)	(24,253)	(825,808)	-
Bond premium amortization	14,785	69,327	219,065	5,653	308,830	-
Total Nonoperating Revenues (Expenses)	1,332,325	1,350,957	926,882	399,964	4,010,128	20,647
Income (Loss) Before Contributions and Transfers	$ 1,196,138	$ 1,995,120	$ 5,446,735	$ 1,745,550	$ 10,383,543	$ 9,836
Capital Contributions From (To) Other Funds	157,487	361,743	-	451,957	971,187	-
Other Capital Contributions						
Connection fees	120,199	152,485	-	-	272,684	-
Transfers In	-	-	-	50,000	50,000	-
Transfers Out	(212,118)	(345,202)	(1,942,628)	(904,452)	(3,404,400)	-
Change in Net Position	1,261,706	2,164,146	3,504,107	1,343,055	8,273,014	9,836
Net Position, January 1	21,540,395	30,439,203	79,372,652	16,797,028	148,149,278	398,727
Net Position, December 31	$ 22,802,101	$ 32,603,349	$ 82,876,759	$ 18,140,083	$ 156,422,292	$ 408,563

Change in net position as shown above	$ 8,273,014
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(3,132)
Change in net position of business-type activities	$ 8,269,882

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

City of Hutchinson, Minnesota
Statement of Cash Flows
Proprietary Funds (Continued on the Following Page)
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds		Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Public Utilities Commission	Other Enterprise Funds	Total	Self Insurance
Cash Flows from Operating Activities						
Receipts from customers	$ 2,386,104	$ 3,911,239	$ 42,447,593	$ 12,853,299	$ 61,598,235	$ -
Receipts from interfund services provided	-	-	-	-	-	111,364
Other receipts	41,660	59,476	3,308,686	-	3,409,822	-
Payments to vendors and suppliers	(806,643)	(1,107,126)	(31,526,364)	(8,857,637)	(42,297,770)	(122,683)
Payments to or on behalf of employees	(641,630)	(874,247)	(6,455,501)	(2,028,118)	(9,999,496)	-
Net Cash Provided by Operating Activities	979,491	1,989,342	7,774,414	1,967,544	12,710,791	(11,319)
Cash Flows from Noncapital Financing Activities						
Transfers out	(212,118)	(345,202)	(1,942,628)	(904,452)	(3,404,400)	-
Transfers in	-	-	-	50,000	50,000	-
Lease receipts	93,259	-	-	-	93,259	-
Grants received	-	-	-	94,070	94,070	-
Other noncapital income	-	-	131,427	-	131,427	-
Net Cash Used by Noncapital Financing Activities	(118,859)	(345,202)	(1,811,201)	(760,382)	(3,035,644)	-
Cash Flows from Capital and Related Financing Activities						
Acquisition of capital assets	(144,633)	(1,311,437)	(9,101,053)	(653,523)	(11,210,646)	-
Proceeds from sale of capital assets	43,905	-	22,448	78,991	145,344	-
Sales tax received	956,790	956,790	-	-	1,913,580	-
Special assessments received	181	-	-	-	181	-
Connection fees collected	120,199	152,485	-	-	272,684	-
Principal paid on long-term debt	(1,090,000)	(1,469,000)	(2,770,000)	(231,666)	(5,560,666)	-
Interest paid on long-term debt	(60,346)	(145,227)	(634,008)	(28,348)	(867,929)	-
Interfund advance activity for capital improvements	-	200,000	-	-	200,000	-
Net Cash Used by Capital and Related Financing Activities	(173,904)	(1,616,389)	(12,482,613)	(834,546)	(15,107,452)	-
Cash Flows from Investing Activities						
Interest received on investments	215,446	395,901	1,226,123	245,182	2,082,652	20,752
Net Increase (Decrease) in Cash and Cash Equivalents	902,174	423,652	(5,293,277)	617,798	(3,349,653)	9,433
Cash and Cash Equivalents, January 1	3,785,741	7,305,365	23,852,045	5,042,763	39,985,914	406,781
Cash and Cash Equivalents, December 31	$ 4,687,915	$ 7,729,017	$ 18,558,768	$ 5,660,561	$ 36,636,261	$ 416,214
Cash and Cash Equivalents, Reported on Statement of Net Position						
Unrestricted cash and investments	$ 4,687,915	$ 7,729,017	$ 15,311,768	$ 5,660,561	33,389,261	$ 416,214
Restricted cash and investments	-	-	3,247,000	-	3,247,000	-
Total Cash and Cash Equivalents	$ 4,687,915	$ 7,729,017	$ 18,558,768	$ 5,660,561	$ 36,636,261	$ 416,214

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

City of Hutchinson, Minnesota
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds		Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	601 Water	**602** Sewer	Public Utilities Commission	Other Enterprise Funds	Total	Self Insurance
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities						
Operating income (loss)	$ (136,187)	$ 644,163	$ 4,519,853	$ 1,345,586	$ 6,373,415	$ (10,811)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Other income related to operations	41,660	59,476	-	-	101,136	-
Depreciation	1,167,196	1,336,034	4,233,121	685,048	7,421,399	-
Depletion	-	-	-	181,773	181,773	
(Increase) decrease in assets						
Accounts receivable	8,038	22,920	185,998	(63,489)	153,467	-
Due from other governments	5,422	(36,371)	-	88,948	57,999	-
Inventories	-	-	(241,513)	35,646	(205,867)	-
Prepaid items	-	-	(137,426)	(1,154)	(138,580)	-
(Increase) decrease in deferred outflows of resources						
Deferred pension resources	(147)	(1,497)	(38,897)	1,052	(39,489)	-
Deferred other postemployment benefit resources	73	98	(79)	217	309	-
Increase (decrease) in liabilities						
Accounts payable	(55,764)	19,996	(290,436)	(75,721)	(401,925)	(508)
Due to other governments	106	969	-	5,027	6,102	-
Accrued salaries payable	2,765	7,464	(250,560)	4,449	(235,882)	-
Accrued vacation payable	1,344	(1,807)	299,369	(26,503)	272,403	-
Deposits payable	-	-	47,064	-	47,064	-
Other postemployment benefit liability	122	163	3,109	411	3,805	-
Net pension liability	(32,321)	(36,690)	(329,226)	(125,675)	(523,912)	-
Unearned revenue	-	-	50,425	-	50,425	-
Increase (decrease) in deferred inflows of resources						
Deferred pension resources	(21,233)	(23,465)	(276,388)	(83,342)	(404,428)	-
Deferred other postemployment benefit resources	(1,583)	(2,111)	-	(4,729)	(8,423)	-
Net Cash Provided by Operating Activities	$ 979,491	$ 1,989,342	$ 7,774,414	$ 1,967,544	$ 12,710,791	$ (11,319)
Schedule of Noncash Investing, Capital and Financing Activities						
Capital contributions from (to) other funds	$ 157,487	$ 361,743	$ -	$ 451,957	$ 971,187	$ -
Book value of disposed/traded capital assets	$ -	$ -	$ (2)	$ -	$ (2)	$ -
Capital assets acquired on account	$ -	$ 198,544	$ -	$ -	$ 198,544	$ -
Amortization of bond premium	$ (14,785)	$ (69,327)	$ (219,065)	$ (5,653)	$ (308,830)	$ -

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

City of Hutchinson, Minnesota
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2025

	Custodial Fund
	State
Assets	
Cash and investments	$ 16,782
Liabilities	
Due to primary government	10,000
Net Position	
Restricted	
Other governments	$ 6,782

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

City of Hutchinson, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2025

	Custodial Fund State
Additions	
Fees collected on behalf of the state	$ 5,339,685
Deductions	
Payments to state	5,338,750
Net Increase (Decrease) in Fiduciary Net Position	935
Net Position, January 1	5,847
Net Position, December 31	$ 6,782

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

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Hutchinson (the City) operates under its own Home Rule Charter. The City is governed by an elected mayor and a four-member council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City. Each discretely presented component unit has a December 31 year end.

Discretely Presented Component Units. The Hutchinson Housing and Redevelopment Authority (HRA) was created pursuant to Minnesota statutes to carry out housing and redevelopment within the City in accordance with policies established by the City Council. The HRA is presented as a discretely presented component unit as a proprietary fund type. It is classified as a discretely presented component unit because the five-member board consists of five mayor-approved members, the HRA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the City Council, the HRA does not provide services entirely, or almost entirely, to the City and there is no debt that is expected to be repaid almost entirely with the City's resources. Separate financial statements for the HRA may be obtained at the City's offices.

The Hutchinson Economic Development Authority (EDA) was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The EDA is presented as a discretely presented component unit as a governmental fund type. It is classified as a discretely presented component unit because the seven-member board consists of two Council members and five other Council approved members, the EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the City Council, the EDA does not provide services entirely, or almost entirely, to the City and there is no debt that is expected to be repaid almost entirely with the City's resources. Separate financial statements are not issued for this component unit.

Other Agencies. The Hutchinson Public Utilities Commission (PUC) was established and statutory authority is provided in accordance with chapter 412.321 of the Minnesota statutes. The Commission has five Council approved members who serve overlapping five-year terms for no more than two successive terms. The statutes provide the City Council all the discretionary authority necessary to operate the utilities except as its powers has been delegated to the Commission. The PUC fund is considered to be part of the primary government and is included with the enterprise funds of this report. Separate financial statements are issued for the PUC and may be obtained at the City's offices.

Joint Ventures

The City has entered into a joint powers agreement with the Minnesota Department of Transportation and McLeod County. The purpose of the agreement is to provide policies and procedures for the joint operation of the Hutchinson Area Transportation Facility. The Joint Powers Board consists of four members. Two members are appointed by the Hutchinson City Council, one member is appointed by the Minnesota Commissioner of Transportation, and one member is appointed by the McLeod County Commissioners. The present budget funding for the operation is as follows:

City of Hutchinson	36 %
State of Minnesota	32 %
McLeod County	32 %

Note 1: Summary of Significant Accounting Policies (Continued)

The City is the fiscal agent for the venture, whose operations are reported as a special revenue fund of the City. Since inception in 1996, the joint venture has accumulated sufficient financial resources from the funding sources to provide for operations. No separate financial statements are issued for this joint venture.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

The City reports the following major governmental funds:

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

The *MSA Construction fund* is used to account for future Municipal State Aid funding that has been allocated to the City.

The *Special Assessment Improvement 2025 fund* is used to account for the resources provided and improvements related to the City's 2025 roadway projects.

The City reports the following major proprietary funds:

The *Water fund* is used to account for the operation, maintenance, and capital improvements of the City's water, system.

The *Sewer fund* is used to account for the operation, maintenance, and capital improvements of the City's sewer system.

The *Public Utilities Commission fund* is used to account for the operation, maintenance, and capital improvements, of the municipally owned electric and natural gas systems in the City.

Additionally, the City reports the following fund types:

Internal service funds account for operations that provide insurance services to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Fiduciary Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds or private-purpose trust funds. The City's Custodial fund accounts for activities of State of Minnesota's motor vehicle, licensing and DNR services.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Deposits and Investments

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

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings on investments are allocated to the individual funds based upon the average of month-end cash and investment balances.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks and corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Investment Policy

The purpose of this policy is to establish specific guidelines the City of Hutchinson will use in the investment of City funds. It will be the responsibility of the City Administrator to invest City Funds in order to attain the highest market rate of return with the maximum security while meeting the daily cash flow demands of the City and protecting the capital of the overall portfolio. Investments will be made in accordance with all state and local statutes governing the investment of public funds.

Investment officers acting in accordance with this policy, with Minnesota statutes, chapter 118A, and exercising due diligence shall be relieved of personal responsibility for an individual security's risk or market price change, provided that reasonable action is taken to control adverse developments and unexpected deviations are reported in a timely manner.

Objective

A. Safety - Safety of principal is of critical importance to the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

1. Credit Risk - the risk of loss due to failure of the security issuer or backer, will be minimized by:

    - Limiting investments to the types of securities listed in Section VIII of this investment policy.
    - Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business in accordance with Section VII.
    - Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. Insurance or collateral may be required to ensure return of principal.

2. Interest Rate Risk - the risk that the fair value of securities in the portfolio will fall due to changes in market interest rates will be minimized to:

    - Provide for liquidity by reviewing cash flow requirements and make investments to meet the shorter cash flow needs, thereby avoiding the need to sell securities in the open market prior to maturity.
    - Manage the average maturity of the overall portfolio to be consistent with the risk of the City.

B. Liquidity - The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements reasonably anticipated. The portfolio will be structured so that the portfolio emphasizes liquidity and consists largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same day liquidity for short-term funds.

C. Yield - The City's investment portfolio shall be designed with the objective of attaining a market rate of return. The core of investments is limited to low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.

Note 1: Summary of Significant Accounting Policies (Continued)

- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

The City Administrator or investment designee will attempt to diversify its investments according to type and maturity. The City will attempt to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields. Diversification strategies shall be determined and revised periodically by the City Council for all funds.

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. There were no changes in valuation techniques that have a significant impact to the City and there are no nonrecurring fair value measurements. The City has the following recurring fair value measurements as of December 31, 2025:

- Negotiable certificates of deposit $7,394,623, Municipal bonds of $24,414,651, Government bonds of $490,240, FHLB bonds of $2,578,129, FFCB bonds of $1,062,850, US treasury notes of $940,992 are valued using a matrix pricing model (Level 2 inputs)

Property Taxes

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2025. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance in the Public Utilities Commission enterprise fund at December 31, 2025 was $136,688. The other utility funds do not record an allowance because uncollected bills may be certified to the County for collection.

Special Assessments

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

Note 1: Summary of Significant Accounting Policies (Continued)

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

Inventories and Cost of Goods Sold

The inventories are stated at cost on the first-in, first-out (FIFO) method. The cost of inventory is recorded as an expenditure at the time inventory is purchased in the General fund and as an expense when consumed in the proprietary fund types.

The City's compost enterprise fund allocates payroll, supplies, other costs and depreciation to the cost of producing compost. These costs are included in inventory and transferred to cost of goods sold when the compost is sold. The allocation of these costs ensures that the financial statements accurately reflect the cost of production and sale of compost.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Lease Receivable

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $1 for land and more than $5,000 (amount not rounded) for all other assets and an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Assets	Years
Land Improvements	20
Buildings and Improvements	15 - 40
System Improvements/Infrastructure	40
Office Furniture and Fixtures	7
Machinery and Equipment	3 - 10
Automotive Equipment	3 - 20

Deferred Outflows of Resources

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

Pensions

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

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by Hutchinson Fire Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value. For the most part, the General fund is typically used to liquidate governmental net pension liability.

The total pension expense for the General Employee Plan (GERP), Police and Fire Plan (PEPFP), Defined Contribution Plan (DCP) and Hutchinson Fire Relief Association is as follows:

	GERF	PEPFF	PEDCP	FRA	Total
City's proportionate share	$ (202,119)	$ 345,371	$ 1,090	$ 60,639	$ 204,981
Proportionate share of State's contribution	(9,621)	30,772	-	-	21,151
Total pension expense	$ (211,740)	$ 376,143	$ 1,090	$ 60,639	$ 226,132

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability is recognized for the portion of accumulated sick leave that is estimated will be taken as “terminal leave” prior to retirement. All vacation is accrued when incurred. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Due to the implementation of GASB 101, the City also records a liability for the estimated amount of future sick time usage not to be paid out upon resignation or retirement. Compensated absences at year end is shown in the chart below for governmental, business-type and component unit activities. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

	Governmental Activities	Business-type Activities	Component Unit Activities		Total
			EDA	HRA	
Compensated Absences	$ 762,405	$ 1,508,278	$ 9,958	$ 24,657	$ 2,305,298

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at January 1, 2025. For the most part, the General fund is typically used to liquidate governmental OPEB liabilities.

Long-term Obligations

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

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

Deferred Inflows of Resources

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

Note 1: Summary of Significant Accounting Policies (Continued)

Furthermore, the City has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

Fund Balance

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

Nonspendable - consists of amounts that cannot be spent because it is not in spendable form, such as prepaid items.

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

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned - consists of amounts intended to be used for specific purposes set by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to the City’s fund balance policy, the City Administrator is authorized to establish assignments of fund balance.

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

When committed, assigned or unassigned resources are available for use, it is the City’s policy to use resources in the following order: (1) committed, (2) assigned, and (3) unassigned.

The City’s fund balance policy requires an unrestricted fund balance in the General fund 40 percent of next year’s General fund budgeted expenditures for working capital. This provides adequate cash flow to fund operations since major revenues, including property taxes and other government aid, are received on a biannual basis. The City will also commit 10% of next year’s General fund budgeted expenditures to plan for contingencies and tax levy stabilization.

Net Position

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

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquiring capital assets.

b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and Rural Fire Department and Hutchinson Area Transportation Facility special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

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

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. There were no budget amendments made by the City in 2025.

B. Excess of Expenditures Over Appropriations

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

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	$ 15,164,187	$ 15,243,121	$ 78,934
Special Revenue			
Rural Fire Department	164,906	182,538	17,632

The excess expenditures over appropriations were funded by higher revenues than anticipated and available fund balance.

C. Deficit Fund Balance

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

Fund	Amount
Major Funds	
Special Assessment Improvement 2025	$ 70,860
Special Revenue	
Hutchinson Enterprise Center	141,205
Tax Increments 2016	158,796
TIF #4-17 Enterprise Center	105,409
TIF #4-24 The Landing	21,781
TIF #4-25 Jorgenson Hotel	538
Capital Projects	
Airport Renovation	140,694
Special Assessment Improvement 2026	578
Special Assessment Improvement 2027	4,993

The City intends to fund these deficits through future tax increments and special assessment levies, grants, transfers from other funds and various other sources.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits, bank balance, FDIC coverage and collateral pledged in the City's and the Public Utilities Commission's names, including the EDA are shown in the chart below. The primary government and the EDA component unit deposits and investments are pooled.

Carrying amount of deposits	$ 15,448,584
Bank balance	$ 15,981,072
Covered by FDIC	(275,561)
Collateralized with securities pledged in City's and PUC's names	$ 15,705,511

Note 3: Detailed Notes on All Funds (Continued)

At year end, the HRA's (discretely presented component unit) carrying amount of deposits, bank balance, FDIC coverage and collateral pledged in the HRA's name are shown in the chart below.

Carrying amount of deposits	$ 4,401,157
Bank balance	$ 4,442,975
Covered by FDIC	(750,000)
Collateralized with securities pledged in HRA's name	$ 3,692,975

Investments

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

Types of Investments	Credit Quality Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Cost						
Broker Mutual Funds	N/A	less than 1 year	$ 2,337,986	$ -	$ -	$ -
Broker Money Market Funds	N/A	less than 1 year	5,246,616	-	-	-
Non-pooled Investments at Fair Value						
Negotiable Certificates of Deposit	NA	1 to 5 years	6,883,301	-	6,883,301	-
Negotiable Certificates of Deposit	NA	5 -10 Years	511,322	-	511,322	-
Government Bonds	NA	1 to 5 years	490,240	-	490,240	-
Municipal Bonds	AA+	1-5 Years	2,274,641	-	2,274,641	-
Municipal Bonds	AA+	5 -10 Years	568,053	-	568,053	-
Municipal Bonds	AA2	1-5 Years	1,309,071	-	1,309,071	-
Municipal Bonds	AA2	5 -10 Years	556,475	-	556,475	-
Municipal Bonds	AAA	1-5 Years	3,670,973	-	3,670,973	-
Municipal Bonds	AAA	5 -10 Years	1,160,934	-	1,160,934	-
Municipal Bonds	AA-	1-5 Years	1,567,410	-	1,567,410	-
Municipal Bonds	AA-	5 -10 Years	1,766,816	-	1,766,816	-
Municipal Bonds	AA	1-5 Years	1,715,534	-	1,715,534	-
Municipal Bonds	AA	5 -10 Years	391,197	-	391,197	-
Municipal Bonds	AA1	1-5 Years	189,757	-	189,757	-
Municipal Bonds	AA1	5 -10 Years	558,280	-	558,280	-
Municipal Bonds	NA	1-5 Years	10,285	-	10,285	-
Municipal Bonds	NA	5 -10 Years	448,325	-	448,325	-
FFCB Bonds	N/A	1 to 5 years	1,062,850	-	1,062,850	-
FHLB Bonds	N/A	1 to 5 years	2,578,129	-	2,578,129	-
US Treasury Note	N/A	1 year	940,992	-	940,992	-
Municipal Bonds	varies	1-10 years	8,226,900	-	8,226,900	-
Total Investments			$ 44,466,087	$ -	$ 36,881,485	$ -

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicates not applicable or available.

Note 3: Detailed Notes on All Funds (Continued)

The investments of the City are subject to the following risks:

- *Credit Risk*. The credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the City's investments to the list on page 63 of the notes.

- *Custodial Credit Risk*. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City typically limits its exposure by purchasing insured or registered investments.

- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2025, there were no investments in one issuer (other than investments issued by or explicitly guaranteed by U.S. government, mutual funds, external investment pools, and other pooled investments) that represent 5 percent or more of the City's investments.

- *Interest Rate Risk.* In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds totals $5,355.

Cash and Investments Summary

Cash and investments as shown on the statement of net position for the City are as follows:

	Primary Government	Component Unit - EDA	Component Unit - HRA	Total Reporting Entity
Deposits	$ 15,218,353	$ 230,231	$ 4,401,157	$ 19,849,741
Investments	44,466,087	-	-	44,466,087
Cash on Hand	5,355	-	-	5,355
Total	$ 59,689,795	$ 230,231	$ 4,401,157	$ 64,321,183
Cash and Investments				
Unrestricted	$ 56,442,795	$ 230,231	$ 3,638,868	$ 60,311,894
Restricted	3,247,000	-	762,289	4,009,289
Total	$ 59,689,795	$ 230,231	$ 4,401,157	$ 64,321,183

Note 3: Detailed Notes on All Funds (Continued)

Cash and Investments - Restricted

Restricted cash and investments are deposits designated by bond covenants in the City's Public Utilities Commission fund for specific purposes. At December 31, 2025, restricted cash and investments consisted of the following:

Primary Government

Hutchinson Public Utilities Commission	
Public Utility Revenue Refunding Bonds, Series 2012A	
Funds required to be held in a debt service account based on criteria set aside in the bond issuance document.	$ 2,072,000
Public Utility Revenue Bonds, Series 2017B	
Funds required to be held in a debt service account based on criteria set aside in the bond issuance document.	1,175,000
Total Restricted Cash and Investments	$ 3,247,000

Component Unit - HRA

Restricted cash and investments are tenant security deposits in the HRA at December 31, 2025 in the amount of $31,960.

B. Notes Receivable

Primary Government

The City has issued various notes to local residents and businesses which are payable to the City with variable payments and interest rates. The balance on these notes as of December 31, 2025 is $946,707. Most of the notes to local residents do not have to be repaid if they remain property owners for ten years. This applies to Housing Rehabilitation Grant special revenue fund notes totaling $72,450. The Economic Development Loan fund has notes with local businesses outstanding of $122,597. The City also has notes receivable in the Energy Loan fund of $751,660 at year end.

Component Unit - HRA

The HRA has received grants to be used for economic development and housing redevelopment services. The proceeds of these grants were loaned to individuals and are to be paid back to the HRA. The balances of these notes at December 31, 2025 is $9,246.

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Primary Government

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	$ 10,224,575	$ -	$ (579,683)	$ 9,644,892
Construction in progress	1,344,058	1,339,621	(1,344,058)	1,339,621
Total Capital Assets not Being Depreciated	11,568,633	1,339,621	(1,923,741)	10,984,513
Capital Assets Being Depreciated				
Buildings and structures	31,364,419	692,378	-	32,056,797
Infrastructure and improvements	121,977,746	3,789,176	(57,773)	125,709,149
Machinery and equipment	6,751,140	491,437	(153,899)	7,088,678
Automotive equipment	5,762,279	786,158	(365,871)	6,182,566
Total Capital Assets Being Depreciated	165,855,584	5,759,149	(577,543)	171,037,190
Less Accumulated Depreciation for				
Buildings and structures	(6,890,626)	(903,805)	-	(7,794,431)
Infrastructure and improvements	(60,735,568)	(4,117,505)	55,975	(64,797,098)
Machinery and equipment	(3,869,506)	(545,143)	153,899	(4,260,750)
Automotive equipment	(3,836,001)	(327,254)	365,871	(3,797,384)
Total Accumulated Depreciation	(75,331,701)	(5,893,707)	575,745	(80,649,663)
Total Capital Assets Being Depreciated, Net	90,523,883	(134,558)	(1,798)	90,387,527
Governmental Activities Capital Assets, Net	$ 102,092,516	$ 1,205,063	$ (1,925,539)	$ 101,372,040

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	$ 1,994,381	$ 220,000	$ -	$ 2,214,381
Construction in progress	4,165,530	10,450,429	(3,274,335)	11,341,624
Total Capital Assets not Being Depreciated	6,159,911	10,670,429	(3,274,335)	13,556,005
Capital Assets Being Depreciated				
Buildings and structures	50,116,016	148,290	-	50,264,306
Infrastructure and improvements	201,364,289	4,526,953	(311,867)	205,579,375
Machinery and equipment	16,199,265	193,688	(867,031)	15,525,922
Automotive equipment	1,781,636	58,717	(8,000)	1,832,353
Total Capital Assets Being Depreciated	269,461,206	4,927,648	(1,186,898)	273,201,956
Less Accumulated Depreciation for				
Buildings and structures	(34,328,849)	(1,032,591)	-	(35,361,440)
Infrastructure and improvements	(93,727,556)	(5,809,369)	311,869	(99,225,056)
Machinery and equipment	(11,454,823)	(633,893)	867,031	(11,221,685)
Automotive equipment	(925,466)	(127,319)	8,000	(1,044,785)
Total Accumulated Depreciation	(140,436,694)	(7,603,172)	1,186,900	(146,852,966)
Total Capital Assets Being Depreciated, Net	129,024,512	(2,675,524)	2	126,348,990
Business-type Activities Capital Assets, Net	$ 135,184,423	$ 7,994,905	$ (3,274,333)	$ 139,904,995

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

Governmental Activities	
General government	$ 107,599
Public safety	659,257
Streets and highways, including depreciation of general infrastructure assets	3,719,433
Culture and recreation	1,017,146
Housing and economic development	69,815
Miscellaneous	320,457
Total Depreciation Expense - Governmental Activities	$ 5,893,707

Note 3: Detailed Notes on All Funds (Continued)

Business-type Activities	
Electric	$ 3,056,726
Natural gas	1,176,395
Water	1,167,196
Sewer	1,336,034
Refuse	238,084
Composting	97,924
Storm water	289,416
Liquor	59,624
Total Depreciation Expense - Business-type Activities	$ 7,421,399

Compost Depreciation

The total annual depreciation expense for all capital assets is reported in the capital asset note disclosure. The portion of depreciation allocated to inventory and included in cost of goods sold is reflected in the income statement. The following table reconciles the total depreciation expense to the depreciation included in cost of goods sold:

Total depreciation expense (capital asset note)	$ 7,603,172
Less: Depreciation allocated to inventory and included in cost of goods sold	(181,773)
Depreciation expense (income statement)	$ 7,421,399

Construction Commitments

The City has active projects as of December 31, 2025. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
WWTF Biosolids Improvement	$ 993,861	$ 4,320,731
Menards Hangar	292,805	15,411
Total	$ 1,286,666	$ 4,336,142

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Unit

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

	Beginning Balance	Increases	Decreases	Ending Balance
HRA				
Capital Assets Being Depreciated				
Buildings and structures	$ 5,801,129	$ 99,354	$ (11,075)	$ 5,889,408
Machinery and equipment	244,031	28,112	(40,007)	232,136
Total Capital Assets Being Depreciated	6,045,160	127,466	(51,082)	6,121,544
Less Accumulated Depreciation	(5,153,901)	(152,234)	50,844	(5,255,291)
HRA Capital Assets, Net	$ 891,259	$ (24,768)	$ (238)	$ 866,253

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

Discretely Presented Component Unit	
HRA	$ 152,234

D. Interfund Receivables, Payables and Transfers

Advances from/to Other Funds

The Economic Development Loan fund loaned funds to the Hutchinson Enterprise Center fund for construction costs. This balance will be paid back as future funding becomes available.

The Energy Loan fund loaned funds to the TIF #4-16 126 Franklin St SW fund to pay for costs identified in the TIF plans. This balance will be paid back as the TIF district generates future tax increment revenues.

The Debt Service fund loaned funds to the TIF #4-17 Enterprise Center fund to pay for costs identified in the TIF plans. These balances will be paid back as the TIF district generates future tax increment revenues.

Due from/to Other Funds

The Energy Loan fund loaned funds to the TIF #4-16 126 Franklin St SW fund for TIF district expenditures, to be reimbursed by future TIF proceeds.

The Sewer fund loaned funds to the Airport Construction fund for the new hangar construction to be repaid by future federal aeronautic monies.

Note 3: Detailed Notes on All Funds (Continued)

The Economic Development Loan fund loaned funds to the Hutchinson Enterprise Center to finance construction of the Enterprise Center.

The Capital Projects fund loaned the funds to the TIF #4-24 – The Landing fund, TIF #4-25 – Jorgenson Hotel fund, Special Assessment Improvement 2025 fund, and the Special Assessment Improvement 2026 fund to cover short-term cash deficits.

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental	Major Governmental	
Capital Projects	Special Assessment Improvement 2025	$ 63,493
Nonmajor Governmental	Nonmajor governmental	
Energy Loan	TIF #4-16 126 Franklin St SW	12,776
Economic Development Loan	Hutchinson Enterprise Center	146,435
Capital Projects	TIF #4-24 - The Landing	1,521
Capital Projects	TIF #4-25 - Jorgenson Hotel	538
Capital Projects	Special Assessment Improvement 2026	578
Enterprise	Nonmajor governmental	
Sewer	Airport Construction	200,000
Total		$ 425,341

Amounts due from/to the EDA component unit representing monthly and year-end charges to other funds are as follows:

Receivable Entity	Payable Entity	Amount
Primary Government	Component unit	
Internal service	EDA	$ 25

Note 3: Detailed Notes on All Funds (Continued)

Interfund Transfers

The following transfers were made for the year ended December 31, 2025:

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

	Transfers In				
Fund	General	Special Assessment Improvement 2025	Nonmajor Governmental	Nonmajor Enterprise	Total
Transfer Out					
General	$ -	$ -	$ 545,542	$ -	$ 545,542
Nonmajor governmental	-		533,697	-	533,697
Water enterprise	90,000	122,118	-	-	212,118
Sewer enterprise	110,000	235,202	-	-	345,202
Public Utilities Commission enterprise	1,942,628	-	-	-	1,942,628
Nonmajor enterprise	670,000	129,452	55,000	50,000	904,452
Total	$ 2,812,628	$ 486,772	$ 1,134,239	$ 50,000	$ 4,483,639

For the year ended December 31, 2025, the City made the following unbudgeted transfers:

- From the Water fund ($122,118), Sewer fund ($235,202) and Stormwater fund ($129,452) to the Special Assessment Improvement 2025 fund for project costs.
- From the Capital Projects fund ($1,465) to the Community Improvement fund to replenish public arts maintenance fund.
- From the Capital Projects fund ($100,000) to the Equipment Replacement fund for funding related to Fire Ladder truck chassis.
- From the TIF #4-19 Highway 7 & 15 Soils Condition fund ($5,226) to the Special Assessment Bonds 2017 fund to reimburse public improvement costs.
- From the TIF #4-21 1105 Benjamin Ave SE fund ($53,000) to the Community Improvement fund to reimburse land costs.
- From the G.O. Tax Increment Refunding Bonds 2004 ($324,006) to the 2016 Tax increment fund to write off the interfund loan.
- From the Economic Development loan fund ($50,000) to the Energy loan fund for funding related to a forgivable loan to Jnrgenson Hotel developer.

Note 3: Detailed Notes on All Funds (Continued)

E. Inventories

Inventories at December 31, 2025 consist of the following:

Fund	Amount
Municipal Liquor Store	
Liquor	$ 340,264
Wine	210,582
Beer	141,037
THC	7,588
Miscellaneous	31,970
Total	731,441
Composting	
Processed materials	309,791
Bulk product	593,029
Bagged product	603,485
Total	1,506,305
Public Utilities Commission	
Electric division	
Fuel oil and lubricants	67,808
Plant systems material	19,123
Engine parts	1,105,023
Distribution materials	643,216
Transformers	440,625
Total	2,275,795
Natural gas division	
Fittings	205,792
Transmission line gas	303,570
Total	509,362
Total	$ 5,022,903

Note 3: Detailed Notes on All Funds (Continued)

F. Lease Receivable

Primary Government

The City leases various tower sites and airport space. These agreements contain various renewal and extension options. The latest maturity date is projected to be in 2070.

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

Description	Issue Date	Discount Rate		Current Year Inflow of Resources	Balance at Year End
Governmental					
AJA Aviation - Private Airport Hangar Lot	03/25/08	1.851	%	$ 523	$ 17,232
TNT Air - Private Airport Hangar Lot	07/11/17	1.851		742	32,002
Eastep - Private Airport Hangar Lot	05/24/21	1.851		347	5,257
Total Governmental					54,491
Business-type					
Verizon - South Park Water Tower Antenna	01/01/10	0.476		38,272	49,717
Verizon - Century Water Tower Antenna	06/01/23	0.250		24,107	157,601
T-Mobile South Park Water Tower Antenna	06/01/20	1.591		33,191	543,936
Total Business-type					751,254
Total					$ 805,745

The annual receipts for governmental and business-type activities to maturity for lease receivables are as follows:

Year Ending December 31	**Lease Receivables** Governmental Activities Principal	Interest	Total
2026	$ 1,001	$ 1,017	$ 2,018
2027	1,019	998	2,017
2028	1,038	979	2,017
2029	1,058	960	2,018
2030	1,078	940	2,018
2031 - 2035	5,697	4,390	10,087
2036 - 2040	6,248	3,839	10,087
2041 - 2045	6,853	3,234	10,087
2046 - 2050	7,517	2,570	10,087
2051 - 2055	8,245	1,842	10,087
2056 - 2060	6,843	1,084	7,927
2061 - 2065	5,969	518	6,487
2066 - 2070	1,925	67	1,992
Total	$ 54,491	$ 22,438	$ 76,929

Note 3: Detailed Notes on All Funds (Continued)

Year Ending December 31	Lease Receivables Business-type Activities Principal	Interest	Total
2026	$ 86,665	$ 9,354	$ 96,019
2027	89,943	8,709	98,652
2028	67,622	8,035	75,657
2029	70,534	7,393	77,927
2030	30,627	6,720	37,347
2031 - 2035	178,646	25,581	204,227
2036 - 2040	227,217	9,538	236,755
Total	$ 751,254	$ 75,330	$ 826,584

Discretely Presented Component Unit

The HRA leases a tower site to New Cingular Wireless for an antenna. This agreement contained several extension options. The latest maturity date is projected to be in 2031.

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

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
New Cingular Wireless Antenna	12/26/06	1.30 %	$ 40,493	$ 263,837

The annual receipts for the component unit lease receivables to maturity are as follows:

Year Ending December 31	Lease Receivables Component Unit Principal	Interest	Total
2026	$ 39,267	$ 3,198	$ 42,465
2027	41,062	2,677	43,739
2028	42,919	2,132	45,051
2029	44,840	1,563	46,403
2030	46,827	968	47,795
2031	48,922	348	49,270
Total	$ 263,837	$ 10,886	$ 274,723

G. Long-term Debt

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

Note 3: Detailed Notes on All Funds (Continued)

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

Primary Government Debt - Governmental Activity Debt

General Obligation Bonds

These bonds were issued to finance various improvements and will be repaid entirely by ad valorem tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Improvement Bonds of 2021A Police Facility	$ 7,320,000	2.00 - 4.00 %	08/19/21	02/01/52	$ 5,860,000
Tax Abatement Bonds of 2021A	475,000	2.00 - 4.00	08/19/21	02/01/37	405,000
Improvement Bonds of 2022A	5,885,000	4.00 - 5.00	10/06/22	02/01/52	5,525,000
Improvement Bonds of 2024A	1,080,000	4.00 - 5.00	10/08/24	02/01/40	1,080,000
Total General Obligation Bonds					$ 12,870,000

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

Year Ending December 31	General Obligation Bonds Governmental Activities Principal	Interest	Total
2026	$ 730,000	$ 440,288	$ 1,170,288
2027	700,000	408,688	1,108,688
2028	615,000	379,413	994,413
2029	560,000	352,413	912,413
2030	515,000	327,363	842,363
2031 - 2035	3,030,000	1,267,988	4,297,988
2036 - 2040	2,430,000	781,663	3,211,663
2041 - 2045	1,620,000	503,253	2,123,253
2046 - 2050	1,850,000	260,700	2,110,700
2051 - 2052	820,000	25,018	845,018
Total	$ 12,870,000	$ 4,746,787	$ 17,616,787

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Special Assessment Bonds

These bonds were issued to finance various improvements and will be repaid primarily by ad valorem tax levies. Some issues, however, are partly financed from special assessments levied on the properties benefiting from the improvements.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Improvement and Refunding Bonds of 2014A	$ 3,415,000	2.00 - 3.00 %	11/04/14	02/01/30	$ 560,000
Improvement Bonds of 2015A	2,140,000	2.85 - 3.00	10/01/15	02/01/31	820,000
Improvement Bonds of 2016A	3,880,000	2.00	10/06/16	02/01/32	1,040,000
Improvement Bonds of 2017A	2,445,000	2.00 - 3.00	10/31/17	02/01/33	1,270,000
Improvement Bonds of 2018A	2,395,000	3.00 - 4.00	10/31/18	02/01/34	1,295,000
Improvement Bonds of 2019A	2,675,000	2.00 - 3.00	11/05/19	02/01/35	1,620,000
Improvement Bonds of 2020A	2,405,000	0.35 - 1.40	08/06/20	02/01/36	1,775,000
Improvement Bonds of 2021A	1,825,000	2.00 - 4.00	08/19/21	02/01/37	1,510,000
Improvement Bonds of 2023A	1,350,000	4.00 - 5.00	08/31/23	02/01/39	1,290,000
Improvement Bonds of 2024A	995,000	4.00 - 5.00	10/08/24	02/01/40	995,000
Improvement Bonds of 2025A	2,195,000	4.00 - 5.00	10/16/25	02/01/41	2,195,000
Total G.O. Special Assessment Bonds					$ 14,370,000

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

Year Ending December 31	G.O. Special Assessment Bonds Governmental Activities Principal	Interest	Total
2026	$ 1,405,000	$ 409,390	$ 1,814,390
2027	1,460,000	389,023	1,849,023
2028	1,490,000	343,791	1,833,791
2029	1,515,000	296,548	1,811,548
2030	1,500,000	249,689	1,749,689
2031 - 2035	5,095,000	688,308	5,783,308
2036 - 2040	1,755,000	165,780	1,920,780
2041	150,000	3,000	153,000
Total	$ 14,370,000	$ 2,545,529	$ 16,915,529

Note 3: Detailed Notes on All Funds (Continued)

Business-type Activity Debt

General Obligation Revenue Bonds

These bonds were issued to finance capital improvements to the Water, Sewer and Storm Water funds. These bonds will be retired from net revenue of these enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer Revenue Bonds of 2007 (PFA)	$ 13,696,602	2.15 %	06/26/07	08/20/26	$ 924,000
G.O. Storm Water Bonds of 2018B	1,550,000	3.00 - 4.00	10/31/18	02/01/29	690,000
G.O. Water and Sewer Refunding Bonds of 2019A	2,790,000	2.00 - 3.00	11/05/19	02/01/29	1,150,000
G.O. Wastewater Bonds of 2021A	3,460,000	3.00 - 4.00	08/19/21	02/01/32	2,600,000
Total G.O. Revenue Bonds					$ 5,364,000

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

Year Ending December 31	**G.O. Revenue Bonds** Business-type Activities Principal	Interest	Total
2026	$ 1,694,000	$ 158,721	$ 1,852,721
2027	800,000	111,105	911,105
2028	820,000	83,305	903,305
2029	850,000	54,540	904,540
2030	385,000	32,150	417,150
2031 - 2032	815,000	24,675	839,675
Total	$ 5,364,000	$ 464,496	$ 5,828,496

The G.O. revenue bonds were issued to finance capital improvements. The bonds are payable from future revenues pledged from the Water, Sewer and Storm Water funds and are backed by the full faith and credit of the City. Annual revenues from charges for services, restricted sales tax revenues, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Sewer	Storm Water
Revenue	$ 3,329,434	$ 4,881,480	$ 1,208,027
Principal and Interest	1,150,346	1,614,227	186,205
Percent of Revenue	34.6%	33.1%	15.4%

Note 3: Detailed Notes on All Funds (Continued)

Revenue Bonds

These bonds were issued to finance capital improvements to the Public Utilities Commission. These bonds will be retired from net revenue of this enterprise fund.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Public Utility Revenue Refunding Bonds of 2012A	$ 20,720,000	4.00 - 5.00 %	07/19/12	12/01/26	$ 2,080,000
Public Utility Revenue Bonds, 2017B	16,675,000	3.00 - 4.00	10/31/17	12/01/37	11,750,000
Total Revenue Bonds					$ 13,830,000

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

Year Ending December 31	Revenue Bonds Business-type Activities Principal	Interest	Total
2026	$ 2,900,000	$ 465,656	$ 3,365,656
2027	850,000	328,856	1,178,856
2028	885,000	294,856	1,179,856
2029	910,000	272,731	1,182,731
2030	930,000	249,981	1,179,981
2031 - 2035	5,100,000	813,408	5,913,408
2036 - 2037	2,255,000	104,865	2,359,865
Total	$ 13,830,000	$ 2,530,353	$ 16,360,353

The Revenue bonds were issued to finance capital improvements. The bonds are payable from future revenues pledged from the PUC and are backed by the full faith and credit of the City. Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments for the PUC are as follows:

	PUC
Revenue	$ 42,439,754
Principal and Interest	3,366,256
Percent of Revenue	7.9%

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	$ 13,620,000	$ -	$ (750,000)	$ 12,870,000	$ 730,000
General obligation special assessment bonds	13,565,000	2,195,000	(1,390,000)	14,370,000	1,405,000
Bond premium	1,395,636	193,562	(159,142)	1,430,056	-
Total Bonds Payable	28,580,636	2,388,562	(2,299,142)	28,670,056	2,135,000
Compensated Absences Payable*	781,091	-	(18,686)	762,405	523,051
Governmental Activity Long-term Liabilities	$ 29,361,727	$ 2,388,562	$ (2,317,828)	$ 29,432,461	$ 2,658,051
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	$ 8,083,000	$ -	$ (2,719,000)	$ 5,364,000	$ 1,694,000
Revenue bonds	16,600,000	-	(2,770,000)	13,830,000	2,900,000
Bond premium	1,309,763	-	(308,830)	1,000,933	203,598
Total Bonds Payable	25,992,763	-	(5,797,830)	20,194,933	4,797,598
Financed Purchase Arrangements	71,666	-	(71,666)	-	-
Compensated Absences Payable*	1,235,875	272,403	-	1,508,278	368,933
Business-type Activity Long-term Liabilities	$ 27,300,304	$ 272,403	$ (5,869,496)	$ 21,703,211	$ 5,166,531

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

Conduit Debt Obligations

The City has issued Revenue Bonds to provide financial assistance to a local non-profit organization. The note is secured by the property financed and are payable solely by the previously mentioned organization. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements.

Description	Authorized and Issued	Issue Date	Balance at Year End
Senior Housing Facilities Revenue Bond of 2019	$ 3,300,000	11/01/19	$ 2,841,364

Note 3: Detailed Notes on All Funds (Continued)

Component Unit Debt

Loans Payable

The HRA's long-term debt balance as of December 31, 2025, was for the 2013 and 2016 Minnesota Housing Finance Agency Publicly Owned Housing Program.

The HRA's long term debt consists of the following:

On December 12, 2013, the HRA issued an MHFA loan in the amount of $79,000. The bond is interest free and the loan will be forgiven on December 12, 2033 as long as the HRA complies with the terms and conditions of the loan agreement.

On May 31, 2016, the HRA issued an MHFA loan in the amount of $234,000. The bond is interest free and the loan will be forgiven on May 31, 2036 as long as the HRA complies with the terms and conditions of the loan agreement.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2013 MHFA Loan - Boiler Replacement Project	$ 79,000	0.00 %	12/12/13	12/12/33	$ 79,000
2016 MHFA Loan - Elevator Project	234,000	0.00	05/31/16	05/31/36	234,000
Total Loans Payable					$ 313,000

Change in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component Unit Activities (EDA)					
Compensated Absences Payable*	$ 6,782	$ 3,176	$ -	$ 9,958	$ 6,080
Component Unit Activities (HRA)					
Loans Payable	$ 313,000	$ -	$ -	$ 313,000	$ -
Compensated Absences Payable*	16,905	7,752	-	24,657	13,958
Total	$ 329,905	$ 7,752	$ -	$ 337,657	$ 13,958

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

Note 3: Detailed Notes on All Funds (Continued)

G. Fund Balance Classification

At December 31, 2025, a summary of the governmental fund balance classifications are as follows:

	General	Special Assessment Improvement 2025	Other Governmental Funds	Total
Fund Balances				
Nonspendable				
Inventory	$ 56,802	$ -	$ -	$ 56,802
Prepaid items	2,242	-	-	2,242
Total Nonspendable	59,044	-	-	59,044
Restricted				
Drug forfeiture	-	-	28,423	28,423
Debt service	-	-	4,210,928	4,210,928
Parkland dedication	-	-	302,782	302,782
Police Memorial Park maintenance	-	-	25,197	25,197
Rural fire department	-	-	21,417	21,417
Economic development loans	-	-	477,797	477,797
Energy loans	-	-	1,012,854	1,012,854
HRA loans	-	-	94,399	94,399
Housing rehabilitation	-	-	399,460	399,460
Minnesota investment	-	-	10,921	10,921
Tax increment financing	-	-	211,448	211,448
Public Safety	-	-	239,447	239,447
Affordable Housing			127,965	127,965
Total Restricted	-	-	7,163,038	7,163,038
Committed				
Working capital	6,619,463	-	-	6,619,463
Hutchinson area transportation facility	-	-	725,720	725,720
Budget contingencies & levy stabilization	1,654,866	-	-	1,654,866
Tree escrow	-	-	55,738	55,738
Tree mitigation	-	-	411,970	411,970
Public arts commission - Community Improvement	-	-	6,111	6,111
Public arts commission - Public Sites	-	-	14,784	14,784
Lakes and River Basin project	-	-	354,119	354,119
Total Committed	8,274,329	-	1,568,442	9,842,771
Assigned				
Public arts commission (maintenance)	-	-	10,000	10,000
Capital projects	-	-	2,598,780	2,598,780
Community improvement	-	-	2,505,502	2,505,502
Equipment replacement	-	-	513,412	513,412
Total Assigned	-	-	5,627,694	5,627,694
Unassigned	744,510	(70,860)	(573,994)	99,656
Total Fund Balance	$ 9,077,883	$ (70,860)	$ 13,785,180	$ 22,792,203

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan (General Plan)

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

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

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

B. Benefits Provided

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

General Employees Plan Benefits

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

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

Police and Fire Plan Benefits

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

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

C. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.50% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were $1,013,629. This includes EDA amounts of $8,366. The City's contributions were equal to the required contributions as set by state statute.

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

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2025 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2025, were $441,239. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2025, the City reported a liability of $4,713,982 for its proportionate share of the General Employees Fund's net pension liability, of which the EDA's portion was calculated at $38,905. 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 $113,716, of which the EDA's portion was calculated at $939.

	Primary Government	Component Unit
City's proportionate share of the net pension liability	$ 4,713,982	$ 38,905
State of Minnesota's proportionate share of the net pension liability associated with the City	113,716	939
Total	$ 4,827,698	$ 39,844

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1423% at the end of the measurement period and 0.1486% for the beginning of the period. The EDA's proportionate share was calculated at 0.825% of the City's activity at both July 1, 2024 and June 30, 2025.

For the year ended December 31, 2025, the City recognized pension expense of negative $281,526 for its proportionate share of the General Employees Plan's pension expense, of which the EDA's portion was calculated at $2,323. In addition, the City recognized an additional negative $17,442 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund, of which the EDA's portion was calculated at $144.

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 449,187	$ -	$ 3,707	$ -
Changes in actuarial assumptions	113,592	1,084,787	1,464	13,426
Net difference between projected and actual investment earnings	-	1,875,939	-	15,482
Changes in proportion	15,928	493,685	131	4,074
Employer contributions subsequent to the measurement date	522,843	-	4,315	-
Total	$ 1,101,550	$ 3,454,411	$ 9,617	$ 32,982

The $280,210 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:

	Primary Government	Component Unit
2026	$ (723,349)	$ (5,970)
2027	(1,079,084)	(8,906)
2028	(738,159)	(6,092)
2029	(335,112)	(2,766)

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

Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of $1,831,678 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 0.1563% at the end of the measurement period and 0.1586% for the beginning of the period.

The State of Minnesota contributed $18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2025. The contribution consisted of $9 million in direct state aid that meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation. The $9 million direct state aid was paid on October 1, 2024. The direct state aid payment will increase by $17.7 million which was paid on October 1, 2025. Thereafter, by October 1 of each year, the state will pay $26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). The $9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100% funded for three consecutive years (on an actuarial value of assets basis). The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $63,495.

City's proportionate share of the net pension liability	$ 1,831,678
State of Minnesota's proportionate share of the net pension liability associated with the City	63,495
Total	$ 1,895,173

For the year ended December 31, 2025, the City recognized pension expense of $345,371 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized $30,722 as grant revenue and pension expense for its proportionate share of the State of Minnesota's contribution of $9 million to the Police and Fire special funding situation.

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 $9 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized $14,070 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	$ 846,294	$ -
Changes in actuarial assumptions	1,389,000	2,295,016
Net difference between projected and actual earnings on investments	-	817,504
Changes in proportion	79,989	129,805
Employer contributions subsequent to the measurement date	229,564	-
Total	$ 2,544,847	$ 3,242,325

The $229,564 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:

2026	$ 426,999
2027	(402,394)
2028	(913,858)
2029	(79,360)
2030	41,571

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

E. Long-term Expected Return on Investment

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

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

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 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% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3% after 23 years of service.

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

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

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

<u>General Employees Fund</u>

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.

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

Police and Fire Fund

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

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

	1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
General Employees Fund	$ 11,449,522	$ 4,713,982	$ (749,967)
General Employees Fund (Component Unit Share)	94,494	38,905	(6,190)
Police and Fire Fund	4,799,386	1,831,678	(605,278)

I. Pension Plan Fiduciary Net Position

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

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

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

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

The City’s contributions to the DCP for the year ended December 31, 2025, was $1,090. The City’s contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Contribution Amount		Percentage of Covered Payroll		
Employee	Employer	Employee	Employer	Required Rate
$ 1,090	$ 1,090	5.00%	5.00%	5.00%

Note 6: Defined Contribution Plans (Component Unit)

HRA

All eligible employees as determined by the local HRA HUD approved personnel policy are covered by a pension plan with The Housing Renewal and Local Agency Retirement Plan. The HRA’s contributions to the DCP for the years ended December 31, 2025, 2024 and 2023 were $16,714, $13,521 and $13,399, respectively. Pension contributions for the year under the plan were as follows:

Contribution Amount		Percentage of Covered Payroll		
Employee	Employer	Employee	Employer	Required Rate
$ 14,485	$ 16,714	6.50%	7.50%	N/A

Note 7: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

Firefighters, retired and active, of the City are members of the Hutchinson Fire Department Relief Association (the Association). The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The Association was established May 6, 1907, and operates under the provisions of Minnesota statutes, chapters 69 and 424. It is governed by a Board of Trustees made up of nine members, of which six are elected by the members of the Association for three-year terms, the Mayor, the City Clerk and the fire chief, who serve as ex-officio voting members of the board. As of December 31, 2025, the plan covered 30 active firefighters, 2 inactive members, 43 vested terminated fire fighters and 11 surviving beneficiaries whose pension benefits are deferred.

B. Benefits Provided

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

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 10 years of service, shall be equal to 60 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire at or after age 50 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to the applicable vesting percentage times $17 per month per year of service up to a maximum benefit of $450 per month. The City has agreed to contribute an annual amount equal to the greater of the statutorily-required amount or $2,500 per active firefighter.

In 2020, a lump sum plan was added for active members. The annuity option was eliminated for members hired after October 8, 2020, and survivor benefit was changed from annuity to lump sum.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by property taxes, fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed $191,034 in fire state aid to the plan on behalf of the Hutchinson Fire Department for the year ended December 31, 2025, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2025 were $191,034. The City's contributions were equal to the required contributions as set by state statute. The City also made $76,000 of voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

Note 7: Defined Benefit Pension Plans - Fire Relief Association (Continued)

D. Pension Costs

At December 31, 2025, the City reported a net pension liability (asset) of ($835,495) for the plan. The net pension asset was measured as of December 31, 2025. The total pension liability (asset) used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by Van Iwaarden Associates applying an actuarial formula to specific census data certified by the Department as of December 31, 2025. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2025	$ 2,397,357	$ 3,143,200	$ (745,843)
Changes for the Year			
Service cost	40,792	-	40,792
Interest	141,646	-	141,646
Change in benefit terms	359,212		359,212
Contributions - State and local	-	267,034	(267,034)
Net investment income	-	393,361	(393,361)
Benefit payments	(154,768)	(154,768)	-
Administrative expense	-	(29,093)	29,093
Total Net Changes	386,882	476,534	(89,652)
Ending Balance December 31, 2025	$ 2,784,239	$ 3,619,734	$ (835,495)

For the year ended December 31, 2025, the City recognized pension expense of $60,639.

At December 31, 2025, the City reported deferred inflows of resources and deferred outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 21,695	$ -
Changes in Actuarial Assumptions	1,406	73,319
Net Difference Between Projected and Actual Earnings on Plan Investments	-	263,300
Total	$ 23,101	$ 336,619

Note 7: Defined Benefit Pension Plans - Fire Relief Association (Continued)

Amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2026	$	(47,174)
2027		(146,705)
2028		(78,256)
2029		(41,383)

E. Actuarial Methods and Assumptions

The total pension liability at December 31, 2025 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at Later of Age 50 and 20 Years of Service	
Salary Increases	N/A
Discount Rate	6.00%
Inflation Rate	2.50%
Expected Return on Plan Assets	6.00%
20 Year Municipal Bond Yield	N/A

No changes in benefits occurred in 2025.

There were no changes in actuarial assumptions in 2025.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	45.00 %	4.52 %
International Equity	15.00	5.08
Fixed Income	25.00	2.44
Real Estate	-	3.73
Cash and equivalents	15.00	0.99
Total	100.00 %	

Note 7: Defined Benefit Pension Plans - Fire Relief Association (Continued)

F. Discount Rate

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

G. Pension Liability Sensitivity

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

	1 Percent Decrease (5.00%)	Current (6.00%)	1 Percent Increase (7.00%)
Defined Benefit Plan	$ (594,596)	$ (835,495)	$ (1,041,635)

H. Pension Plan Fiduciary Net Position

For financial reporting purposes, the Association's financial statements are not included with the City's financial statements because the Association is not a component unit of the City. The financial statements of the Association may be obtained at the City's offices.

Note 8: Postemployment Benefits Other Than Pensions

A. Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each three-year bargaining period. The component unit is included in the City's plan. The Retiree Health Plan does not issue a publicly available financial report and is not administered through a trust or equivalent arrangement and thus there are no assets accumulated in a GASB-compliant trust.

At December 31, 2025, the following employees were covered by the benefit terms:

	City	PUC
Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	4	1
Active Plan Members	111	50
Total Plan Members	115	51

B. Funding Policy

Contribution requirements also are negotiated between the City and union representatives. The City does not contribute to the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2025, the City did not directly contribute to the Plan, while the implicit contributions totaled $9,567.

Note 8: Postemployment Benefits Other Than Pensions (Continued)

C. Actuarial Methods and Assumptions

The City's total OPEB liability of $537,404 was measured as of January 1, 2025. The EDA's portion of the OPEB liability is $4,394.

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

	City Plan	PUC Plan
Discount Rate	4.20%	4.08%
20-Year Municipal Bond Yield	4.20%	4.08%
Inflation Rate	2.50%	2.50%
Salary Increases	Service graded table	Based on the most recently disclosed assumptions for the pension plan in which the employee participates.
Medical Trend Rate	6.50% as of January 1, 2025 grading to 5.00% over 6 years and then to 4.00% over the next 48 years	8.60% in 2025 decreasing over several decades to an ultimate rate of 3.90% for 2075 and later years

The discount rate used to measure the total OPEB liability for the City was 4.20 percent and 4.08 percent for the PUC. Since the plan is not funded (has no assets), the discount rate was developed by estimating the long term investment yield on the employer funds that will be used to pay benefits as they come due.

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

PUC: Mortality rates were based on assumptions for General Employees used in the July 1, 2023 PERA of Minnesota Retirement Plan actuarial valuations, PUB-2010 General mortality tables with projected mortality improvements based on a scale MP-2021, and other adjustments.

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

Note 8: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Primary Government	Component Unit Economic Development Authority	Total OPEB Liability
Balances at December 31, 2024	$ 518,775	$ 4,352	$ 523,127
Changes for the Year			
Service Cost	34,338	287	34,625
Interest	21,590	127	21,717
Differences Between Expected and Actual Experience	22,596	208	22,804
Changes in Assumptions or Other Inputs	(41,087)	(366)	(41,453)
Benefit payments	(23,202)	(214)	(23,416)
Net Changes	14,235	42	14,277
Balances at December 31, 2025	$ 533,010	$ 4,394	$ 537,404

Since the prior measurement date, the following assumptions changed (City):

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated to reflect the latest experience study.
- The discount rate was changed from 4.00% to 4.20%.

Since the prior measurement date, the following assumptions changed (PUC):

- The discount rate was changed from 3.77 percent to 4.08 percent.

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City and the EDA, as well as what the City's and EDA's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (3.20 percent/3.08 percent) or one-percentage-point higher (5.20 percent/5.08 percent) than the current discount rate:

	City Plan		
	1 Percent Decrease (3.20%)	Current (4.20%)	1 Percent Increase (5.20%)
Primary Government	$ 521,148	$ 476,728	$ 435,662
Component Unit - EDA	4,803	4,394	4,015

	PUC Plan		
	1 Percent Decrease (3.08%)	Current (4.08%)	1 Percent Increase (5.08%)
Primary Government	$ 60,723	$ 56,282	$ 52,049

Note 8: Postemployment Benefits Other Than Pensions (Continued)

The following presents the total OPEB liability of the City and EDA as well as what the City's and EDA's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is one-percentage point lower (5.50 percent decreasing to 4.00 percent/7.60 percent decreasing to 2.90 percent) or one-percentage-point higher (7.50 percent increasing to 6.00 percent/9.6 percent decreasing to 4.9 percent) than the current cost trend rate:

	City Plan		
	1 Percent Decrease (5.50% Decreasing to 4.00"%)	Healthcare Cost Trend Rates (6.50% Decreasing to 5.00%)	1 Percent Increase (7.50% Decreasing to 6.00%)
Primary Government	$ 418,659	$ 476,728	$ 545,824
Component Unit - EDA	3,859	4,394	5,031

	PUC Plan		
	1 Percent Decrease (7.60% Decreasing to 2.90%)	Healthcare Cost Trend Rates (8.60% Decreasing to 3.90%)	1 Percent Increase (9.60% Decreasing to 4.90%)
Primary Government	$ 49,936	$ 56,282	$ 63,537

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

For the year ended December 31, 2025, the City recognized negative OPEB expense of $28,798. At December 31, 2025, the City and the EDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit - EDA	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 19,368	$ -	$ 178	$ -
Changes in Actuarial Assumptions	18,045	77,986	166	719
Net Difference Between Projected and Actual Earnings on Plan Investments	-	171,642	-	1,582
Contributions to OPEB Subsequent to the Measurement Date	9,488	-	79	-
Total	$ 46,901	$ 249,628	$ 423	$ 2,301

Note 8: Postemployment Benefits Other Than Pensions (Continued)

Deferred outflows of resources totaling $9,488 from the City and $79 from the EDA related to the contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2026.

Year ended December 31		
2026	$ (54,060)	$ (498)
2027	(44,732)	(412)
2028	(44,733)	(412)
2029	(33,128)	(305)
2030	(33,119)	(305)
2031	(2,443)	(25)

Note 9: Other Information

A. Risk Management

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

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

B. Commitments and Contingencies

The City has received Federal and State grants in current and past years for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The City administration believes such disallowances if any, will be immaterial.

The PUC is committed to purchase 25 MW of its power requirements from Missouri River Power Company through pursuant to the Power Sale Agreement dated April 28, 2010. This contract is effective through January 1, 2046.

C. Self-Insurance - Benefit Plans

Self-funded Dental Insurance**:** The City (internal service self-insurance fund) and Public Utilities Commission (the funds) provide dental insurance coverage to its employees under a self-funded plan. The funds pay the dental insurance claims as they are incurred by the employee up to $1,000. The Funds record a liability for claims incurred but not reported or paid, which is included in accrued expenses on the balance sheet. Settled claims have not exceeded coverage in either of the past three years.

Note 9: Other Information (Continued)

The claims liability at December 31, 2025 is based on requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the funds' claims liability amount in fiscal years 2025, 2024 and 2023 were:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2025	$ 10,146	$ 111,612	$ (112,012)	$ 9,746
2024	4,503	108,019	(102,376)	10,146
2023	6,389	97,984	(97,984)	6,389

D. Major Customers

For the year ended December 31, 2025, the PUC's Electric Division derived approximately 44.38 percent of utility revenue from the top five major industrial customers.

For the year ended December 31, 2025, the PUC's Natural Gas Division derived approximately 50.06 percent of its utility revenue from the top five major industrial customers.

E. Tax Increment Districts

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

	City Tax Rate (Year of Establishment)	District Tax Capacity	Amount of Taxes Abated the Fiscal Year
Tax Increment Districts (PAYGO)			
TIF District 4-13 (Downtown Theater)	56.919%	$ 17,460	$ 9,938
TIF District 4-14 (Cornerstone Commons)	59.363%	27,340	16,230
TIF District 4-16 (Old Medical Center)	74.417%	1,960	1,459
TIF District 4-17 (Econ, Industrial Park)	73.966%	3,611	2,671
TIF District 4-18 (Highfield Apartments)	73.966%	98,939	73,181
TIF District 4-19 (Cobblestone Hotel & Suites)	71.953%	40,656	29,253
TIF District 4-20 (Fifth Ave Ind Park)	71.141%	56,140	39,939
TIF District 4-21 (Energy Park North)	66.473%	42,490	28,244
TIF District 4-22 (Jorgensen Hotel)	63.882%	2,346	1,499
TIF District 4-23 (RD Machine Expansion)	60.407%	14,362	8,676
Total			$ 211,089

Note 9: Other Information (Continued)

F. Tax Abatements

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

The City entered into a tax abatement agreement with Uponor Inc., dated 2/13/2018 for a manufacturing project located at 500 Technology Drive. The project includes the acquisition of and improvements to an approximately 36-acre parcel of land and approximately 237,000 square-foot facility. The improvements include the renovation, retrofitting, upgrading and use of the manufacturing facility on said property. The abatement is for the increase in City taxes over and above the taxes based on the payable 2017 market value of $4,702,500, beginning for taxes payable in 2019. The agreement, negotiated under state law (Minnesota Statute 469.1812-469-1815), has a maximum abatement amount of $902,291 and a maximum duration of 15 years (2019-2033). Total taxes abated during 2025 amount to $22,473.

G. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to general obligation debt in excess of three percent of the market value of taxable property within the City. General obligation debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund receipts or tax increments. Currently, the City has no general obligation debt outstanding subject to this limit.

H. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. Total LGA received in 2025 was $3,103,467. Of this amount, $1,551,734 is allocated to the General fund (accounting for 11.6 percent of total General fund revenues), $1,501,733 is allocated to the Capital Improvement Projects fund, and $50,000 is allocated to the Equipment Replacement fund.

I. Economic Dependency

The programs of the HRA are economically dependent on annual contributions and grants from HUD. Without those contributions and grants, the programs would operate at a loss.

Note 10: Adjustments of Beginning Balances

Change within Major and Nonmajor Fund Reporting

During fiscal year 2025, Special Assessment Improvement 2025 fund was determined to be major. The effects of the change within the financial reporting entity are shown in the corresponding financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.1423 %	$ 4,713,982	$ 113,716	$ 4,827,698	$ 12,907,287	37.4 %	90.8 %
6/30/2024	0.1486	5,492,606	142,028	5,634,634	12,651,993	44.5	86.7
6/30/2023	0.1549	8,661,835	238,971	8,900,806	12,122,039	73.4	83.1
6/30/2022	0.1554	12,307,731	360,700	12,668,431	11,985,561	105.7	76.7
6/30/2021	0.1586	6,772,930	206,903	6,979,833	11,475,587	60.8	87.0
6/30/2020	0.1551	9,298,954	286,598	9,585,552	11,108,419	86.3	79.0
6/30/2019	0.1502	8,304,222	257,988	8,562,210	10,646,616	80.4	80.2
6/30/2018	0.1508	8,365,767	274,506	8,640,273	10,145,597	85.2	79.5
6/30/2017	0.1497	9,556,749	120,135	9,676,884	9,641,342	100.4	75.9
6/30/2016	0.1547	12,560,873	164,029	12,724,902	9,593,197	132.6	68.9

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2025	$ 1,013,629	$ 1,013,629	$ -	$ 13,515,050	7.50 %
12/31/2024	951,572	951,572	-	12,687,627	7.50
12/31/2023	925,201	925,201	-	12,336,018	7.50
12/31/2022	892,170	892,170	-	11,895,596	7.50
12/31/2021	860,768	860,768	-	10,476,908	7.50
12/31/2020	862,466	862,466	-	11,499,551	7.50
12/31/2019	813,778	813,778	-	10,850,378	7.50
12/31/2018	782,227	782,227	-	10,429,696	7.50
12/31/2017	735,179	735,179	-	9,803,713	7.50
12/31/2016	715,812	715,812	-	9,544,167	7.50

Notes to the Required Supplementary Information - General Employee Retirement Fund

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

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 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 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

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

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.1563 %	$ 1,831,678	$ 63,495	$ 1,895,173	$ 2,372,600	77.2 %	91.8 %
6/30/2024	0.1586	2,085,999	79,517	2,165,516	2,195,611	95.0	90.2
6/30/2023	0.1663	2,871,785	115,678	2,987,463	2,104,185	136.5	86.5
6/30/2022	0.1615	7,027,842	307,097	7,334,939	2,041,857	344.2	70.5
6/30/2021	0.1519	1,172,507	52,736	1,225,243	1,795,809	65.3	93.7
6/30/2020	0.1543	2,033,839	-	2,033,839	1,742,264	116.7	87.2
6/30/2019	0.1672	1,780,013	-	1,780,013	1,764,991	100.9	89.3
6/30/2018	0.1631	1,738,478	-	1,738,478	1,719,323	101.1	88.8
6/30/2017	0.1580	2,133,188	-	2,133,188	1,621,218	131.6	85.4
6/30/2016	0.1590	6,380,947	-	6,380,947	1,531,607	416.6	63.9

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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2025	$ 441,239	$ 441,239	$ -	$ 2,492,873	17.70 %
12/31/2024	400,746	400,746	-	2,264,101	17.70
12/31/2023	380,335	380,335	-	2,148,788	17.70
12/31/2022	359,318	359,318	-	2,030,045	17.70
12/31/2021	336,868	336,868	-	1,903,212	17.70
12/31/2020	322,455	322,455	-	1,821,781	17.70
12/31/2019	296,227	296,227	-	1,747,653	16.95
12/31/2018	284,969	284,969	-	1,759,067	16.20
12/31/2017	270,509	270,509	-	1,669,810	16.20
12/31/2016	256,640	256,640	-	1,584,198	16.20

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions
2025 - Assumed rates of salary increases were reduced slightly. Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements. Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment. Assumed rates of disabled retirement were significantly increased, especially for ages over age 30. Continued 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.

2024 - There were no changes in actuarial assumptions since the previous valuation.

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

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

2021 - The investment return and single discount rates were changed from 7.5 percent to 6.5 percent, for financial reporting purposes. The inflation assumption was changed from 2.5 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.0 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 60.0 percent to 70.0 percent. Minor changes to form of payment assumptions were applied.

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

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

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

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

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

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

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

2024 - The State contribution of $9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.0 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.0 percent funded status for one year. The additional $9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

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

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

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

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

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

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing $9 million state contribution. New annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.8 percent to 11.3 percent of pay, effective January 1, 2019 and 11.8 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.2 percent to 16.95 percent of pay, effective January 1, 2019 and 17.7 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.0 percent for vested and non-vested, deferred members. The CSA has been changed to 33.0 percent for vested members and 2.0 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.0 percent to 60.0 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 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter. The single discount rate was changed from 5.6 percent per annum to 7.5 percent per annum.

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

Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios

	2025	2024	2023	2022
Total Pension Liability				
Service cost	$ 40,792	$ 45,442	$ 44,334	$ 52,603
Interest	141,646	131,499	132,734	131,599
Changes of benefit terms	359,212	-	-	-
Differences between expected and actual experience	-	42,790	-	71,965
Changes of assumptions	-	(160,085)	-	48,330
Benefit payments	(154,768)	(243,168)	(160,254)	(161,093)
Net Change in Total Pension Liability	386,882	(183,522)	16,814	143,404
Total Pension Liability - January 1	2,397,357	2,580,879	2,564,065	2,420,661
Total Pension Liability - December 31 (A)	$ 2,784,239	$ 2,397,357	$ 2,580,879	$ 2,564,065
Plan Fiduciary Net Position				
Contributions - State and local	$ 267,034	$ 162,393	$ 144,926	$ 130,954
Contributions - employer	-	75,000	75,000	76,275
Projected investment return	393,361	327,835	358,874	(376,960)
Benefit payments, including refunds of employee contributions	(154,768)	(243,168)	(160,254)	(161,093)
Administrative expense	(29,093)	(22,615)	(24,851)	(11,526)
Other	-	-	-	-
Net Change in Plan Fiduciary Net Position	476,534	299,445	393,695	(342,350)
Plan Fiduciary Net Position - January 1	3,143,200	2,843,755	2,450,060	2,792,410
Plan Fiduciary Net Position - December 31 (B)	$ 3,619,734	$ 3,143,200	$ 2,843,755	$ 2,450,060
Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)	$ (835,495)	$ (745,843)	$ (262,876)	$ 114,005
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	130.01%	131.11%	110.19%	95.55%
Covered Payroll	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

2021	2020	2019	2018	2017	2016
$ 51,445	$ 37,705	$ 39,252	$ 33,093	$ 32,207	$ 31,267
140,602	155,596	152,579	159,108	158,458	144,254
-	(34,805)	-	-	-	165,505
-	15,323	-	(53,618)	-	23,647
-	140,688	(72,427)	240,542	-	114,838
(552,680)	(177,560)	(178,718)	(180,382)	(182,707)	(176,770)
(360,633)	136,947	(59,314)	198,743	7,958	302,741
2,781,294	2,644,347	2,703,661	2,504,918	2,496,960	2,194,219
$ 2,420,661	$ 2,781,294	$ 2,644,347	$ 2,703,661	$ 2,504,918	$ 2,496,960
$ 122,893	$ 117,030	$ 111,162	$ 109,292	$ 108,253	$ 106,662
81,259	75,236	83,074	75,000	75,000	75,000
322,787	243,347	377,486	(83,675)	264,914	165,615
(552,680)	(177,560)	(178,718)	(180,382)	(182,707)	(176,770)
(20,198)	(19,969)	(20,740)	(14,379)	(17,714)	(16,414)
-	-	-	-	-	(1,534)
(45,939)	238,084	372,264	(94,144)	247,746	152,559
2,838,349	2,600,265	2,228,001	2,322,145	2,074,399	1,921,840
$ 2,792,410	$ 2,838,349	$ 2,600,265	$ 2,228,001	$ 2,322,145	$ 2,074,399
$ (371,749)	$ (57,055)	$ 44,082	$ 475,660	$ 182,773	$ 422,561
115.36%	102.05%	98.33%	82.41%	92.70%	83.08%
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

Notes to the Required Supplementary Information - Fire Relief Association

Changes in Benefits

2025 - There were no changes in benefits since the previous valuation.

2024 - There were no changes in benefits since the previous valuation.

2023 - There were no changes in benefits since the previous valuation.

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

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

2020 - The lump sum option was added for active members. The annuity option was eliminated for members hired after October 8, 2020. Survivor benefit was changed from annuity to lump sum.

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

2018 - There were no changes in benefits since the previous valuation.

2017 - There were no changes in benefits since the previous valuation.

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

2015 - Monthly benefit was increased from $15 to $17 per month.

Notes to the Required Supplementary Information - Fire Relief Association (Continued)

Changes in Assumptions

2025 - There were no changes in assumptions since the previous valuation.

2024 – The expected investment return and discount rate increased from 5.25% to 6.00% to reflect updated capital market assumptions.

2023 - There were no changes in assumptions since the previous valuation.

2022 - The expected investment return and discount rate decreased from 5.50 percent to 5.25 percent to reflect updated capital market assumptions. The mortality assumptions were updated from the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2022 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption decreased from 2.25 percent to 2.50 percent.

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

2020 - The expected investment return and discount rate decreased from 6.00% to 5.50% to reflect updated capital market assumptions. The mortality assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020 Minnesota PERA Police & Fire Plan actuarial valuation. The inflation assumption decreased from 2.50% to 2.25%. The election assumption for future retirees of 50% electing a lump sum plan and 50% electing a monthly plan was added to reflect new pension options for those hired before 10/8/2020.

2019 - The expected investment return and discount rate increased from 5.75% to 6.00% to reflect updated capital market assumptions. The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire.

2018 - The expected investment return and discount rate decreased from 6.50% to 5.75% to reflect updated capital market assumptions. The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018 Minnesota PERA Police & Fire plan actuarial valuation.

2017 - There were no changes in assumptions since the previous valuation.

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

2015 - The discount rate was updated to reflect current asset returns. The index rate for 20-year municipal bonds was updated to reflect index rates as of December 31, 2015. Retirement rates were updated to reflect plan experience and expectations.

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/25	$ 191,034	$ 267,034	$ (76,000)
12/31/24	162,393	237,393	(75,000)
12/31/23	142,926	219,926	(77,000)
12/31/22	127,954	207,229	(79,275)
12/31/21	121,903	204,152	(82,249)
12/31/20	117,030	192,266	(75,236)
12/31/19	111,163	194,236	(83,073)
12/31/18	109,292	188,037	(78,745)
12/31/17	108,253	183,253	(75,000)
12/31/16	144,183	181,662	(37,479)

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	$ 34,625	$ 32,895	$ 33,173	$ 58,977	$ 56,316	$ 52,612	$ 52,767	$ 56,111
Interest	21,717	21,889	15,699	16,271	31,131	30,427	27,430	25,975
Differences between expected and actual experience	22,804	(42,280)	(182,122)	(25,876)	(142,260)	(10,484)	(48,475)	-
Changes in assumptions	(41,453)	8,835	(78,474)	(2,021)	56,000	11,924	(30,750)	4,199
Benefit payments	(23,416)	(22,745)	(47,214)	(36,673)	(46,944)	(31,476)	(26,943)	(23,931)
Net Change in Total OPEB Liability	14,277	(1,406)	(258,938)	10,678	(45,757)	53,003	(25,971)	62,354
Total OPEB Liability - Beginning	523,127	524,533	783,471	772,793	818,550	765,547	791,518	729,164
Total OPEB Liability - Ending	$ 537,404	$ 523,127	$ 524,533	$ 783,471	$ 772,793	$ 818,550	$ 765,547	$ 791,518
Covered-Employee Payroll	$ 8,854,161	$ 8,374,092	$ 8,130,186	$ 7,909,611	$ 7,679,234	$ 7,775,549	$ 7,549,077	$ 11,238,479
City's Total OPEB Liability as a Percentage of Covered-Employee Payroll	6.07 %	6.25 %	6.45 %	9.91 %	10.06 %	10.53 %	10.14 %	7.04 %

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

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

Changes in Plan

2025 - There were no changes in plan provisions since the previous valuation.

2024 - There were no changes in plan provisions since the previous valuation.

2023 - There were no changes in plan provisions since the previous valuation.

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

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

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

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

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

2018 - There were no changes in plan provisions since the previous valuation.

Changes in Assumptions

2025 – The healthcare trend rates were changes to better anticipate short term and long term medical increases. The retirement, withdrawal, and salary increase rates for non-police were updated to reflect the latest experience study. The discount rate was changed from 4.00% to 4.20%.

2024 - The health care trend rates were changed to better anticipate short term and long term medical increases.

2023 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale. The inflation rate was changed from 2.00% to 2.50%. The retirement, withdrawal, and salary increase rates for public safety employees were updated to reflect the latest experience study. The discount rate was changed from 2.00% to 4.00%. These changes decreased the liability $65,565.

2022 - The discount rate was changed from 2.00 percent to 1.84 percent based on the updated 20-year municipal bond rates for the PUC plan.

2021 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale. The retirement and withdrawal rates were updated for non-safety personnel. The inflation rate changed from 2.50% to 2.00%. The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group. The discount rate was changed from 3.80% to 2.00%. The discount rate was changed from 2.75% to 2.00% based on the updated 20-year municipal bond rates for the PUC plan.

2020 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel). The retirement and withdrawal tables for all employees were updated. PUC: The discount rate was changed from 3.71% to 2.75% based on the updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations. Mortality and salary increase rates were updated from the rates used in the 7/1/2017 PERA General Employees Plan valuation to the rates used in the 7/1/2019 valuation. The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2019 - The discount rate was changed from 3.30 to 3.80% for the City plan. PUC: The index rate for 20 year, tax-exempt municipal bonds used in the determination of the discount rate was changed from 3.31% to 3.71%. Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

2018 - The discount rate was changed from 3.50% to 3.30% for the City plan.

City of Hutchinson, Minnesota
Required Supplementary Information (Continued)
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	$ 7,061,034	$ 7,069,631	$ 8,597
Licenses and permits	414,525	531,322	116,797
Intergovernmental	2,224,025	2,284,156	60,131
Charges for services	2,554,817	2,533,456	(21,361)
Fines and forfeits	55,000	43,585	(11,415)
Investment earnings	140,000	399,151	259,151
Miscellaneous	447,700	553,599	105,899
Total Revenues	12,897,101	13,414,900	517,799
Expenditures			
Current			
General government	2,912,008	2,808,809	103,199
Public safety	5,631,362	5,710,420	(79,058)
Streets and highways	2,143,989	2,169,956	(25,967)
Culture and recreation	3,546,470	3,557,424	(10,954)
Miscellaneous	930,358	917,750	12,608
Capital outlay			
General government	-	15,500	(15,500)
Streets and highways	-	40,189	(40,189)
Culture and recreation	-	23,073	(23,073)
Total Expenditures	15,164,187	15,243,121	(78,934)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,267,086)	(1,828,221)	438,865
Other Financing Sources (Uses)			
Transfers in	2,812,628	2,812,628	-
Transfers out	(545,542)	(545,542)	-
Total Other Financing Sources (Uses)	2,267,086	2,267,086	-
Net Change in Fund Balances	-	438,865	438,865
Fund Balances, January 1	8,639,018	8,639,018	-
Fund Balances, December 31	$ 8,639,018	$ 9,077,883	$ 438,865

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

Notes to the Required Supplemental Information - Budgetary Reporting

A. Budgetary Comparison Schedule

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

B. Excess of Expenditures Over Appropriations

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

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	$ 15,164,187	$ 15,243,121	$ 78,934

These excess expenditures were funded by excess fund balance and greater than anticipated revenues.

C. Summary of Significant Budget Variances

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

Revenues

- Building Permit activity exceeded expectations for 2025, generating excess revenue.
- Several State grants were received in 2025 which contributed to Intergovernmental revenue exceeding budgeted amounts. These were primarily for Parks prairie restorations, and ongoing projects at the City's airport.
- Unexpected housing development design work and other planning contributed to the increased miscellaneous revenue collected in 2025.
- Significant repairs at the Civic Arena's west rink in 2025 led to its closure for a portion of 2025. This resulted in significantly less than budgeted ice rental revenue for charges for services, while also contributing higher than expected repair and maintenance expenses

D. Budgetary Compliance

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

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Debt Service	Total
Assets				
Cash and investments	$ 2,599,574	$ 6,504,723	$ 4,097,887	$ 13,202,184
Receivables				
Interest	12,494	30,283	-	42,777
Accounts	6,895	-	-	6,895
Notes	946,707	-	-	946,707
Delinquent special assessments	-	33,988	5,881	39,869
Noncurrent special assessments	-	353,968	1,338,775	1,692,743
Intergovernmental	63,152	59,449	6,569	129,170
Due from other funds	159,211	66,130	-	225,341
Advances to other funds	170,741	-	106,472	277,213
Total Assets	$ 3,958,774	$ 7,048,541	$ 5,555,584	$ 16,562,899
Liabilities				
Accounts payable	$ 143,952	$ 207,102	$ -	$ 351,054
Contracts payable	-	15,411	-	15,411
Due to other funds	161,270	200,578	-	361,848
Advances from other funds	277,213	-	-	277,213
Accrued salaries payable	13,404	-	-	13,404
Total Liabilities	595,839	423,091	-	1,018,930
Deferred Inflows of Resources				
Unavailable revenue				
Loan interest receivable	26,177	-	-	26,177
Special assessments	-	387,956	1,344,656	1,732,612
Total Deferred Inflows of Resources	26,177	387,956	1,344,656	1,758,789
Fund Balances				
Restricted	2,556,275	395,835	4,210,928	7,163,038
Committed	1,208,212	360,230	-	1,568,442
Assigned	-	5,627,694	-	5,627,694
Unassigned	(427,729)	(146,265)	-	(573,994)
Total Fund Balances	3,336,758	6,237,494	4,210,928	13,785,180
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,958,774	$ 7,048,541	$ 5,555,584	$ 16,562,899

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Debt Service	Total
Revenues				
Taxes				
Property taxes	$ -	$ 5,091	$ 2,547,379	$ 2,552,470
Tax increment district taxes	392,466	-	-	392,466
Special assessments	-	312,030	417,745	729,775
Intergovernmental				
Federal	-	306,370	-	306,370
State	133,710	1,727,493	-	1,861,203
County	107,226	-	-	107,226
Local	-	68,000	-	68,000
Charges for services				
Public safety	165,000	-	-	165,000
Streets and highways	341,609	-	-	341,609
Housing and economic development	82,303	-	-	82,303
Miscellaneous	-	18,720	-	18,720
Investment earnings	159,946	292,722	131,441	584,109
Miscellaneous				
Contributions and donations	-	84,759	-	84,759
Loan interest	22,673	-	-	22,673
Refunds and reimbursements	58,326	15,489	-	73,815
Other	64,400	111,636	-	176,036
Total Revenues	1,527,659	2,942,310	3,096,565	7,566,534
Expenditures				
Current				
Public safety	182,538	-	-	182,538
Streets and highways	665,414	-	-	665,414
Culture and recreation	108,845	-	-	108,845
Housing and economic development	476,686	-	-	476,686
Capital outlay				
General government	-	150,280	-	150,280
Public safety	-	818,073	-	818,073
Streets and highways	14,500	1,168,419	-	1,182,919
Culture and recreation	6,654	1,182,987	-	1,189,641
Housing and economic development	6,438	-	-	6,438
Miscellaneous	-	241,131	-	241,131
Debt service				
Principal	-	-	2,140,000	2,140,000
Interest and other	13,628	16,000	832,280	861,908
Total Expenditures	1,474,703	3,576,890	2,972,280	8,023,873
Excess (Deficiency) of Revenues Over (Under) Expenditures	52,956	(634,580)	124,285	(457,339)
Other Financing Sources (Uses)				
Sale of capital assets	2	71,243	-	71,245
Transfers in	549,548	579,465	5,226	1,134,239
Transfers out	(108,226)	(101,465)	(324,006)	(533,697)
Total Other Financing Sources (Uses)	441,324	549,243	(318,780)	671,787
Net Change in Fund Balances	494,280	(85,337)	(194,495)	214,448
Fund Balances, January 1, as Previously Reported	2,842,478	6,261,871	4,405,423	13,509,772
Change to the financial reporting entity (Note 10)				
Change from nonmajor to major fund	-	60,960	-	60,960
Fund Balances, January 1, as Adjusted	2,842,478	6,322,831	4,405,423	13,570,732
Fund Balances, December 31	$ 3,336,758	$ 6,237,494	$ 4,210,928	$ 13,785,180

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NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises- where the intent of the City's Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City's Council has decided that periodic determination of net income is appropriate for accountability purposes.

Refuse Fund: This fund is used to account for the operation, maintenance and capital improvements of the City's refuse system.

Composting Fund: This fund is used to account for the operation, maintenance and capital improvements of the City's composting system.

Storm Water Fund: This fund is used to account for the operation, maintenance, and capital improvement of the City's storm water system.

Municipal Liquor Store Fund: This fund is used to account for the operation, maintenance, and capital improvement of the City's liquor store.

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

	Business-type Activities - Enterprise Funds				
	603	**651**	**652**	**609**	
	Refuse	Composting	Storm Water	Municipal Liquor Store	Total
Assets					
Current Assets					
Cash and investments	$ 1,003,121	$ 2,544,296	$ 1,373,373	$ 739,771	$ 5,660,561
Receivables					
Interest	5,236	12,340	6,231	-	23,807
Accounts	139,761	126,458	17,869	100,215	384,303
Intergovernmental	-	81,782	-	-	81,782
Inventories	-	1,506,305	-	731,441	2,237,746
Prepaid items	300	1,625	-	4,475	6,400
Total Current Assets	1,148,418	4,272,806	1,397,473	1,575,902	8,394,599
Noncurrent Assets					
Capital assets					
Land	10,913	400,608	607,063	308,072	1,326,656
Buildings and structures	2,416,970	214,100	-	1,631,037	4,262,107
Infrastructure and improvements	1,090,916	703,526	8,995,499	274,213	11,064,154
Machinery and equipment	1,165,452	3,177,976	321,517	140,171	4,805,116
Automotive equipment	45,938	437,379	353,394	-	836,711
Construction in progress	13,464	95,676	890	14,500	124,530
Less accumulated depreciation	(2,815,285)	(3,256,831)	(2,745,175)	(1,477,415)	(10,294,706)
Total Capital Assets (Net of Accumulated Depreciation)	1,928,368	1,772,434	7,533,188	890,578	12,124,568
Total Assets	3,076,786	6,045,240	8,930,661	2,466,480	20,519,167
Deferred Outflows of Resources					
Deferred pension resources	19,191	42,830	11,579	60,756	134,356
Deferred other postemployment benefit resources	843	3,370	1,266	2,109	7,588
Total Deferred Outflows of Resources	20,034	46,200	12,845	62,865	141,944
Liabilities					
Current Liabilities					
Accounts payable	$ 85,094	$ 104,262	$ 16,784	$ 169,308	$ 375,448
Due to other governments	12,066	136	-	91,083	103,285
Accrued interest payable	-	-	9,388	-	9,388
Accrued salaries payable	7,011	19,004	5,178	27,527	58,720
Accrued vacation payable	7,720	43,887	8,850	45,691	106,148
Other postemployment benefit liability	476	949	362	670	2,457
Current portion of debt	-	-	165,000	-	165,000
Total Current Liabilities	112,367	168,238	205,562	334,279	820,446
Noncurrent Liabilities					
Accrued vacation payable	1,058	9,906	-	18,557	29,521
Other postemployment benefit liability	8,269	34,032	12,778	21,215	76,294
Net pension liability	81,149	174,997	46,284	256,137	558,567
Bonds payable	-	-	706,958	-	706,958
Less current portion of debt	-	-	(165,000)	-	(165,000)
Total Noncurrent Liabilities	90,476	218,935	601,020	295,909	1,206,340
Total Liabilities	202,843	387,173	806,582	630,188	2,026,786
Deferred Inflows of Resources					
Deferred pension resources	64,004	145,978	39,989	203,035	453,006
Deferred other post employment benefit resources	4,579	18,317	6,880	11,460	41,236
Total Deferred Inflows of Resources	68,583	164,295	46,869	214,495	494,242
Net Position					
Net investment in capital assets	1,928,368	1,772,434	6,826,230	890,578	11,417,610
Unrestricted	897,026	3,767,538	1,263,825	794,084	6,722,473
Total Net Position	$ 2,825,394	$ 5,539,972	$ 8,090,055	$ 1,684,662	$ 18,140,083

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

	Business-type Activities - Enterprise Funds				
	603	**651**	**652**	**609**	
	Refuse	Composting	Storm Water	Municipal Liquor Store	Total
Operating Revenues					
Sales	$ -	$ 2,515,666	$ -	$ 7,561,174	$ 10,076,840
Cost of sales	-	(1,562,676)	-	(5,725,669)	(7,288,345)
Gross Profit	-	952,990	-	1,835,505	2,788,495
Charges for services	1,520,691	-	1,201,237	-	2,721,928
Penalties	12,189	-	-	-	12,189
Other operating revenue	(180)	3,112	6,790	7,161	16,883
Total Operating Revenues	1,532,700	956,102	1,208,027	1,842,666	5,539,495
Operating Expenses					
Personal services	319,135	440,833	181,000	853,030	1,793,998
Supplies and maintenance	44,360	15,787	241,270	31,833	333,250
Other services and charges	1,015,441	174,440	53,197	138,535	1,381,613
Depreciation	238,084	97,924	289,416	59,624	685,048
Total Operating Expenses	1,617,020	728,984	764,883	1,083,022	4,193,909
Operating Income (Loss)	(84,320)	227,118	443,144	759,644	1,345,586
Nonoperating Revenues (Expenses)					
Intergovernmental	12,870	-	81,200	-	94,070
Interest earnings	49,926	133,360	60,905	1,312	245,503
Gain (loss) on sale/disposal of capital assets	67,598	11,393	-	-	78,991
Interest expense - bonds	-	(714)	(23,539)	-	(24,253)
Bond premium amortization	-	-	5,653	-	5,653
Total Nonoperating Revenues (Expenses)	130,394	144,039	124,219	1,312	399,964
Income Before Contributions and Transfers	46,074	371,157	567,363	760,956	1,745,550
Capital Contributions From Other Funds	-	-	451,957	-	451,957
Transfers In	-	-	50,000	-	50,000
Transfers Out	(105,000)	(120,000)	(129,452)	(550,000)	(904,452)
Change in Net Position	(58,926)	251,157	939,868	210,956	1,343,055
Net Position, January 1	2,884,320	5,288,815	7,150,187	1,473,706	16,797,028
Net Position, December 31	$ 2,825,394	$ 5,539,972	$ 8,090,055	$ 1,684,662	$ 18,140,083

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

	Business-type Activities - Enterprise Funds				
	603	**651**	**652**	**609**	
	Refuse	Composting	Storm Water	Municipal Liquor Store	Total
Cash Flows from Operating Activities					
Receipts from customers	$ 1,660,620	$ 2,472,652	$ 1,210,031	$ 7,509,996	$ 12,853,299
Payments to vendors and suppliers	(1,100,641)	(1,554,452)	(303,101)	(5,899,443)	(8,857,637)
Payments to or on behalf of employees	(345,858)	(508,329)	(231,800)	(942,131)	(2,028,118)
Net Cash Provided by Operating Activities	214,121	409,871	675,130	668,422	1,967,544
Cash Flows from Noncapital Financing Activities					
Transfers out	(105,000)	(120,000)	(129,452)	(550,000)	(904,452)
Transfers in	-	-	50,000	-	50,000
Grants received	12,870	-	81,200	-	94,070
Net Cash Used by Noncapital Financing Activities	(92,130)	(120,000)	1,748	(550,000)	(760,382)
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(13,464)	(220,347)	(367,717)	(51,995)	(653,523)
Proceeds from sale of capital assets	67,598	11,393	-	-	78,991
Principal paid on long-term debt	-	(71,666)	(160,000)	-	(231,666)
Interest paid on long-term debt	-	(2,143)	(26,205)	-	(28,348)
Net Cash Used by Capital and Related Financing Activities	54,134	(282,763)	(553,922)	(51,995)	(834,546)
Cash Flows from Investing Activities					
Interest received on investments	49,278	133,687	60,905	1,312	245,182
Net Increase (Decrease) in Cash and Cash Equivalents	225,403	140,795	183,861	67,739	617,798
Cash and Cash Equivalents, January 1	777,718	2,403,501	1,189,512	672,032	5,042,763
Cash and Cash Equivalents, December 31	$ 1,003,121	$ 2,544,296	$ 1,373,373	$ 739,771	$ 5,660,561
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	$ (84,320)	$ 227,118	$ 443,144	$ 759,644	$ 1,345,586
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	238,084	97,924	289,416	59,624	685,048
Depletion	-	181,773	-	-	181,773
(Increase) decrease in assets					
Accounts receivable	(8,663)	1,509	2,004	(58,339)	(63,489)
Due from other governments	136,583	(47,635)	-	-	88,948
Inventories	-	4,862	-	30,784	35,646
Prepaid items	(300)	(125)	-	(729)	(1,154)
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	431	(2,674)	3,735	(440)	1,052
Deferred other postemployment benefit resources	(409)	532	35	59	217
Increase (decrease) in liabilities					
Accounts payable	(41,270)	11,813	(8,634)	(37,630)	(75,721)
Due to other governments	730	128	-	4,169	5,027
Accrued salaries payable	(57)	1,039	(398)	3,865	4,449
Accrued vacation payable	(1,062)	(17,336)	(2,025)	(6,080)	(26,503)
Other postemployment benefit liability	4,393	(4,189)	83	124	411
Pension liability	(19,189)	(25,004)	(29,930)	(51,552)	(125,675)
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	(12,855)	(15,199)	(21,519)	(33,769)	(83,342)
Deferred other postemployment benefit resources	2,025	(4,665)	(781)	(1,308)	(4,729)
Net Cash Provided by Operating Activities	$ 214,121	$ 409,871	$ 675,130	$ 668,422	$ 1,967,544
Schedule of Noncash Investing, Capital and Financing Activities					
Capital contributions from other funds	$ -	$ -	$ 451,957	$ -	$ 451,957
Amortization of bond (premium) discount	$ -	$ -	$ (5,653)	$ -	$ (5,653)

NONMAJOR SPECIAL REVENUE FUNDS

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

Rural Fire Department Fund: This fund accounts for funds from rural townships to support their equipment and expenditures of the fire department while training and responding to rural fires.

Hutchinson Area Transportation Services Facility Fund: This fund accounts for the expenditures and revenues of the transportation building. This building is jointly operated by the City of Hutchinson, McLeod County and the Minnesota Department of Transportation.

Economic Development Loan Fund: This fund loans monies which have been originally received by the City from the State of Minnesota. As the original loan is repaid, funds are subsequently loaned under City guidelines as approved by the State of Minnesota.

Energy Loan Fund: Revolving loan funds received from the City and State which are under Hutchinson Economic Development Authority (EDA) guidelines are approved by City Council for downtown commercial rehabilitation loans.

Minnesota Investment Fund: This fund loans monies which have been originally received by the City from the State of Minnesota. As the original loan is repaid, funds are subsequently loaned under City guidelines as approved by the State of Minnesota.

Hutchinson Enterprise Center Fund: This fund accounts for the expenditures and revenues of the Hutchinson Enterprise Center building, a 20,000 square foot business incubator to help small business grow.

HRA Loan Fund: This fund accounts for the housing rehabilitation loans with the City and the Minnesota Housing Finance Agency (MnHFA).

Housing Rehabilitation Grant Fund: This fund accounts for the Hutchinson housing rehabilitation project grant from the State of Minnesota Department of Trade and Economic Development.

Tax Increment Fund: This fund includes TIF districts 7, 8, 13 and 14.

Tax Increment Fund 2016 Fund: This fund includes TIF district 16.

Tax Increment Fund #4-17 Enterprise Center Fund: This fund includes TIF district 17.

Tax Increment Fund #4-18 Highfield Housing Development Fund: This fund includes TIF district 18.

Tax Increment Fund #4-19 Highway 7 & 15 Soils Condition Fund: This fund includes TIF district 19.

Tax Increment Fund #4-20 Warrior Expansion Fund: This fund includes TIF district 20.

Tax Increment Fund #4-21 1105 Benjamin Ave SE Fund: This fund includes TIF district 21.

Tax Increment Fund #4-22 Jorgenson Hotel: This fund was set up to track all TIF district 22 activity. Activity did not occur and thus this fund was closed in 2025.

Tax Increment Fund #4-23 RD Machine Expansion: This fund includes TIF district 23.

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NONMAJOR SPECIAL REVENUE FUNDS (Continued)

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

Work Horse Development: This fund was created for a proposed development project, however, this did not result in a valid TIF project and thus the fund was closed in 2025.

Tax Increment Fund #4-24 The Landing: This fund includes TIF district 24.

Tax Increment Fund #4-25 Jorgenson Hotel: This fund includes TIF district 25.

Public Sites Fund: This fund is used to account for payments made by developments in lieu of land contributions for parkland purchases and improvements.

Tree Disease Mitigation Fund: This fund is used for the City's efforts in restoring its tree canopy due to tree disease infestation, including proactive plantings of new tree species, treatment or removal of infected trees and future replacements

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

	225 Rural Fire Department	226 Hutchinson Area Transportation Facility	231 Economic Development Loan	232 Energy Loan	233/234/235 Minnesota Investment
Assets					
Cash and investments	$ 42,932	$ 762,830	$ 187,047	$ 123,932	$ 10,869
Receivables					
Interest	87	3,665	977	663	52
Accounts	-	6,228	-	-	-
Notes	-	-	122,597	751,660	-
Intergovernmental	-	51,930	-	-	-
Due from other funds	-	-	146,435	12,776	-
Advance to other funds	-	-	20,741	150,000	-
Total Assets	$ 43,019	$ 824,653	$ 477,797	$ 1,039,031	$ 10,921
Liabilities					
Accounts payable	$ 9,320	$ 97,811	$ -	$ -	$ -
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Accrued salaries payable	12,282	1,122	-	-	-
Total Liabilities	21,602	98,933	-	-	-
Deferred Inflows of Resources					
Unavailable revenue					
Loan interest receivable	-	-	-	26,177	-
Fund Balances					
Restricted	21,417	-	477,797	1,012,854	10,921
Committed	-	725,720	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	21,417	725,720	477,797	1,012,854	10,921
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 43,019	$ 824,653	$ 477,797	$ 1,039,031	$ 10,921

239 Hutchinson Enterprise Center	240 HRA Loan	241 Housing Rehabilitation Grant	250 Tax Increment	258 Tax Increment 2016	259 TIF #4-17 Enterprise Center
$ 30,770	$ 93,928	$ 325,352	$ 112,880	$ 3,980	$ 1,063
209	471	1,658	611	-	-
667	-	-	-	-	-
-	-	72,450	-	-	-
-	-	-	11,222	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 31,646	$ 94,399	$ 399,460	$ 124,713	$ 3,980	$ 1,063
$ 5,675	$ -	$ -	$ 10,886	$ -	$ -
146,435	-	-	-	12,776	-
20,741	-	-	-	150,000	106,472
-	-	-	-	-	-
172,851	-	-	10,886	162,776	106,472
-	-	-	-	-	-
-	94,399	399,460	113,827	-	-
-	-	-	-	-	-
(141,205)	-	-	-	(158,796)	(105,409)
(141,205)	94,399	399,460	113,827	(158,796)	(105,409)
$ 31,646	$ 94,399	$ 399,460	$ 124,713	$ 3,980	$ 1,063

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

	260	261	262	263	264
	TIF #4-18 Highfield Housing Development	TIF #4-19 Highway 7 & 15 Soils Condition	TIF #4-20 Warrior Expansion	TIF #4-21 1105 Benjamin Ave SE	TIF #4-22 Jorgenson Hotel
Assets					
Cash and investments	$ 16,048	$ 6,980	$ 68,666	$ 4,686	$ -
Receivables					
Interest	87	35	-	17	-
Accounts	-	-	-	-	-
Notes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Due from other funds	-	-	-	-	-
Advance to other funds	-	-	-	-	-
	$ 16,135	$ 7,015	$ 68,666	$ 4,703	$ -
Liabilities					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Accrued salaries payable	-	-	-	-	-
	-	-	-	-	-
Deferred Inflows of Resources					
Unavailable revenue					
Loan interest receivable	-	-	-	-	-
Fund Balances					
Restricted	16,135	7,015	68,666	4,703	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
	16,135	7,015	68,666	4,703	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 16,135	$ 7,015	$ 68,666	$ 4,703	$ -

265 TIF #4-23 RD Machine Expansion	266 Work Horse Development	267 TIF #4-24 The Landing	268 TIF #4-25 Jorgenson Hotel	270 Public Sites	275 Tree Disease Mitigation	Total
$ 1,102	$ -	$ -	$ -	$ 396,494	$ 410,015	$ 2,599,574
-	-	-	-	2,007	1,955	12,494
-	-	-	-	-	-	6,895
-	-	-	-	-	-	946,707
-	-	-	-	-	-	63,152
-	-	-	-	-	-	159,211
-	-	-	-	-	-	170,741
$ 1,102	$ -	$ -	$ -	$ 398,501	$ 411,970	$ 3,958,774
$ -	$ -	$ 20,260	$ -	$ -	$ -	$ 143,952
-	-	1,521	538	-	-	161,270
-	-	-	-	-	-	277,213
-	-	-	-	-	-	13,404
-	-	21,781	538	-	-	595,839
-	-	-	-	-	-	26,177
1,102	-	-	-	327,979	-	2,556,275
-	-	-	-	70,522	411,970	1,208,212
-	-	(21,781)	(538)	-	-	(427,729)
1,102	-	(21,781)	(538)	398,501	411,970	3,336,758
$ 1,102	$ -	$ -	$ -	$ 398,501	$ 411,970	$ 3,958,774

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

	225 Rural Fire Department	226 Hutchinson Area Transportation Facility	231 Economic Development Loan	232 Energy Loan	233/234/235 Minnesota Investment
Revenues					
Taxes					
Tax increment district taxes	$ -	$ -	$ -	$ -	$ -
Intergovernmental					
State	-	107,226	26,484	-	-
County	-	107,226	-	-	-
Charges for services					
Public safety	165,000	-	-	-	-
Streets and highways	-	341,609	-	-	-
Housing and economic development	-	-	-	-	-
Investment earnings	1,685	36,883	12,864	14,279	499
Miscellaneous					
Loan interest	-	-	7,050	15,623	-
Refunds and reimbursements	-	23,326	-	-	-
Other	-	-	-	51,100	-
Total Revenues	166,685	616,270	46,398	81,002	499
Expenditures					
Current					
Public safety	182,538	-	-	-	-
Streets and highways	-	665,414	-	-	-
Culture and recreation	-	-	-	-	-
Housing and economic development	-	-	-	-	-
Capital outlay					
Streets and highways	-	14,500	-	-	-
Culture and recreation	-	-	-	-	-
Housing and economic development	-	-	-	-	-
Debt service					
Interest and other	-	-	-	-	-
Total Expenditures	182,538	679,914	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,853)	(63,644)	46,398	81,002	499
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	-	-
Transfers in	-	120,542	-	50,000	-
Transfers out	-	-	(50,000)	-	-
Total Other Financing Sources (Uses)	-	120,542	(50,000)	50,000	-
Net Change in Fund Balances	(15,853)	56,898	(3,602)	131,002	499
Fund Balances, January 1	37,270	668,822	481,399	881,852	10,422
Fund Balances, December 31	$ 21,417	$ 725,720	$ 477,797	$ 1,012,854	$ 10,921

	239 Hutchinson Enterprise Center	240 HRA Loan	241 Housing Rehabilitation Grant	250 Tax Increment	258 Tax Increment 2016	259 TIF #4-17 Enterprise Center
	$ -	$ -	$ -	$ 57,590	$ 2,520	$ 4,642
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	74,053	-	-	-	-	-
	1,427	4,615	16,011	6,632	196	208
	-	-	-	-	-	-
	4,000	-	-	-	-	-
	-	-	-	-	-	-
	79,480	4,615	16,011	64,222	2,716	4,850
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	31,316	-	101,862	93,617	1,888	1,076
	-	-	-	-	-	-
	-	-	-	-	-	-
	4,897	-	-	-	1,541	-
	3,614	-	-	-	5,464	4,259
	39,827	-	101,862	93,617	8,893	5,335
	39,653	4,615	(85,851)	(29,395)	(6,177)	(485)
	-	-	-	-	2	-
	-	-	-	-	324,006	-
	-	-	-	-	-	-
	-	-	-	-	324,008	-
	39,653	4,615	(85,851)	(29,395)	317,831	(485)
	(180,858)	89,784	485,311	143,222	(476,627)	(104,924)
	$ (141,205)	$ 94,399	$ 399,460	$ 113,827	$ (158,796)	$ (105,409)

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

	260	261	262	263	264
	TIF #4-18 Highfield Housing Development	TIF #4-19 Highway 7 & 15 Soils Condition	TIF #4-20 Warrior Expansion	TIF #4-21 1105 Benjamin Ave SE	TIF #4-22 Jorgenson Hotel
Revenues					
Taxes					
Tax increment district taxes	$ 127,186	$ 52,263	$ 72,167	$ 54,620	$ 3,016
Intergovernmental					
State	-	-	-	-	-
County	-	-	-	-	-
Charges for services					
Public safety	-	-	-	-	-
Streets and highways	-	-	-	-	-
Housing and economic development	-	-	-	-	-
Investment earnings	1,177	472	1,084	3,571	-
Miscellaneous					
Loan interest	-	-	-	-	-
Refunds and reimbursements	-	-	-	-	2,915
Other	-	-	-	-	-
Total Revenues	128,363	52,735	73,251	58,191	5,931
Expenditures					
Current					
Public safety	-	-	-	-	-
Streets and highways	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Housing and economic development	125,346	45,799	9,546	3,788	-
Capital outlay					
Streets and highways	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Housing and economic development	-	-	-	-	-
Debt service					
Interest and other	-	-	-	-	147
Total Expenditures	125,346	45,799	9,546	3,788	147
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,017	6,936	63,705	54,403	5,784
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	(5,226)	-	(53,000)	-
Total Other Financing Sources (Uses)	-	(5,226)	-	(53,000)	-
Net Change in Fund Balances	3,017	1,710	63,705	1,403	5,784
Fund Balances, January 1	13,118	5,305	4,961	3,300	(5,784)
Fund Balances, December 31	$ 16,135	$ 7,015	$ 68,666	$ 4,703	$ -

265 TIF #4-23 RD Machine Expansion	266 Work Horse Development	267 TIF #4-24 The Landing	268 TIF #4-25 Jorgenson Hotel	270 Public Sites	275 Tree Disease Mitigation	Total
$ 18,462	$ -	$ -	$ -	$ -	$ -	$ 392,466
-	-	-	-	-	-	133,710
-	-	-	-	-	-	107,226
-	-	-	-	-	-	165,000
-	-	-	-	-	-	341,609
-	-	-	-	8,250	-	82,303
17	-	-	80	19,065	39,181	159,946
-	-	-	-	-	-	22,673
-	-	15,000	12,085	1,000	-	58,326
-	-	-	-	13,300	-	64,400
18,479	-	15,000	12,165	41,615	39,181	1,527,659
-	-	-	-	-	-	182,538
-	-	-	-	-	-	665,414
-	-	-	-	5,752	103,093	108,845
9,133	3,831	36,781	12,703	-	-	476,686
-	-	-	-	-	-	14,500
-	-	-	-	6,654	-	6,654
-	-	-	-	-	-	6,438
144	-	-	-	-	-	13,628
9,277	3,831	36,781	12,703	12,406	103,093	1,474,703
9,202	(3,831)	(21,781)	(538)	29,209	(63,912)	52,956
-	-	-	-	-	-	2
-	-	-	-	-	55,000	549,548
-	-	-	-	-	-	(108,226)
-	-	-	-	-	55,000	441,324
9,202	(3,831)	(21,781)	(538)	29,209	(8,912)	494,280
(8,100)	3,831	-	-	369,292	420,882	2,842,478
$ 1,102	$ -	$ (21,781)	$ (538)	$ 398,501	$ 411,970	$ 3,336,758

City of Hutchinson, Minnesota
Rural Fire Department Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Charges for services			
Public safety	$ 165,000	$ 165,000	$ -
Investment earnings	1,000	1,685	685
Total Revenues	166,000	166,685	685
Expenditures			
Current			
Public safety			
Rural fire department			
Personal services	106,655	115,595	(8,940)
Supplies	31,700	30,277	1,423
Other services and charges	26,551	36,666	(10,115)
Total Expenditures	164,906	182,538	(17,632)
Net Change in Fund Balances	1,094	(15,853)	(16,947)
Fund Balances, January 1	37,270	37,270	-
Fund Balances, December 31	$ 38,364	$ 21,417	$ (16,947)

City of Hutchinson, Minnesota

Hutchinson Area Transportation Facility Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

For the Year Ended December 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget
Revenues			
Intergovernmental			
State			
Street maintenance aid	$ 107,226	$ 107,226	$ -
County			
County shared aids	107,226	107,226	-
Charges for services			
Streets and highways	374,000	341,609	(32,391)
Investment earnings	15,000	36,883	21,883
Miscellaneous			
Refunds and reimbursements	32,000	23,326	(8,674)
Total Revenues	635,452	616,270	(19,182)
Expenditures			
Current			
Streets and highways			
Streets and alleys			
Personal services	51,386	51,752	(366)
Supplies	436,500	477,259	(40,759)
Other services and charges	268,108	136,403	131,705
Capital outlay			
Streets and highways			
Streets and alleys	-	14,500	(14,500)
Total Expenditures	755,994	679,914	76,080
Excess (Deficiency) of Revenues Over (Under) Expenditures	(120,542)	(63,644)	56,898
Other Financing Sources (Uses)			
Transfers in	120,542	120,542	-
Net Change in Fund Balances	-	56,898	56,898
Fund Balances, January 1	668,822	668,822	-
Fund Balances, December 31	$ 668,822	$ 725,720	$ 56,898

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NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

City of Hutchinson, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2025

	401	405	407	408
	Capital Improvement Projects	Equipment Replacement	Community Improvement	Airport Renovation
Assets				
Cash and investments	$ 3,054,163	$ 511,213	$ 2,880,355	$ 58,992
Receivables				
Interest	15,011	2,199	12,759	314
Delinquent special assessments	-	-	33,988	-
Noncurrent special assessments	-	-	353,968	-
Intergovernmental	59,449	-	-	-
Due from other funds	66,130	-	-	-
Total Assets	$ 3,194,753	$ 513,412	$ 3,281,070	$ 59,306
Liabilities				
Accounts payable	$ 184,727	$ -	$ 17,382	$ -
Contracts payable	15,411	-	-	-
Due to other funds	-	-	-	200,000
Total Liabilities	200,138	-	17,382	200,000
Deferred Inflows of Resources				
Unavailable revenue				
Special assessments	-	-	387,956	-
Fund Balances				
Restricted	395,835	-	-	-
Committed	-	-	360,230	-
Assigned	2,598,780	513,412	2,515,502	-
Unassigned	-	-	-	(140,694)
Total Fund Balances	2,994,615	513,412	2,875,732	(140,694)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,194,753	$ 513,412	$ 3,281,070	$ 59,306

446 Special Assessment Improvement 2026	447 Special Assessment Improvement 2027	Total
$ -	$ -	$ 6,504,723
-	-	30,283
-	-	33,988
-	-	353,968
-	-	59,449
-	-	66,130
$ -	$ -	$ 7,048,541
$ -	$ 4,993	$ 207,102
-	-	15,411
578	-	200,578
578	4,993	423,091
-	-	387,956
-	-	395,835
-	-	360,230
-	-	5,627,694
(578)	(4,993)	(146,265)
(578)	(4,993)	6,237,494
$ -	$ -	$ 7,048,541

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

	401	405	407	408
	Capital Improvement Projects	Equipment Replacement	Community Improvement	Airport Renovation
Revenues				
Taxes				
Property taxes	$ 5,091	$ -	$ -	$ -
Special assessments	-	-	312,030	-
Intergovernmental				
Federal	-	-	-	306,370
State	1,591,813	50,000	82,080	3,600
Local	66,500	-	1,500	-
Charges for services				
Miscellaneous	-	-	-	18,720
Investment earnings	129,758	41,541	116,306	5,117
Miscellaneous				
Contributions and donations	84,259	-	500	-
Refunds and reimbursements	15,489	-	-	-
Other	111,636	-	-	-
Total Revenues	2,004,546	91,541	512,416	333,807
Expenditures				
Capital outlay				
General government	150,063	-	217	-
Public safety	108,436	645,338	64,299	-
Streets and highways	572,360	480,170	110,318	-
Culture and recreation	1,078,569	46,340	58,078	-
Miscellaneous	237,631	-	-	3,500
Debt service				
Interest and other	-	-	-	16,000
Total Expenditures	2,147,059	1,171,848	232,912	19,500
Excess (Deficiency) of Revenues Over (Under) Expenditures	(142,513)	(1,080,307)	279,504	314,307
Other Financing Sources (Uses)				
Sale of capital assets	-	61,922	9,321	-
Transfers in	-	525,000	54,465	-
Transfers out	(101,465)	-	-	-
Total Other Financing Sources (Uses)	(101,465)	586,922	63,786	-
Net Change in Fund Balances	(243,978)	(493,385)	343,290	314,307
Fund Balances, January 1, as Previously Reported	3,238,593	1,006,797	2,532,442	(455,001)
Change to the financial reporting entity (Note 10)				
Change from nonmajor to major fund	-	-	-	-
Fund Balances, January 1, as Adjusted	3,238,593	1,006,797	2,532,442	(455,001)
Fund Balances, December 31	$ 2,994,615	$ 513,412	$ 2,875,732	$ (140,694)

	(Formerly Nonmajor) **445** Special Assessment Improvement 2025	**446** Special Assessment Improvement 2026	**447** Special Assessment Improvement 2027	Total
		$ -	$ -	$ 5,091
		-	-	312,030
		-	-	306,370
		-	-	1,727,493
		-	-	68,000
		-	-	18,720
		-	-	292,722
		-	-	84,759
		-	-	15,489
		-	-	111,636
	-	-	-	2,942,310
		-	-	150,280
		-	-	818,073
		578	4,993	1,168,419
		-	-	1,182,987
		-	-	241,131
		-	-	16,000
	-	578	4,993	3,576,890
	-	(578)	(4,993)	(634,580)
		-	-	71,243
		-	-	579,465
		-	-	(101,465)
	-	-	-	549,243
		(578)	(4,993)	(85,337)
	(60,960)	-	-	6,261,871
	60,960	-	-	60,960
	-	-	-	6,322,831
	$ -	$ (578)	$ (4,993)	$ 6,237,494

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GENERAL FUND

The General fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund.

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City of Hutchinson, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Pages)
For the Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Taxes			
Property taxes	$ 6,741,034	$ 6,772,108	$ 31,074
Hotel/motel tax	130,000	129,688	(312)
Franchise fees	190,000	167,835	(22,165)
Total taxes	7,061,034	7,069,631	8,597
Licenses and permits			
Business	40,425	44,763	4,338
Nonbusiness	374,100	486,559	112,459
Total licenses and permits	414,525	531,322	116,797
Intergovernmental			
Federal			
Other federal aids	11,500	7,205	(4,295)
State			
Local government aid	1,551,734	1,551,734	-
Property tax credits	-	675	675
Police aid	290,072	292,184	2,112
Fire aid	162,393	191,034	28,641
Street maintenance aid	81,626	53,794	(27,832)
Airport aid	26,200	23,596	(2,604)
Other state aids	43,000	105,964	62,964
Total state	2,155,025	2,218,981	63,956
Local			
School liaison program	57,500	57,970	470
Total intergovernmental	2,224,025	2,284,156	60,131
Charges for services			
General government	379,500	420,039	40,539
Public safety	87,912	93,616	5,704
Streets and highways	558,517	584,974	26,457
Culture and recreation	1,218,988	1,139,506	(79,482)
Other charges	309,900	295,321	(14,579)
Total charges for services	2,554,817	2,533,456	(21,361)
Fines and forfeits	55,000	43,585	(11,415)
Investment earnings	140,000	399,151	259,151
Miscellaneous			
Contributions and donations	38,600	85,859	47,259
Refunds and reimbursements	203,800	255,127	51,327
Other	205,300	212,613	7,313
Total miscellaneous	447,700	553,599	105,899
Total Revenues	12,897,101	13,414,900	517,799

City of Hutchinson, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Expenditures			
Current			
General government			
Mayor and council			
Personal services	$ 42,328	$ 37,304	$ 5,024
Supplies	100	-	100
Other services and charges	5,060	2,262	2,798
Total mayor and council	47,488	39,566	7,922
City administrator			
Personal services	514,227	513,065	1,162
Supplies	1,800	263	1,537
Other services and charges	28,835	18,168	10,667
Total city administrator	544,862	531,496	13,366
Finance			
Personal services	358,120	357,883	237
Supplies	2,800	2,297	503
Other services and charges	87,911	83,417	4,494
Total finance	448,831	443,597	5,234
Motor vehicles			
Personal services	361,522	391,211	(29,689)
Supplies	6,600	3,832	2,768
Other services and charges	30,770	27,552	3,218
Total motor vehicles	398,892	422,595	(23,703)
Legal			
Personal services	260,539	261,750	(1,211)
Supplies	22,400	22,792	(392)
Other services and charges	65,280	52,609	12,671
Total legal	348,219	337,151	11,068
Planning			
Personal services	176,988	182,194	(5,206)
Supplies	750	84	666
Other services and charges	9,750	7,800	1,950
Total planning	187,488	190,078	(2,590)
Information services			
Personal services	388,686	374,277	14,409
Supplies	42,400	45,627	(3,227)
Other services and charges	292,045	221,049	70,996
Total information services	723,131	640,953	82,178
City hall building			
Personal services	112,852	113,296	(444)
Supplies	16,875	12,025	4,850
Other services and charges	83,370	78,052	5,318
Total city hall building	213,097	203,373	9,724
Total general government	2,912,008	2,808,809	103,199

City of Hutchinson, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Expenditures (Continued)			
Current (continued)			
Public safety			
Police			
Personal services	$ 3,952,407	$ 4,041,621	$ (89,214)
Supplies	137,600	129,517	8,083
Other services and charges	315,358	291,040	24,318
Total police	4,405,365	4,462,178	(56,813)
Emergency management			
Supplies	500	-	500
Other services and charges	13,000	11,542	1,458
Total emergency management	13,500	11,542	1,958
Safety council			
Other services and charges	14,335	11,855	2,480
Fire			
Personal services	625,426	611,891	13,535
Supplies	57,200	55,926	1,274
Other services and charges	100,920	114,494	(13,574)
Total fire	783,546	782,311	1,235
Building inspection			
Personal services	378,511	381,941	(3,430)
Supplies	6,025	1,336	4,689
Other services and charges	30,080	59,257	(29,177)
Total building inspection	414,616	442,534	(27,918)
Total public safety	5,631,362	5,710,420	(79,058)
Streets and highways			
Engineering			
Personal services	463,362	465,547	(2,185)
Supplies	8,725	10,136	(1,411)
Other services and charges	75,130	139,605	(64,475)
Total engineering	547,217	615,288	(68,071)
Streets and alleys			
Personal services	701,307	692,176	9,131
Supplies	299,300	249,621	49,679
Other services and charges	596,165	612,871	(16,706)
Total streets and alleys	1,596,772	1,554,668	42,104
Total streets and highways	2,143,989	2,169,956	(25,967)
Culture and recreation			
Parks and recreation administration			
Personal services	237,336	227,671	9,665
Supplies	1,700	1,774	(74)
Other services and charges	60,000	67,581	(7,581)
Total parks and recreation administration	299,036	297,026	2,010

City of Hutchinson, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Expenditures (Continued)			
Current (continued)			
Culture and recreation (continued)			
Recreation			
Personal services	$ 128,015	$ 158,161	$ (30,146)
Supplies	50,500	33,516	16,984
Other services and charges	58,600	42,465	16,135
Total recreation	237,115	234,142	2,973
Senior citizen center			
Personal services	40,976	37,702	3,274
Supplies	2,250	886	1,364
Other services and charges	40,200	46,649	(6,449)
Total senior citizen center	83,426	85,237	(1,811)
Evergreen building			
Supplies	3,750	1,953	1,797
Other services and charges	32,330	24,822	7,508
Total evergreen building	36,080	26,775	9,305
Civic arena			
Personal services	195,768	194,233	1,535
Supplies	52,500	42,899	9,601
Other services and charges	197,450	267,749	(70,299)
Total civic arena	445,718	504,881	(59,163)
Park			
Personal services	825,428	803,052	22,376
Supplies	223,000	196,034	26,966
Other services and charges	181,900	224,277	(42,377)
Total park	1,230,328	1,223,363	6,965
Recreation building			
Personal services	226,162	203,864	22,298
Supplies	42,600	32,027	10,573
Other services and charges	55,370	86,957	(31,587)
Total recreation building	324,132	322,848	1,284
Waterpark			
Personal services	299,904	294,922	4,982
Supplies	92,750	80,367	12,383
Other services and charges	81,180	75,625	5,555
Total waterpark	473,834	450,914	22,920
Events center			
Personal services	98,543	97,099	1,444
Supplies	4,250	3,896	354
Other services and charges	56,200	55,165	1,035
Total events center	158,993	156,160	2,833

City of Hutchinson, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Expenditures (Continued)			
Current (continued)			
Culture and recreation (continued)			
Library			
Supplies	$ 3,300	$ 2,423	$ 877
Other services and charges	254,508	253,655	853
Total library	257,808	256,078	1,730
Total culture and recreation	3,546,470	3,557,424	(10,954)
Miscellaneous			
Cemetery			
Personal services	103,675	133,289	(29,614)
Supplies	27,275	28,637	(1,362)
Other services and charges	26,250	14,580	11,670
Total cemetery	157,200	176,506	(19,306)
Airport			
Personal services	50,518	56,639	(6,121)
Supplies	111,900	82,765	29,135
Other services and charges	86,470	86,612	(142)
Total airport	248,888	226,016	22,872
Unallocated			
Other services and charges	524,270	515,228	9,042
Total miscellaneous	930,358	917,750	12,608
Total current	15,164,187	15,164,359	(172)
Capital outlay			
General government	-	15,500	(15,500)
Streets and highways	-	40,189	(40,189)
Culture and recreation	-	23,073	(23,073)
Total capital outlay	-	78,762	(78,762)
Total Expenditures	15,164,187	15,243,121	(78,934)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,267,086)	(1,828,221)	438,865
Other Financing Sources (Uses)			
Transfers in	2,812,628	2,812,628	-
Transfers out	(545,542)	(545,542)	-
Total Other Financing Sources (Uses)	2,267,086	2,267,086	-
Net Change in Fund Balances	-	438,865	438,865
Fund Balances, January 1	8,639,018	8,639,018	-
Fund Balances, December 31	$ 8,639,018	$ 9,077,883	$ 438,865

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DEBT SERVICE FUNDS

The Debt Service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from City resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

City of Hutchinson, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2025

	383 G.O. Tax Increment Refunding Bonds 2004	334 Special Assessment Bonds 2014	335 Special Assessment Bonds 2015	336 Special Assessment Bonds 2016	337 Special Assessment Bonds 2017	338 Special Assessment Bonds 2018
Assets						
Cash and investments	$ 16,789	$ 128,692	$ 243,051	$ 247,575	$ 224,581	$ 332,066
Receivables						
Delinquent special assessments	-	88	-	-	1	-
Noncurrent special assessments	-	71,509	-	23,443	155,732	49,864
Intergovernmental	-	262	291	308	359	283
Advances to other funds	106,472	-	-	-	-	-
Total Assets	$ 123,261	$ 200,551	$ 243,342	$ 271,326	$ 380,673	$ 382,213
Deferred Inflows of Resources						
Unavailable revenue						
Special assessments	-	71,597	-	23,443	155,733	49,864
Fund Balances						
Restricted	123,261	128,954	243,342	247,883	224,940	332,349
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 123,261	$ 200,551	$ 243,342	$ 271,326	$ 380,673	$ 382,213

339 Special Assessment Bonds 2019	340 Special Assessment Bonds 2020	341 Special Assessment and G.O. Bonds 2021	342 Special Assessment Bonds 2022	343 Special Assessment Bonds 2023	344 Special Assessment Bonds 2024	345 Special Assessment Bonds 2025	396 G.O. Bonds 2022	Total
$ 440,806	$ 320,277	$ 375,555	$ 248,577	$ 271,147	$ 326,396	$ 184,834	$ 737,541	$ 4,097,887
-	2,707	-	-	2,917	168	-	-	5,881
45,760	131,723	106,896	42,736	125,466	207,878	377,768	-	1,338,775
396	500	350	371	1,346	340	-	1,763	6,569
-	-	-	-	-	-	-	-	106,472
$ 486,962	$ 455,207	$ 482,801	$ 291,684	$ 400,876	$ 534,782	$ 562,602	$ 739,304	$ 5,555,584
45,760	134,430	106,896	42,736	128,383	208,046	377,768	-	1,344,656
441,202	320,777	375,905	248,948	272,493	326,736	184,834	739,304	4,210,928
$ 486,962	$ 455,207	$ 482,801	$ 291,684	$ 400,876	$ 534,782	$ 562,602	$ 739,304	$ 5,555,584

City of Hutchinson, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
(Continued on the Following Page)
For the Year Ended December 31, 2025

	383 G.O. Tax Increment Refunding Bonds 2004	**334** Special Assessment Bonds 2014	**335** Special Assessment Bonds 2015	**336** Special Assessment Bonds 2016	**337** Special Assessment Bonds 2017	**338** Special Assessment Bonds 2018
Revenues						
Taxes						
Property taxes	$ -	$ 127,890	$ 141,896	$ 150,090	$ 175,038	$ 137,934
Special assessments	-	2,960	18,825	21,785	3,488	22,715
Investment earnings	38,252	2,039	5,610	5,575	4,518	9,135
Total Revenues	38,252	132,889	166,331	177,450	183,044	169,784
Expenditures						
Debt service						
Principal	-	185,000	160,000	185,000	150,000	155,000
Interest and other costs	1,076	20,354	24,709	23,429	41,129	44,579
Total Expenditures	1,076	205,354	184,709	208,429	191,129	199,579
Excess (Deficiency) of Revenues Over (Under) Expenditures	37,176	(72,465)	(18,378)	(30,979)	(8,085)	(29,795)
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	5,226	-
Transfers out	(324,006)	-	-	-	-	-
Total Other Financing Sources (Uses)	(324,006)	-	-	-	5,226	-
Net Change in Fund Balances	(286,830)	(72,465)	(18,378)	(30,979)	(2,859)	(29,795)
Fund Balances, January 1	410,091	201,419	261,720	278,862	227,799	362,144
Fund Balances, December 31	$ 123,261	$ 128,954	$ 243,342	$ 247,883	$ 224,940	$ 332,349

339 Special Assessment Bonds 2019	340 Special Assessment Bonds 2020	341 Special Assessment and G.O. Bonds 2021	342 Special Assessment Bonds 2022	343 Special Assessment Bonds 2023	344 Special Assessment Bonds 2024	345 Special Assessment Bonds 2025	396 G.O. Bonds 2022	Total
$ 193,152	$ 149,049	$ 170,345	$ 180,986	$ 96,062	$ 165,924	$ -	$ 859,013	$ 2,547,379
15,381	26,114	34,471	12,655	34,860	42,067	182,424	-	417,745
8,763	11,580	10,022	5,713	7,707	8,813	2,714	11,000	131,441
217,296	186,743	214,838	199,354	138,629	216,804	185,138	870,013	3,096,565
210,000	170,000	140,000	105,000	60,000	-	-	620,000	2,140,000
46,271	19,952	61,192	85,467	61,529	74,501	304	327,788	832,280
256,271	189,952	201,192	190,467	121,529	74,501	304	947,788	2,972,280
(38,975)	(3,209)	13,646	8,887	17,100	142,303	184,834	(77,775)	124,285
-	-	-	-	-	-	-	-	5,226
-	-	-	-	-	-	-	-	(324,006)
-	-	-	-	-	-	-	-	(318,780)
(38,975)	(3,209)	13,646	8,887	17,100	142,303	184,834	(77,775)	(194,495)
480,177	323,986	362,259	240,061	255,393	184,433	-	817,079	4,405,423
$ 441,202	$ 320,777	$ 375,905	$ 248,948	$ 272,493	$ 326,736	$ 184,834	$ 739,304	$ 4,210,928

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DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Hutchinson, Minnesota
Discretely Presented Component Unit - Economic Development Authority
Balance Sheet/Statement of Net Position
December 31, 2025

Assets		
Cash and investments	$	230,231
Receivables		
Interest		1,012
Intergovernmental		592
Prepaid items		385
Total Assets	$	232,220
Liabilities		
Accounts payable	$	9,916
Due to other governments		24
Accrued salaries payable		4,354
Accrued vacation payable		9,958
Total Liabilities		24,252
Fund Balances		
Assigned		207,968
Total Liabilities and Fund Balances	$	232,220
Amounts reported for governmental activities in the statement of net position are different because		
Total Fund Balances - Economic Development Authority	$	207,968
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year-end consist of		
Other postemployment benefit liability		(4,394)
Net pension liability		(38,905)
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.		
Deferred outflows of pension resources		9,619
Deferred inflows of pension resources		(32,983)
Deferred outflows of other postemployment benefits		423
Deferred inflows of other postemployment benefits		(2,301)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.		(25)
Total Net Position - Governmental Activities	$	139,402

City of Hutchinson, Minnesota
Discretely Presented Component Unit -
Economic Development Authority
Schedule of Revenues, Expenditures and Changes in Fund Balances/Net Position
For the Year Ended December 31, 2025

Revenues		
Taxes		
Property taxes	$	282,697
Intergovernmental		
State		24,651
Charges for services		3,864
Investment earnings		10,539
Miscellaneous		5,343
Total Revenues		327,094
Expenditures		
Current		
Housing and economic development		351,841
Net Change in Fund Balances		(24,747)
Fund Balances, January 1		232,715
Fund Balances, December 31	$	207,968

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

Net Change in Fund Balances - Economic Development Authority	$	(24,747)
Long-term pension activity is not reported in governmental funds.		
Pension expense		15,697
Pension revenue		(159)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Other postemployment benefit costs		200
Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.		(56)
Change in Net Position - Governmental Activities	$	(9,065)

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STATISTICAL SECTION (UNAUDITED)

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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STATISTICAL SECTION (UNAUDITED)

This part of the City of Hutchinson's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

City of Hutchinson, Minnesota
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2025	2024	2023	2022
Governmental Activities				
Net investment in capital assets	$ 72,479,471	$ 72,865,707	$ 73,577,226	$ 69,226,746
Restricted	9,012,749	9,055,544	8,680,384	7,919,693
Unrestricted	12,571,891	12,152,205	11,159,594	14,121,114
Total Governmental Activities Net Position	94,064,111	94,073,456	93,417,204	91,267,553
Business-type Activities				
Net investment in capital assets	119,511,518	109,119,154	100,691,199	97,008,636
Restricted	3,247,000	-	-	-
Unrestricted	33,651,992	39,021,474	40,314,705	38,169,684
Total Business-type Activities Net Position	156,410,510	148,140,628	141,005,904	135,178,320
Primary Government				
Net investment in capital assets	191,990,989	181,984,861	174,268,425	166,235,382
Restricted	12,259,749	9,055,544	8,680,384	7,919,693
Unrestricted	46,223,883	51,173,679	51,474,299	52,290,798
Total Primary Government Net Position	$ 250,474,621	$ 242,214,084	$ 234,423,108	$ 226,445,873

Source: Financial Statements

Table 1

Fiscal Year					
2021	2020	2019	2018	2017	2016
$ 68,307,217	$ 66,566,111	$ 66,499,781	$ 63,850,387	$ 61,255,089	$ 57,290,296
8,963,039	11,102,357	11,088,577	10,716,849	9,853,847	10,680,796
12,894,455	10,926,868	11,057,517	10,919,210	5,478,380	6,860,854
90,164,711	88,595,336	88,645,875	85,486,446	76,587,316	74,831,946
93,747,446	92,049,992	85,016,805	87,042,770	83,793,697	83,737,730
-	-	-	-	3,561,829	2,539,625
41,250,668	39,895,468	39,155,727	31,742,528	26,447,540	24,470,821
134,998,114	131,945,460	124,172,532	118,785,298	113,803,066	110,748,176
162,054,663	158,616,103	151,516,586	150,893,157	145,048,786	141,028,026
8,963,039	11,102,357	11,088,577	10,716,849	13,415,676	13,220,421
54,145,123	50,822,336	50,213,244	42,661,738	31,925,920	31,331,675
$ 225,162,825	$ 220,540,796	$ 212,818,407	$ 204,271,744	$ 190,390,382	$ 185,580,122

City of Hutchinson, Minnesota
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2025	2024	2023	2022
Expenses				
Governmental Activities				
General government	$ 3,379,592	$ 2,866,422	$ 2,729,988	$ 2,800,928
Public safety	6,497,410	6,277,883	6,066,021	5,620,281
Streets and highways	6,936,682	6,751,159	7,069,241	6,270,480
Culture and recreation	4,883,547	4,820,161	4,173,435	4,074,734
Housing and economic development	548,042	588,546	1,046,498	792,940
Miscellaneous	1,472,530	1,197,781	1,012,505	1,407,689
Interest on long-term debt	789,385	738,723	822,688	765,216
Total Governmental Activities Expenses	24,507,188	23,240,675	22,920,376	21,732,268
Business-type Activities				
Electric	29,653,869	27,930,393	28,468,795	31,264,423
Natural gas	11,703,130	11,325,169	11,609,401	13,282,561
Water	2,543,512	2,767,455	2,567,674	2,513,246
Sewer	3,341,583	3,505,360	3,092,710	3,027,022
Refuse	1,617,352	1,585,690	1,458,384	1,318,176
Composting	2,293,036	2,620,997	2,615,098	2,830,698
Storm water	783,021	831,213	911,947	739,985
Liquor	6,809,684	7,060,274	6,974,709	6,865,015
Total Business-type Activities Expenses	58,745,187	57,626,551	57,698,718	61,841,126
Total Primary Government Expenses	$ 83,252,375	$ 80,867,226	$ 80,619,094	$ 83,573,394
Program Revenues				
Governmental Activities				
Charges for services				
General government	$ 812,887	$ 755,789	$ 654,979	$ 664,180
Public safety	840,697	710,306	989,307	1,059,132
Streets and highways	1,023,756	781,591	864,339	876,346
Culture and recreation	1,298,182	1,317,825	1,360,797	1,335,675
Housing and economic development	113,911	54,110	78,787	97,244
Miscellaneous	355,279	389,153	284,967	311,443
Operating grants and contributions	2,407,403	2,304,013	3,601,631	2,350,909
Capital grants and contributions	1,114,264	1,103,452	1,170,545	741,494
Total Governmental Activities Program Revenues	7,966,379	7,416,239	9,005,352	7,436,423

Table 2

Fiscal Year 2021	2020	2019	2018	2017	2016
$ 2,490,920	$ 3,020,058	$ 2,435,032	$ 2,341,846	$ 2,391,495	$ 2,354,768
4,717,193	4,999,680	4,987,199	4,631,282	4,836,976	5,307,395
6,273,183	5,771,299	5,657,370	5,368,926	5,438,739	5,421,270
3,339,956	3,117,665	3,766,612	3,598,025	3,428,673	2,892,986
859,162	1,332,749	392,392	349,307	280,895	583,421
1,439,747	1,432,116	1,216,593	1,224,478	1,229,192	1,316,993
634,759	496,265	502,343	475,627	477,838	491,730
19,754,920	20,169,832	18,957,541	17,989,491	18,083,808	18,368,563
29,063,843	25,726,245	27,345,524	28,140,954	27,379,450	26,538,262
13,573,448	9,337,234	9,776,175	9,439,397	10,304,619	9,232,357
2,497,449	2,515,244	2,621,826	2,421,732	2,635,888	2,610,633
3,091,075	2,757,621	3,087,632	3,196,430	3,303,898	3,593,584
1,188,408	1,202,458	1,160,163	1,121,538	1,087,830	1,077,519
2,603,527	2,704,006	2,360,824	2,267,201	1,855,135	2,064,529
701,092	794,014	691,435	609,845	632,334	585,575
6,753,197	6,946,464	5,822,275	5,662,393	5,634,824	5,451,353
59,472,039	51,983,286	52,865,854	52,859,490	52,833,978	51,153,812
$ 79,226,959	$ 72,153,118	$ 71,823,395	$ 70,848,981	$ 70,917,786	$ 69,522,375
$ 625,642	$ 625,923	$ 677,525	$ 679,200	$ 696,494	$ 641,899
1,152,422	1,052,079	1,120,786	1,140,667	1,185,169	833,853
808,966	766,131	888,371	883,671	748,479	760,014
1,251,824	615,623	1,268,375	1,384,047	1,311,050	938,724
135,844	74,199	73,746	88,458	18,869	19,076
284,214	214,354	205,034	184,545	231,923	266,494
2,055,168	1,962,884	696,234	767,930	937,732	715,410
906,335	1,759,802	4,367,498	2,453,603	2,428,531	1,823,110
7,220,415	7,070,995	9,297,569	7,582,121	7,558,247	5,998,580

City of Hutchinson, Minnesota
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2025	2024	2023	2022
Program Revenues (Continued)				
Business-type Activities				
Charges for services				
Electric	$ 30,937,826	$ 27,722,633	$ 28,389,502	$ 30,510,654
Natural gas	14,666,393	15,012,598	13,863,451	15,449,276
Water	2,519,644	2,472,963	2,721,949	2,543,719
Sewer	3,984,166	4,135,840	4,083,883	3,319,500
Refuse	1,532,880	1,438,864	1,352,057	1,331,180
Composting	2,518,778	2,653,750	2,482,978	3,010,654
Storm water	1,208,220	1,120,086	1,087,903	1,053,858
Liquor	7,568,861	7,741,340	7,516,860	7,314,289
Operating grants and contributions	93,697	276,960	44,780	50,639
Capital grants and contributions	272,684	129,550	127,300	161,316
Total Business-type Activities Program Revenues	65,303,149	62,704,584	61,670,663	64,745,085
Total Primary Government Program Revenues	$ 73,269,528	$ 70,120,823	$ 70,676,015	$ 72,181,508
Net (Expense)/Revenue				
Governmental activities	$ (16,540,809)	$ (15,824,436)	$ (13,915,024)	$ (14,295,845)
Business-type activities	6,557,962	5,078,033	3,971,945	2,903,959
Total Primary Government Net Expense	$ (9,982,847)	$ (10,746,403)	$ (9,943,079)	$ (11,391,886)
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes				
Property taxes, levied for general purposes	$ 6,759,656	$ 6,392,729	$ 5,865,510	$ 5,624,438
Property taxes, levied for debt service	2,547,379	2,477,487	2,409,577	2,348,252
Tax increments	392,466	376,518	354,850	383,359
Hotel-motel tax	129,688	128,700	131,873	134,051
Payment in lieu of taxes	-	-	-	-
Franchise taxes	167,835	180,721	192,702	207,620
Grants and contributions not restricted to specific programs	3,104,142	3,184,441	3,861,329	2,962,464
Unrestricted investment earnings (loss)	975,840	866,744	916,254	(36,458)
Other revenues	-	-	1,725	2,074
Gain on sale of capital assets	71,245	658,960	98,284	50,007
Transfers	3,354,400	3,839,530	3,376,199	3,831,741
Transfers - capital assets	(971,187)	(1,625,142)	(1,143,628)	(108,861)
Total Governmental Activities	16,531,464	16,480,688	16,064,675	15,398,687
General Revenues and Other Changes in Net Position				
Business-type Activities				
Sales tax	1,913,580	1,963,236	1,880,647	1,947,530
Unrestricted investment earnings (loss)	2,036,207	1,956,722	2,125,693	(952,700)
Gain on sale of capital assets	145,346	351,121	81,870	4,297
Transfers	(3,354,400)	(3,839,530)	(3,376,199)	(3,831,741)
Transfers - capital assets	971,187	1,625,142	1,143,628	108,861
Total Business-type Activities	1,711,920	2,056,691	1,855,639	(2,723,753)
Total Primary Government	$ 18,243,384	$ 18,537,379	$ 17,920,314	$ 12,674,934
Changes in Net Position				
Governmental Activities	$ (9,345)	$ 656,252	$ 2,149,651	$ 1,102,842
Business-type Activities	8,269,882	7,134,724	5,827,584	180,206
Total Primary Government	$ 8,260,537	$ 7,790,976	$ 7,977,235	$ 1,283,048

Source: Financial Statements

Table 2 (Continued)

Fiscal Year 2021	2020	2019	2018	2017	2016
$ 29,763,957	$ 28,208,330	$ 27,965,283	$ 28,780,665	$ 27,804,162	$ 27,207,567
15,264,718	11,636,939	12,501,316	12,830,426	12,440,383	11,658,645
2,533,715	2,461,472	2,278,265	2,321,059	2,380,704	2,355,374
3,165,477	3,144,635	3,204,763	3,145,437	3,138,718	3,194,892
1,304,109	1,258,989	1,237,112	1,213,982	1,187,304	1,172,250
2,868,093	3,112,047	2,423,121	2,544,124	2,036,626	2,143,152
1,019,255	984,216	957,189	929,187	898,137	868,817
7,343,276	7,669,235	6,371,522	6,244,754	6,150,453	5,989,628
16,146	17,483	26,594	36,234	13,505	22,452
227,296	298,848	313,081	353,581	213,389	199,684
63,506,042	58,792,194	57,278,246	58,399,449	56,263,381	54,812,461
$ 70,726,457	$ 65,863,189	$ 66,575,815	$ 65,981,570	$ 63,821,628	$ 60,811,041
$ (12,534,505)	$(13,098,837)	$ (9,659,972)	$(10,407,370)	$(10,525,561)	$(12,369,983)
4,034,003	6,808,908	4,412,392	5,539,959	3,429,403	3,658,649
$ (8,500,502)	$ (6,289,929)	$ (5,247,580)	$ (4,867,411)	$ (7,096,158)	$ (8,711,334)
$ 5,436,822	$ 5,288,603	$ 5,131,925	$ 4,967,617	$ 4,742,969	$ 4,597,702
2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000
296,729	207,626	165,193	234,200	271,574	293,878
124,033	86,660	110,155	103,941	100,864	95,133
-	-	-	260,624	248,213	236,393
212,832	192,677	189,233	194,967	192,976	196,777
2,646,782	2,577,193	2,421,043	2,428,676	2,316,429	2,306,470
68,252	539,587	692,739	252,723	155,127	89,916
5,077	-	-	5,939,376	18,050	269,357
138,006	97,194	59,757	46,440	242,024	106,699
3,030,570	1,858,758	1,849,356	2,677,936	1,994,792	2,603,373
(169,091)	-	-	-	-	-
13,990,012	13,048,298	12,819,401	19,306,500	12,483,018	12,995,698
1,751,928	1,571,978	1,537,844	1,482,066	1,308,598	1,270,814
25,400	1,130,054	1,183,696	595,182	265,281	88,542
102,802	120,746	102,658	42,961	117,365	84,046
(3,030,570)	(1,858,758)	(1,849,356)	(2,677,936)	(1,994,792)	(2,603,373)
169,091	-	-	-	-	-
(981,349)	964,020	974,842	(557,727)	(303,548)	(1,159,971)
$ 13,008,663	$ 14,012,318	$ 13,794,243	$ 18,748,773	$ 12,179,470	$ 11,835,727
$ 1,455,507	$ (50,539)	$ 3,159,429	$ 8,899,130	$ 1,957,457	$ 625,715
3,052,654	7,772,928	5,387,234	4,982,232	3,125,855	2,498,678
$ 4,508,161	$ 7,722,389	$ 8,546,663	$ 13,881,362	$ 5,083,312	$ 3,124,393

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City of Hutchinson, Minnesota
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 3

Fiscal Year	Property Taxes: Levied for General Purposes	Property Taxes: Levied for Debt Service	Tax Increments	Hotel-Motel Tax	Payment in Lieu of Tax	Franchise Tax	Total
2025	$ 6,759,656	$ 2,547,379	$ 392,466	$ 129,688	$ -	$ 167,835	$ 9,997,024
2024	6,392,729	2,477,487	376,518	128,700	-	180,721	9,556,155
2023	5,865,510	2,409,577	354,850	131,873	-	192,702	8,954,512
2022	5,624,438	2,348,252	383,359	134,051	-	207,620	8,697,720
2021	5,436,822	2,200,000	296,729	124,033	-	212,832	8,270,416
2020	5,288,603	2,200,000	207,626	86,660	-	192,677	7,975,566
2019	5,131,925	2,200,000	165,193	110,155	-	189,233	7,796,506
2018	4,967,617	2,200,000	234,200	103,941	260,624	194,967	7,961,349
2017	4,742,969	2,200,000	271,574	100,864	248,213	192,976	7,756,596
2016	4,597,702	2,200,000	293,878	95,133	236,393	196,777	7,619,883

Source: Financial Statements

City of Hutchinson, Minnesota
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2025	2024	2023	2022
General Fund				
Nonspendable	$ 59,044	$ 39,045	$ 153,714	$ 10,091
Restricted	-	-	-	-
Committed	8,274,329	7,854,865	7,444,700	5,741,774
Assigned	-	-	-	-
Unassigned	744,510	745,108	726,817	2,133,808
Total General Fund	$ 9,077,883	$ 8,639,018	$ 8,325,231	$ 7,885,673
All Other Governmental Funds				
Nonspendable, reported in				
Special revenue funds	$ -	$ -	$ -	$ -
Capital projects funds	-	-	-	-
Restricted, reported in				
Debt service funds	4,210,928	4,405,423	4,313,296	4,245,435
Special revenue funds	2,556,275	2,456,383	2,572,311	2,718,305
Capital projects funds	395,835	583,418	1,429,782	28,273
Committed, reported in				
Special revenue funds	1,208,212	1,162,388	1,194,769	596,040
Capital projects funds	360,230	443,459	448,842	1,470,661
Assigned, reported in				
Special revenue funds	-	-	-	506,499
Capital projects funds	5,627,694	5,750,955	6,060,033	4,476,797
Unassigned, reported in				
Special revenue funds	(427,729)	(776,293)	(753,489)	(769,629)
Capital projects funds	(217,125)	(515,961)	(1,742,860)	(693,955)
Total All Other Governmental Funds	$ 13,714,320	$ 13,509,772	$ 13,522,684	$ 12,578,426

Source: Financial Statements

Table 4

Fiscal Year					
2021	2020	2019	2018	2017	2016
$ 4,347	$ 11,371	$ 5,762	$ 2,110	$ 275	$ 4,959
-	220,052	226,754	59,514	59,514	56,607
5,585,597	5,478,457	5,381,040	5,249,917	5,544,809	5,266,128
-	-	-	113,413	113,413	113,413
2,752,309	2,455,617	2,011,107	1,823,781	1,001,811	1,219,563
$ 8,342,253	$ 8,165,497	$ 7,624,663	$ 7,248,735	$ 6,719,822	$ 6,660,670
$ -	$ 1,573	$ 260	$ -	$ -	$ -
-	1,062	-	-	-	-
4,801,759	6,162,692	5,998,978	5,591,291	5,183,989	5,481,226
2,984,407	3,107,146	3,328,125	3,330,716	2,904,796	3,088,961
5,598,270	-	-	-	-	8,999
577,537	583,392	106,017	110,737	118,531	830,372
1,636,785	2,584,308	3,507,022	3,009,837	-	236,293
506,602	453,821	644,870	583,327	566,448	506,798
5,164,053	4,471,954	5,026,875	5,253,983	2,037,769	2,577,499
(748,604)	(728,961)	(744,370)	(1,488,413)	(749,137)	(298,639)
(702,059)	(1,189,852)	(961,767)	(156,631)	(199,567)	(273,711)
$ 19,818,750	$ 15,447,135	$ 16,906,010	$ 16,234,847	$ 9,862,829	$ 12,157,798

City of Hutchinson, Minnesota

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2025	2024	2023	2022
Revenues				
Taxes	$ 10,014,567	$ 9,516,897	$ 8,955,547	$ 8,676,773
Special assessments	799,440	446,957	481,036	411,320
Intergovernmental revenue	5,892,853	4,827,676	9,290,421	4,377,513
Licenses and permits	531,322	418,429	363,240	492,165
Charges for services	3,141,088	2,896,269	3,140,993	3,111,017
Fines and forfeits	43,585	50,809	52,141	52,902
Investment earnings (loss)	983,685	832,683	881,480	(40,158)
Other revenues	910,882	907,300	815,643	1,162,041
Total Revenues	22,317,422	19,897,020	23,980,501	18,243,573
Expenditures				
General government	2,808,809	2,799,988	2,535,334	2,592,288
Community development	476,686	516,185	865,513	674,314
Public safety	5,892,958	5,466,472	5,430,066	5,092,717
Streets and highways	2,835,370	2,629,060	2,598,416	2,646,335
Culture and recreation	3,666,269	3,710,441	3,257,602	3,271,087
Miscellaneous	917,750	928,128	809,630	1,136,753
Capital outlay*	7,811,703	7,342,162	10,329,872	17,378,367
Debt service				
Principal	2,140,000	2,010,000	1,985,000	2,465,000
Interest	861,908	865,171	798,405	649,649
Bond issuance costs	76,763	79,372	63,012	148,090
Total Expenditures	27,488,216	26,346,979	28,672,850	36,054,600
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,170,794)	(6,449,959)	(4,692,349)	(17,811,027)
Other Financing Sources (Uses)				
Sale of capital assets	71,245	658,960	98,284	7,950
Transfers in	4,433,639	5,397,396	6,340,740	5,493,791
Transfers out	(1,079,239)	(1,557,866)	(1,813,749)	(1,639,050)
Bonds issued	2,195,000	2,075,000	1,350,000	5,885,000
Premium on bonds issued	193,562	177,344	100,890	366,432
Total Other Financing Sources (Uses)	5,814,207	6,750,834	6,076,165	10,114,123
Net Change in Fund Balances	$ 643,413	$ 300,875	$ 1,383,816	$ (7,696,904)
Debt Service as a Percentage of Noncapital Expenditures	14.46%	14.44%	14.14%	24.05%

Source: Financial Statements
* The capital outlay is broken down in the ACFR's by function of government but consolidated on this table.

Table 5

	Fiscal Year					
	2021	2020	2019	2018	2017	2016
	$ 8,197,347	$ 7,793,254	$ 7,452,325	$ 7,371,440	$ 6,868,189	$ 7,378,523
	614,314	612,621	923,986	1,088,178	781,191	2,812,394
	4,665,768	4,697,226	6,904,746	5,013,658	4,798,875	1,904,422
	564,539	505,409	529,002	561,655	686,987	281,559
	2,958,696	2,183,064	2,916,389	2,772,324	2,604,636	2,192,444
	45,356	45,158	67,225	55,989	50,233	45,588
	127,619	494,380	631,050	218,938	134,569	74,374
	940,026	574,710	857,919	7,242,496	1,161,766	1,275,922
	18,113,665	16,905,822	20,282,642	24,324,678	17,086,446	15,965,226
	2,464,006	2,589,239	2,329,239	2,254,302	2,182,465	2,101,566
	775,348	1,259,893	319,328	278,181	242,142	575,177
	5,211,278	4,779,423	4,758,499	4,723,644	4,457,700	4,208,847
	2,416,990	2,451,698	2,598,778	2,453,797	2,163,764	2,108,807
	2,963,694	2,410,610	2,939,353	2,933,982	2,855,857	2,392,960
	1,105,590	1,069,735	973,641	914,299	892,511	972,558
	6,933,954	6,844,765	9,072,931	7,022,252	9,521,627	8,455,158
	4,490,000	2,015,000	2,110,000	1,970,000	1,835,000	2,150,000
	510,255	513,545	489,069	475,741	434,866	458,736
	143,484	45,400	54,307	36,057	63,431	43,495
	27,014,599	23,979,308	25,645,145	23,062,255	24,649,363	23,467,304
	(8,900,934)	(7,073,486)	(5,362,503)	1,262,423	(7,562,917)	(7,502,078)
	41,628	2,500	2,500	6,495	107,222	2,915
	4,776,388	4,659,144	3,779,206	4,193,817	5,585,344	5,926,322
	(1,699,818)	(1,025,067)	(183,091)	(1,006,288)	(2,893,680)	(3,203,949)
	9,620,000	2,405,000	2,675,000	2,395,000	2,445,000	2,435,000
	711,107	-	135,979	49,484	83,214	64,108
	13,449,305	6,041,577	6,409,594	5,638,508	5,327,100	5,224,396
	$ 4,548,371	$ (1,031,909)	$ 1,047,091	$ 6,900,931	$ (2,235,817)	$ (2,277,682)
	13.84%	15.19%	14.74%	14.09%	16.15%	23.86%

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City of Hutchinson, Minnesota
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Table 6

Fiscal Year Ended December 31	Residential Property	Commercial Property	Personal Property	Total Taxable Assessed Value	Estimated [1] Actual Taxable Value	Total Direct Tax Rate
2025	$ 1,197,343,000	$ 244,294,000	$ 1,215,600	$ 1,442,852,600	$1,518,792,211	56.527
2024	1,181,151,200	171,676,000	1,086,900	1,353,914,100	1,425,172,737	54.324
2023	1,142,095,200	165,748,600	1,385,700	1,309,229,500	1,378,136,316	53.653
2022	1,077,965,200	163,175,100	2,236,300	1,243,376,600	1,308,817,474	60.407
2021	1,016,610,700	164,429,000	1,995,700	1,183,035,400	1,245,300,421	63.882
2020	898,916,100	165,297,600	1,874,300	1,066,088,000	1,122,197,895	66.473
2019	771,174,100	149,313,600	1,879,200	922,366,900	970,912,526	67.045
2018	740,142,000	151,192,700	1,889,700	893,224,400	940,236,211	71.141
2017	677,811,800	187,632,100	1,673,200	867,117,100	912,754,842	71.953
2016	646,911,200	186,475,400	1,681,000	835,067,600	879,018,526	73.966

Source: County Auditors Office

Note: [1] According to the Minnesota Department of Revenue, the Assessor's Taxable Market Value for the City of Hutchinson is about 104% of the actual selling prices of property most recently sold in the City. Estimated actual taxable value is calculated by dividing assessed value by the percent (104%). Valuations are determined as of January 1st of the year preceding the tax collection year. Amounts are shown for the year in which taxes are payable. Assessed value is prior to Fiscal Disparity and Tax Increment District Adjustments.

City of Hutchinson, Minnesota

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

	City of Hutchinson			Overlapping Rates County		
Fiscal Year	Operating	Debt Service	Total City	Operating	Debt Service	Total County
2025	41.004	15.523	56.527	43.902	1.643	45.545
2024	39.092	15.232	54.324	44.737	2.432	47.169
2023	37.972	15.681	53.653	47.889	2.720	50.609
2022	42.573	17.834	60.407	54.257	3.277	57.534
2021	45.464	18.418	63.882	55.112	3.445	58.557
2020	46.867	19.606	66.473	56.305	3.504	59.809
2019	46.867	20.178	67.045	55.248	2.634	57.882
2018	49.139	22.002	71.141	54.253	1.881	56.134
2017	49.182	22.771	71.953	51.660	1.932	53.592
2016	50.112	23.854	73.966	51.002	1.952	52.954

Source: McLeod County Auditor and Treasurers Office

Table 7

Overlapping Rates						
School District						Total
				Total	Total	Direct and
	Debt	Total	Special	Direct	Overlapping	Overlapping
Operating	Service	School	Districts	Rates	Rates	Rates
5.873	18.164	24.037	2.903	56.527	72.485	129.012
4.510	19.564	24.074	2.858	54.324	74.101	128.425
3.395	21.428	24.823	2.901	53.653	78.333	131.986
7.568	22.947	30.515	3.446	60.407	91.495	151.902
8.746	24.798	33.544	3.559	63.882	95.660	159.542
6.992	27.261	34.253	3.612	66.473	97.674	164.147
8.685	14.870	23.555	3.581	67.045	85.018	152.063
8.206	17.005	25.211	3.608	71.141	84.953	156.094
8.037	17.452	25.489	3.609	71.953	82.690	154.643
9.600	17.772	27.372	3.659	73.966	83.985	157.951

City of Hutchinson, Minnesota
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 8

		2025			2016		
Taxpayer	Type of Business	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
3M Company (MN Mining & Mfg)	Manufacturing	$14,858,000	1	1.03 %	$16,007,200	1	1.93 %
Sterling Properties LLLP	Apartments	11,764,900	2	0.82	4,585,700	6	0.55
City of Hutchinson	Retail Building	10,215,900	3	0.71	3,991,400	7	0.48
Menards, Inc	Commercial/Retail	9,374,200	4	0.65	6,961,900	4	0.83
Hutch Ward II LLC	Apartments	9,153,500	5	0.63			
Wal-Mart	Commercial/Retail	7,646,900	6	0.53	7,702,200	3	0.92
GF (Formerly Uponor)	Manufacturing	6,755,500	7	0.47			
Spirit Realty LP	Industrial	5,798,800	8	0.40			
Bear Paw Properties	Senior Living	5,766,100	9	0.40			
Target (Dayton Hudson Corp)	Commercial/Retail	4,925,400	10	0.34	5,292,700	5	0.63
TDK Corporation (formerly HTI)	Manufacturing				9,623,200	2	1.15
NuCrane Manufacturing	Manufacturing				3,964,100	8	0.47
Crow River Apartments Limited	Apartments				3,955,100	9	0.47
Coborn Realty Co / Cash Wise Foods	Commercial/Grocery				3,417,900	10	0.41
Total		$ 86,259,200		5.98 %	$ 65,501,400		7.84 %

Source: McLeod County Auditors Office

City of Hutchinson, Minnesota
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 9

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2025	$ 9,276,413	$ 9,196,843	99.14 %	$ -	$9,196,843	99.14 %
2024	8,835,923	8,741,499	98.93	65,664	8,807,163	99.67
2023	8,244,328	8,149,683	98.85	80,628	8,230,311	99.83
2022	7,953,808	7,851,755	98.72	98,537	7,950,292	99.96
2021	7,630,779	7,563,984	99.12	64,225	7,628,209	99.97
2020	7,458,910	7,414,433	99.40	43,990	7,458,423	99.99
2019	7,310,005	7,278,548	99.57	31,457	7,310,005	100.00
2018	7,113,466	7,088,464	99.65	23,963	7,112,427	99.99
2017	6,951,796	6,905,665	99.34	45,111	6,950,776	99.99
2016	6,769,035	6,720,677	99.29	47,376	6,768,053	99.99

Source: McLeod County Tax Settlements and City of Hutchinson Finance Department

City of Hutchinson, Minnesota
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities		
Fiscal Year	General Obligation Bonds	Special Assessment Bonds	Notes Payable
2025	$ 13,564,132	$ 15,105,924	$ -
2024	14,384,790	14,195,846	-
2023	14,012,986	14,531,073	-
2022	14,505,753	14,653,341	-
2021	8,272,088	17,236,498	-
2020	-	19,895,195	-
2019	-	19,857,912	30,000
2018	-	19,515,584	60,000
2017	-	19,676,467	90,000
2016	-	19,003,047	120,000

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Outstanding General Obligation Revenue Bonds are a combination of Water and Sewer Bonds and Minnesota Public Facilities Authority (MPFA) Drinking Water Revolving Fund loans. The Funds from the MPFA are being used to build a new water treatment facility.

(2) Outstanding Revenue Bonds reflect bonds issued by the City owned by Public Utilities

(3) Business-type financed purchase arrangements reflect equipment in Water, Sewer, Refuse and Compost funds, and the Public Utility Commission.

(4) Includes refunded bonds of $15,195,000

Table 10

Business-type Activities					
General Obligation Revenue Bonds [(1)]	Revenue Bonds [(2)]	Financed Purchase Arrangements [(3)]	Total Primary Government	Percentage of Personal Income	Per Capita
$ 5,796,097	$ 14,398,836	$ -	$ 48,864,989	5.13 %	$ 3,291
8,604,862	17,387,901	71,666	54,645,065	5.99	3,686
11,544,993	20,261,972	141,251	60,492,275	7.10	4,080
14,358,762	23,036,034	208,816	66,762,706	7.83	4,440
17,170,528	25,685,097	274,418	68,638,629	8.87	4,668
15,815,368	28,144,162	423,600	64,278,325	8.95	4,403
21,369,536	30,463,228	568,643	72,289,319	10.31	5,062
20,934,620	32,677,293	249,644	73,437,141	10.76	5,150
21,817,341	34,191,359 (4)	384,487	76,159,654	11.98	5,368
24,240,591	18,845,615	133,865	62,343,118	10.12	4,407

City of Hutchinson, Minnesota
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 11

Fiscal Year	General Obligation Bonds	Special Assessment Bonds	Revenue Bonds	Less: Amounts Paid from Proprietary Revenue	Less: Amounts Available in Debt Service Fund	Total	Percentage of Total Taxable Assessed [1] Value of Property	Per Capita
2025	$ 19,360,229	$ 15,105,924	$ 14,398,836	$ 20,194,933	$ 4,210,928	$ 24,459,128	1.70 %	$ 1,647
2024	22,989,652	14,195,846	17,387,901	25,992,763	4,405,423	24,175,213	1.79	1,631
2023	25,557,979	14,531,073	20,261,972	31,806,965	4,313,296	24,230,763	1.85	1,634
2022	28,864,515	14,653,341	23,036,034	37,394,796	4,245,435	24,913,659	2.00	1,657
2021	25,442,616	17,236,498	25,685,097	42,855,625	4,801,759	20,706,827	1.75	1,408
2020	15,815,368	19,895,195	28,144,162	43,959,530	6,162,692	13,732,503	1.29	941
2019	21,369,536	19,857,912	30,463,228	51,832,764	5,998,978	13,858,934	1.50	970
2018	20,934,620	19,515,584	32,677,293	53,611,913	5,591,291	13,924,293	1.56 .	976
2017	21,817,341	19,676,467	34,191,359	56,008,700	5,183,989	14,492,478	1.67	1,021
2016	24,240,591	19,003,047	18,845,615	43,086,206	5,481,226	13,521,821	1.62	956

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1] See Table 6 for property value data.

City of Hutchinson, Minnesota

Computation of Direct and Overlapping Governmental Activities Debt

December 31, 2025

Table 12

Governmental Unit	Debt Outstanding [1]	Estimated Percentage Applicable [2]	Estimated Share of Overlapping Debt
Direct Debt			
City of Hutchinson	$ 28,670,056	100.00 %	$ 28,670,056
Overlapping Debt			
McLeod County	12,714,531	25.65	3,261,105
Independent School Dist. 423	78,815,000	60.59	47,755,909
Total Overlapping Debt	91,529,531		51,017,014
Total Direct and Overlapping Debt	$120,199,587		$ 79,687,070

Sources : [1] Outstanding debt data provided by the City, McLeod County Auditors Office and ISD #423.
[2] Estimated percentages come from the Local Taxable Tax Capacity numbers supplied annually by the McLeod County Auditors Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Hutchinson. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

City of Hutchinson, Minnesota
Legal Debt Margin Information
Last Ten Fiscal Years

	2025	2024	2023	2022
Assessed Value	$1,442,852,600	$1,353,914,100	$1,309,229,500	$1,243,376,600
(See Table 6)				
Legal Debt Limit				
Debt limit (3% of assessed value)	43,285,578	40,617,423	39,276,885	37,301,298
Debt Applicable to Limit:				
(See Table 10)				
General Obligation Bonds	13,564,132	14,384,790	14,012,986	14,505,753
Less: Amount reserved for repayment of general obligation debt	(4,210,928)	(4,405,423)	(4,313,296)	(4,245,435)
Total Net Debt Applicable to Limit	9,353,204	9,979,367	9,699,690	10,260,318
Legal Debt Margin	$ 33,932,374	$ 30,638,056	$ 29,577,195	$ 27,040,980
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	21.61%	24.57%	24.70%	27.51%

Source: Assessed values are provided by McLeod County Auditor's Office.

Note: Minn. Stat. Section 475.53, subd. 1 states that except as otherwise provided in Minn. Stat. Sections 474.74 to 475.51, no municipality except a school district or a city of the first class, shall incur or be subject to a net debt in excess of three percent of the estimated market value.

Table 13

2021	2020	2019	2018	2017	2016
$1,183,035,400	$1,066,088,000	$ 922,366,900	$ 893,224,400	$ 867,117,100	$ 835,067,600
35,491,062	31,982,640	27,671,007	26,796,732	26,013,513	25,052,028
8,272,088	-	-	-	-	-
(4,801,759)	(6,162,692)	(5,998,978)	(5,591,291)	(5,183,989)	(5,481,226)
3,470,329	(6,162,692)	(5,998,978)	(5,591,291)	(5,183,989)	(5,481,226)
$ 32,020,733	$ 38,145,332	$ 33,669,985	$ 32,388,023	$ 31,197,502	$ 30,533,254
9.78%	-19.27%	-21.68%	-20.87%	-19.93%	-21.88%

City of Hutchinson, Minnesota
Pledged-Revenue Coverage
Last Ten Fiscal Years

Year	Utility Revenue Bonds [1]					
	Operating Revenues	Operating Expenses[2]	Net Revenue Available for Debt Service	Debt Service Requirements		Coverage
				Principal	Interest	
2025	$ 52,978,153	$ 47,507,180	$ 5,470,973	$ 5,560,666	$ 867,929	0.85
2024	49,199,951	45,653,353	3,546,598	5,574,955	1,057,132	0.53
2023	49,728,837	45,764,424	3,964,413	5,346,565	1,237,284	0.60
2022	52,600,144	49,786,385	2,813,759	5,217,602	1,389,589	0.43
2021	51,506,805	47,741,114	3,765,691	5,034,182	1,456,574	0.58
2020	44,458,646	39,878,458	4,580,188	7,746,043	1,611,375	0.49
2019	46,727,885	41,989,301	4,738,584	4,680,776	1,808,777	0.73
2018	47,793,436	42,208,203	5,585,233	3,892,843	1,891,142	0.97
2017	46,345,385	42,834,203	3,511,182	4,372,655	1,600,041	0.59
2016	44,808,639	41,281,522	3,527,117	3,731,422	1,544,312	0.67

Source: City of Hutchinson Financial Records

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Utility Revenue Bonds include Water, Sewer, Storm Water and Public Utilities Commission funds
(excludes the Municipal Liquor Store, Composting and Refuse funds which have no outstanding debt service requirements)

(2) Total operating expenses exclusive of depreciation

(3) Debt service requirements for special assessment bonds issued comes from a combination of tax collections, which includes tax credits from the State of Minnesota and special assessment collections.

Table 14

G.O. Bonds				Special Assessment Bonds			
	Debt Service Requirements			Special Assessment and	Debt Service Requirements		
Tax Collections	Principal	Interest	Coverage	Tax Collections(3)	Principal	Interest	Coverage
$ -	$ -	$ -	-	$ 2,965,124	$ 2,140,000	$ 831,204	1.00
-	-	-	-	2,828,401	2,010,000	820,190	1.00
-	-	-	-	2,790,181	1,985,000	770,323	1.01
297	550	2,650	0.09	2,685,876	2,465,000	601,680	0.88
59,787	2,650	7,300	6.01	2,721,594	4,490,000	475,690	0.55
188,511	7,300	13,650	9.00	2,578,243	1,985,000	483,982	1.04
336,420	13,650	23,138	9.14	2,767,674	2,080,000	463,555	1.09
358,995	23,138	-	-	2,601,776	1,940,000	434,862	1.10
-	-	-	-	2,151,946	1,805,000	416,431	0.97
-	-	-	-	3,379,975	2,120,000	415,406	1.33

City of Hutchinson, Minnesota
Demographic and Economic Statistics
Last Ten Fiscal Years

Table 15

Fiscal Year	Population (1)	Personal (2) Income		Per Capita Personal Income	School (3) Enrollment (K-12)	Unemployment Rate (4)	State Unemployment Rate (4)	National Unemployment Rate (4)	
2025	14,850	$ 952,864,534	(5)	64,168	2,671	4.0	3.9	4.3	%
2024	14,826	911,860,124		61,504	2,722	3.2	3.0	4.0	
2023	14,828	852,335,288		57,481	2,783	3.1	2.8	3.6	
2022	15,037	852,912,942		56,721	2,761	2.4	2.7	3.6	
2021	14,703	773,937,743		52,638	2,756	3.5	3.4	5.3	
2020	14,599	717,936,823		49,177	2,761	5.7	6.2	8.1	
2019	14,282	701,366,248		49,108	2,916	3.7	3.2	3.7	
2018	14,260	682,417,700		47,855	2,944	3.0	3.0	3.9	
2017	14,188	635,803,704		44,813	2,958	3.4	3.4	4.4	
2016	14,146	616,179,032		43,559	2,968	4.2	3.9	4.9	

Data Sources: (1) United States Census Bureau or Minnesota State Demographer.

(2) Personal Income is estimated based on McLeod County numbers, McLeod County population and City of Hutchinson Population.

(3) Minnesota Department of Education.

(4) Minnesota Department of Employment and Economic Development (DEED); average annual rates

(5) 2025 data is not available at time of publication; these are estimated totals

City of Hutchinson, Minnesota
Principal Employers
Current Year and Nine Years Ago

Table 16

	2025 (1)			2016 (2)		
Employer	Employees (4)	Rank	Percentage of Total County Employment (4)	Employees (3)	Rank	Percentage of Total County Employment (4)
3M Corporation	1,327	1	6.84 %	1,675	1	8.81 %
Hutchinson Area Health Care	512	2	2.64	665	2	3.50
Wal-Mart	290	3	1.49	280	6	1.47
Resonetics	199	4	1.03			
City of Hutchinson	175	5	0.90	295	5	1.55
Menards	132	6	0.68	144	10	0.76
Cash Wise Foods	125	7	0.64	180	8	0.95
Ridgewater College	125	8	0.64			
Target	120	9	0.62			
Warrior Mfg	93	10	0.48			
Hutchinson Schools - ISD 423				484	4	2.55
TDK Corporation (formerly HTI)				592	3	3.12
Customer Elations				190	7	1.00
National Guard Recruiting				150	9	0.79
Total	3,098		15.96 %	4,655		24.50 %

Sources: (1) 2025 Offering Statement on Municipal Bonds sold.
(2) 2016 Offering Statement on Municipal Bonds sold.
(3) Includes full-time, part-time and seasonal employees.
(4) Percentages are compiled based on Total County employment and come from the Minnesota Department of Employment and Economic Development.

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City of Hutchinson, Minnesota
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Table 17

Function/Program	Full-time Equivalent Employees as of December 31									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General government										
Mayor & City Council [1]	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Administration	3.38	3.38	3.38	3.58	3.39	3.48	3.24	3.24	3.25	3.17
Finance	3.00	3.00	3.00	3.01	2.86	3.09	2.99	2.99	2.93	2.98
Attorney	1.50	1.50	1.52	1.53	1.52	1.53	1.49	1.52	1.50	1.50
Planning & zoning	1.31	1.20	1.31	1.70	1.20	1.25	1.20	1.17	1.30	1.22
Information services	3.00	3.00	3.01	3.02	3.02	3.01	2.68	2.77	3.00	3.00
Motor vehicle	4.66	4.11	3.76	4.11	3.93	3.90	3.97	3.82	3.72	3.28
Building maintenance	1.00	1.00	1.00	1.00	1.00	1.04	1.00	1.00	1.19	0.69
Cemetery	1.00	1.00	1.02	2.26	1.01	1.38	1.10	1.02	1.33	0.96
Public safety										
Police										
Officers	24.82	23.61	24.96	24.44	25.89	23.66	23.26	22.79	21.91	21.63
Civilians	6.02	6.17	10.60	10.32	11.15	15.60	15.33	17.34	16.53	15.59
Fire										
Firefighters and officers [2]	6.59	5.49	6.44	5.25	5.72	5.51	5.31	4.62	4.98	4.98
Building inspection	3.52	3.52	3.45	2.80	3.25	3.32	3.91	3.30	2.97	2.50
Streets and highways										
Engineering	4.27	3.06	3.43	3.12	3.39	4.24	3.71	3.73	3.82	3.77
Maintenance	8.93	9.58	8.16	7.31	7.81	7.76	7.77	7.87	7.20	7.05
Culture and recreation										
Parks [3]	28.63	30.12	29.43	31.09	28.71	20.48	31.16	33.45	34.84	23.48
Economic development	1.16	1.11	1.20	1.31	1.36	1.35	1.36	1.67	1.42	1.53
Transportation										
Airport & bus drivers	0.50	0.50	0.57	0.57	0.56	0.55	0.56	0.50	0.20	0.34
Liquor	14.07	14.00	13.66	12.98	12.82	13.19	12.32	12.72	12.52	11.55
Water	5.51	6.18	5.99	5.86	5.52	5.88	5.82	5.90	6.03	7.65
Sewer	9.13	8.27	8.20	8.43	8.59	8.88	8.44	8.50	7.50	6.64
Refuse	3.96	2.73	3.27	2.28	2.30	2.34	2.44	2.51	2.49	1.58
Storm water	1.95	1.71	2.89	3.44	3.20	3.35	2.96	2.34	2.76	2.71
Composting	7.27	8.08	7.46	6.09	6.98	7.27	6.59	6.06	5.99	5.57
Natural gas	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Electric	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00	36.00
Total	195.18	192.32	197.71	195.50	195.18	192.06	198.61	200.83	199.38	183.37

Source: City of Hutchinson Budget Books and Public Utilities Commission

[1] The City of Hutchinson is comprised of one mayor and four council members. These numbers do not reflect full-time equivalent hours based on actual yearly full-time hours worked.
[2] Paid-on-call volunteer firefighters are reflected in full-time equivalent hours on a yearly basis.
[3] Seasonal employees were added in 2017 for the new aquatic center operations.

City of Hutchinson, Minnesota
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year 2025	2024	2023	2022
General government				
Permits issued	1,114	1,133	1,079	899
Building inspections	1,474	2,126	1,956	1,913
Public safety				
Police				
Incidents (calls for service)	13,443	13,453	15,331	15,709
Arrests	323	381	421	401
Citations	464	549	622	730
Fire				
Number of calls answered	579	522	516	497
Code inspections	59	73	87	77
Training hours	3,103	2,475	3,277	3,073
Highways and streets				
Street reconstruction (miles)	1.52	1.00	1.00	1.00
Street resurfacing (miles)	-	-	2.20	1.00
Patching material used (tons)	110	156	447	124
Sanitation				
Raw incoming (tons)				
Source separated organics	1,478	1,336	1,356	1,355
Leaves, grass, and other wastes	7,403	8,007	6,899	7,010
Culture and recreation				
Athletic field maintenance hours	2,285	2,605	2,487	2,680
Ice time sold	1,920	2,298	2,362	1,988
Pool admissions (2)	30,808	35,234	38,816	43,120
Shelters reserved	554	579	526	544
Water				
Average daily consumption (in gallons)	1,324,500	1,287,000	1,433,500	1,476,900
Wastewater				
Average daily sewage treatment MGD (million gallons/day)	2.14	2.00	2.04	1.96
Public Utilities				
Kilowatt hours (KWH) generated	70,977,000	38,031,000	56,795,000	43,733,000
Natural gas purchased and generated (MCF)	2,196,817	1,745,716	2,015,172	2,132,094
Liquor				
Liquor store sales volume ($)	7,561,174	7,729,489	7,507,127	7,298,303

Sources: Various City departments and Public Utilities Commission

(1) The outdoor pool was closed in 2016 and a new outdoor aquatic center opened in 2017.
(2) The majority of City functions and programs in 2020 were severely and negatively impacted by the COVID-19 pandemic.

Table 18

Fiscal Year					
2021	2020 (2)	2019	2018	2017	2016 (1)
1,060	1,154	1,038	1,424	2,291	1,089
2,099	2,275	3,685	2,737	3,029	1,415
16,329	17,459	20,042	20,116	18,913	17,152
365	360	458	481	422	372
511	631	892	845	757	802
498	484	463	492	532	505
51	46	254	306	233	218
3,066	2,203	3,403	2,793	3,078	3,018
1.00	0.70	1.59	1.35	1.29	1.63
1.00	1.00	3.79	6.09	0.24	8.25
216	399	345	148	123	183
1,437	1,612	1,494	1,597	1,677	1,785
6,728	6,796	7,148	8,292	7,648	8,227
2,475	707	3,271	3,281	2,994	2,811
1,709	1,003	2,134	2,180	2,120	2,222
40,687	-	41,470	48,623	54,937	-
109	249	524	440	439	522
1,506,900	1,490,200	1,356,900	1,347,500	1,430,400	1,418,500
1.91	2.00	2.65	2.28	2.43	2.54
48,269,000	19,844,000	22,900,000	34,524,000	28,605,000	35,823,000
1,988,268	1,770,463	1,925,515	1,937,455	1,854,437	1,817,631
7,334,887	7,666,596	6,369,376	6,242,500	6,148,149	5,986,472

City of Hutchinson, Minnesota
Capital Asset and Infrastructure Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year 2025	2024	2023	2022
General government				
City center	1	1	1	1
Public safety				
Police:				
Stations	1	1	1	1
Patrol units	12	12	12	12
Fire:				
Stations	1	1	1	1
Vehicles	9	9	9	9
Highways and streets				
Miles of street	78	78	78	77
Bridges	6	6	6	6
Parks and recreation				
Parks	41	41	41	41
Area in acres	401	401	401	401
Indoor ice arena	2	2	2	2
Recreation center (includes pool)	1	1	1	1
Event center	1	1	1	1
Compost/Refuse				
Compost buildings	2	2	2	2
Liquor				
Liquor store building	1	1	1	1
Utilities				
Municipal water:				
Water treatment plant	1	1	1	1
Water towers	3	3	3	3
Miles of water main	103	103	103	103
Municipal sanitary sewer:				
Wastewater treatment buildings	8	8	8	8
Miles of sanitary sewer	92	92	92	92
Number of lift stations	15	15	15	15
Storm sewer				
Holding ponds and lakes	56	55	57	57
Electric division				
Miles of transmission lines	17	17	17	17
Number of substations (1)	6	6	6	6
Natural gas division				
Miles of gas lines	301	299	297	297

Source: Various City departments and capital asset system

Table 19

Fiscal Year					
2021	2020	2019	2018	2017	2016
1	1	1	1	1	1
1	1	1	1	1	1
12	12	12	12	12	11
1	1	1	1	1	1
9	9	9	9	8	9
77	77	77	77	77	77
6	6	6	6	6	6
41	41	41	41	37	37
401	401	401	401	401	401
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
3	3	3	3	3	3
102	102	100	100	100	99
8	8	8	8	8	8
92	92	91	91	91	91
15	15	15	15	15	13
56	53	53	53	53	53
17	17	17	17	17	17
6	6	6	6	6	6
295	294	294	294	292	292

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City of Hutchinson, Minnesota
Combined Schedule of Bonds Payable
December 31, 2025

Table 20

Year Issued	Original Amount	Retired	Bonds Outstanding	Coupon Rates
GENERAL OBLIGATION BONDS				
2021A	$ 7,795,000	$ 1,530,000	$ 6,265,000	2.00 - 4.00 %
2022A	5,885,000	360,000	5,525,000	4.00 - 5.00
2024A	1,080,000	-	1,080,000	4.00 - 5.00
Totals	$ 14,760,000	$ 1,890,000	$ 12,870,000	
GENERAL OBLIGATION SPECIAL ASSESSMENT BONDS				
2014A	$ 3,415,000	$ 2,855,000	$ 560,000	2.00 - 3.00 %
2015A	2,140,000	1,320,000	820,000	2.85 - 3.00
2016A	3,880,000	2,840,000	1,040,000	2.00
2017A	2,445,000	1,175,000	1,270,000	2.00 - 3.00
2018A	2,395,000	1,100,000	1,295,000	3.00 - 4.00
2019A	2,675,000	1,055,000	1,620,000	2.00 - 3.00
2020A	2,405,000	630,000	1,775,000	0.35 - 1.40
2021A	1,825,000	315,000	1,510,000	2.00 - 4.00
2023A	1,350,000	60,000	1,290,000	4.00 - 5.00
2024A	995,000	-	995,000	4.00 - 5.00
2025A	2,195,000	-	2,195,000	4.00 - 5.00
Totals	$ 25,720,000	$ 11,350,000	$ 14,370,000	
GENERAL OBLIGATION REVENUE BONDS				
2007 PFA	$ 13,696,602	$ 12,772,602	$ 924,000	2.15 %
2018A	1,550,000	860,000	690,000	3.00 - 4.00
2019A	2,790,000	1,640,000	1,150,000	2.00 - 3.00
2021A	3,460,000	860,000	2,600,000	3.00 - 4.00
Totals	$ 21,496,602	$ 16,132,602	$ 5,364,000	
ELECTRIC UTILITIES REVENUE BONDS				
2012A	$ 20,720,000	$ 18,640,000	$ 2,080,000	4.00 - 5.00 %
2017B	16,675,000	4,925,000	11,750,000	3.00 - 4.00
Totals	$ 37,395,000	$ 23,565,000	$ 13,830,000	

City of Hutchinson, Minnesota
Public Utilities Commission
Operating Expenses by Function
Last Ten Fiscal Years

Electric Division	2025	2024	2023	2022
Production	$ 6,021,891	$ 4,888,013	$ 5,147,394	$ 6,721,410
Purchase Power/Gas	12,736,721	12,232,955	12,350,033	13,464,644
Transmission	3,038,448	2,831,249	3,253,936	3,180,332
Distribution	2,300,714	2,327,617	1,926,092	1,954,926
Customer Accounts	325,490	296,201	286,500	253,103
Administrative	1,784,712	1,775,129	1,711,555	1,779,772
Depreciation and Depletion	3,056,726	3,160,016	3,326,461	3,440,752
Total Electric	$ 29,264,702	$ 27,511,180	$ 28,001,971	$ 30,794,939
Natural Gas Division				
Transmission	$ 401,934	$ 347,861	$ 202,644	$ 225,561
Purchased Gas	7,391,426	7,263,560	7,635,147	9,356,872
Distribution	1,309,120	1,134,711	1,243,161	1,130,075
Customer Accounts	276,647	242,212	216,110	222,252
Administrative	1,132,715	1,119,226	1,065,890	1,027,270
Depreciation and Depletion	1,176,395	1,124,576	1,097,315	1,092,249
Total Natural Gas	$ 11,688,237	$ 11,232,146	$ 11,460,267	$ 13,054,279

Table 21

2021	2020	2019	2018	2017	2016
$ 5,052,088	$ 3,483,546	$ 3,776,245	$ 3,883,945	$ 3,071,804	$ 3,387,289
13,740,072	13,175,999	14,037,852	15,162,365	14,634,350	13,889,577
3,110,471	2,334,541	3,064,741	2,652,119	2,707,438	2,376,359
1,446,601	1,485,856	1,368,188	1,321,212	893,411	969,907
240,193	252,606	240,775	223,038	275,042	246,627
1,667,276	1,686,199	1,597,928	1,592,817	2,684,081	2,816,972
3,334,286	2,804,539	2,728,998	2,770,697	2,830,636	2,820,446
$ 28,590,987	$ 25,223,286	$ 26,814,727	$ 27,606,193	$ 27,096,762	$ 26,507,177
$ 229,104	$ 236,423	$ 183,311	$ 148,891	$ 127,459	$ 119,454
9,830,566	5,588,511	5,961,040	6,084,090	6,883,154	5,697,867
984,148	948,091	979,913	838,259	624,192	580,503
197,186	189,536	184,860	192,484	205,154	201,785
942,757	932,864	965,449	656,350	896,901	1,036,110
1,097,263	1,088,555	1,078,481	1,033,788	1,022,038	1,001,952
$ 13,281,024	$ 8,983,980	$ 9,353,054	$ 8,953,862	$ 9,758,898	$ 8,637,671

City of Hutchinson, Minnesota
Public Utilities Commission
Thousand Cubic Feet (MCF) Sales - Natural Gas Division (Continued on the Follwing Page)
Last Ten Fiscal Years

Table 22

Type of Service	MCF	Amount Billed	Revenue Per MCF	Percent of MCF to Total MCF	Percent of Revenue to Total Revenue	Number of Meters
2025						
Residential	419,927	$3,636,316	8.65940	26.8 %	31.0 %	5,475
Commercial	319,004	2,560,549	8.02670	20.3	21.9	575
Large Industrial	829,668	5,515,001	6.64724	52.9	47.1	5
Total Sales	1,568,599	11,711,866	7.46645	100.0	100.0	6,055
2024						
Residential	367,176	3,526,225	9.60364	25.8	31.2	5,459
Commercial	282,949	2,526,865	8.93046	19.9	22.4	576
Large Industrial	773,724	5,234,322	6.76510	54.3	46.4	5
Total Sales	1,423,849	11,287,412	7.92739	100.0	100.0	6,040
2023						
Residential	397,210	3,949,946	9.60364	25.8	31.2	5,419
Commercial	309,695	2,888,770	8.93046	19.9	22.4	575
Large Industrial	786,469	5,138,193	6.76510	54.3	46.4	5
Total Sales	1,493,374	11,976,909	8.02003	100.0	100.0	5,999
2022						
Residential	468,417	4,474,818	9.55306	27.8	33.8	5,396
Commercial	360,647	3,275,405	9.08202	21.4	24.8	580
Large Industrial	854,149	5,483,012	6.41927	50.8	41.4	3
Total Sales	1,683,213	13,233,235	7.86189	100.0	100.0	5,979
2021						
Residential	391,998	4,639,771	11.83621	25.8	35.2	5,349
Commercial	302,691	3,469,964	11.46372	19.9	26.3	574
Large Industrial	827,019	5,081,290	6.14410	54.3	38.5	5
Total Sales	1,521,708	13,191,025	8.66857	100.0	100.0	5,928

City of Hutchinson, Minnesota
Public Utilities Commission
Thousand Cubic Feet (MCF) Sales - Natural Gas Division (Continued)
Last Ten Fiscal Years

Table 22 (Continued)

Type of Service	MCF	Amount Billed	Revenue Per MCF	Percent of MCF to Total MCF	Percent of Revenue to Total Revenue	Number of Meters
2020						
Residential	406,279	$ 3,663,453	$ 9.01709	26.1 %	37.4 %	5,280
Commercial	309,544	2,597,225	8.39049	19.9	26.5	574
Large Industrial	839,782	3,539,862	4.21522	54.0	36.1	5
Total Sales	1,555,605	9,800,540	6.30015	100.0	100.0	5,859
2019						
Residential	458,153	3,981,709	8.69078	27.6	37.4	5,201
Commercial	372,139	2,974,834	7.99388	22.4	28.0	581
Large Industrial	827,804	3,679,890	4.44536	50.0	34.6	5
Total Sales	1,658,096	10,636,433	6.41485	100.0	100.0	5,787
2018						
Residential	446,224	4,139,639	9.27704	27.7	38.0	5,127
Commercial	349,806	3,070,904	8.77888	21.7	28.2	570
Large Industrial	817,621	3,696,099	4.52055	50.6	33.8	5
Total Sales	1,613,651	10,906,642	6.75898	100.0	100.0	5,702
2017						
Residential	396,762	3,937,048	9.92295	25.8	37.0	5,086
Commercial	325,984	3,019,230	9.26190	21.2	28.5	564
Large Industrial	817,723	3,653,263	4.46760	53.0	34.5	3
Total Sales	1,540,469	10,609,541	6.88721	100.0	100.0	5,653
2016						
Residential	382,184	3,839,034	10.04499	26.7	38.9	5,051
Commercial	292,212	2,824,329	9.66534	20.4	28.6	551
Large Industrial	754,604	3,215,714	4.26146	52.9	32.5	3
Total Sales	1,429,000	9,879,077	6.91328	100.0	100.0	5,605

City of Hutchinson, Minnesota
Raw Water Finished and Sold (Continued on the Follwing Page)
Last Ten Fiscal Years

Table 23

	Volume in Gallons	Percent of Total Pumped	Total Revenue	Revenue Per 1,000 Gallons	Number of Water Meters
2025					
Net Raw Water	606,584,000	100.0 %			
Used in Production	122,589,400	20.2			
Net Finished Water	483,994,600	79.8			
Loss in Distribution System	60,618,600	10.0			
Total Sales	423,376,000	69.8	$ 2,253,475	$ 5.322633	5,386
2024					
Net Raw Water	591,311,900	100.0			
Used in Production	120,060,400	20.3			
Net Finished Water	471,251,500	79.7			
Loss in Distribution System	62,550,625	10.6			
Total Sales	408,700,875	69.1	$ 2,242,880	$ 5.487828	5,323
2023					
Net Raw Water	653,033,100	100.0			
Used in Production	129,201,000	19.8			
Net Finished Water	523,832,100	80.2			
Loss in Distribution System	29,098,100	4.5			
Total Sales	494,734,000	75.7	$ 2,435,727	4.923306	5,239
2022					
Net Raw Water	671,611,600	100.0			
Used in Production	131,988,600	19.7			
Net Finished Water	539,623,000	80.3			
Loss in Distribution System	35,443,000	5.3			
Total Sales	504,180,000	75.0	2,332,971	4.627258	5,215
2021					
Net Raw Water	688,644,600	100.0			
Used in Production	137,984,100	20.0			
Net Finished Water	550,660,500	80.0			
Loss in Distribution System	46,866,500	6.8			
Total Sales	503,794,000	73.2	2,380,002	4.724157	5,196

City of Hutchinson, Minnesota
Raw Water Finished and Sold (Continued)
Last Ten Fiscal Years

Table 23 (Continued)

	Volume in Gallons	Percent of Total Pumped	Total Revenue	Revenue Per 1,000 Gallons	Number of Water Meters
2020					
Net Raw Water	678,668,700	100.0 %			
Used in Production	132,921,700	19.6			
Net Finished Water	545,747,000	80.4			
Loss in Distribution System	36,754,000	5.4			
Total Sales	508,993,000	75.0	2,319,635	$ 4.557302	5,149
2019					
Net Raw Water	626,882,300	100.0			
Used in Production	131,302,800	20.9			
Net Finished Water	495,579,500	79.1			
Loss in Distribution System	44,378,500	7.1			
Total Sales	451,201,000	72.0	2,139,682	4.742193	4,969
2018					
Net Raw Water	625,791,600	100.0			
Used in Production	133,500,400	21.3			
Net Finished Water	492,291,200	78.7			
Loss in Distribution System	30,999,200	5.0			
Total Sales	461,292,000	73.7	2,171,465	4.707355	4,954
2017					
Net Raw Water	666,954,000	100.0			
Used in Production	139,553,900	20.9			
Net Finished Water	527,400,100	79.1			
Loss in Distribution System	44,630,100	6.7			
Total Sales	482,770,000	72.4	2,240,319	4.640551	4,933
2016					
Net Raw Water	650,851,600	100.0			
Used in Production	135,169,452	20.8			
Net Finished Water	515,682,148	79.2			
Loss in Distribution System	18,056,148	2.8			
Total Sales	497,626,000	76.4	2,203,975	4.428979	4,920

City of Hutchinson, Minnesota
Cost Per Thousand Gallons of Finished Water
Last Ten Fiscal Years

Table 24

Year	Production Cost Per M Gallons	Administrative Cost Per M Gallons	Depreciation Cost Per M Gallons	Total Operating Expenses Per M Gallons	Finished Water Billed	Cost Per M Gallons Billed
2025	$ 1,182,950	$ 224,922	$ 1,167,196	$ 2,575,068	483,994,600	
	2.4441	0.4647	2.4116	5.3204	423,376,000	$ 6.0822
2024	1,341,552	237,040	1,124,286	2,702,878	471,251,500	
	2.8468	0.5030	2.3857	5.7355	408,700,875	6.6133
2023	1,202,917	149,245	1,080,179	2,432,341	523,832,100	
	2.2964	0.2849	2.0621	4.6434	494,734,000	4.9165
2022	1,088,102	139,935	1,112,756	2,340,793	539,623,000	
	2.0164	0.2593	2.0621	4.3378	504,180,000	4.6428
2021	1,069,273	138,255	1,139,426	2,346,954	550,660,500	
	1.9418	0.2511	2.0692	4.2621	503,794,000	4.6586
2020	1,071,377	152,167	1,115,771	2,339,315	545,747,000	
	1.9631	0.2788	2.0445	4.2864	508,993,000	4.5960
2019	1,101,304	128,421	1,078,696	2,308,421	495,579,500	
	2.2223	0.2591	2.1766	4.6580	451,201,000	5.1162
2018	928,774	126,327	1,109,795	2,164,896	492,291,200	
	1.8866	0.2566	2.2543	4.3975	461,292,000	4.6931
2017	980,529	115,417	1,218,822	2,314,768	527,400,100	
	1.8592	0.2188	2.3110	4.3890	482,770,000	4.7948
2016	859,423	124,715	1,227,284	2,211,422	515,682,148	
	1.6666	0.2418	2.3799	4.2883	497,626,000	4.4439

City of Hutchinson, Minnesota
Wastewater Inflow and Cost Per Thousand Gallons Treated
Last Ten Fiscal Years

Table 25

Year		Total M Gallons to Treatment Facility	Treatment/ Collection Cost Per M Gallons	Administrative Cost Per M Gallons	Depreciation Cost Per M Gallons	Total Cost Per M Gallons	Daily Flow Gallons Minimum/ Maximum
2025	(1)	783,522	$ 1,790,976	$ 228,429	$ 1,336,034	$ 3,355,439	1,548,000
			2.2858	0.2915	1.7052	4.2825	6,028,000
2024		811,810	1,973,911	276,286	1,174,021	3,424,218	1,573,000
			2.4315	0.3403	1.4462	4.2180	6,693,000
2023		763,710	1,669,494	233,790	1,038,117	2,941,401	1,267,000
			2.1860	0.3061	1.3593	3.8514	7,534,000
2022		716,572	1,520,840	210,826	1,082,548	2,814,214	1,172,000
			2.1224	0.2942	1.5107	3.9273	4,037,000
2021		695,884	1,573,282	207,780	1,108,375	2,889,437	1,338,000
			2.2608	0.2986	1.5928	4.1522	3,046,000
2020		780,818	1,333,226	221,412	1,080,629	2,635,267	1,443,000
			1.7075	0.2836	1.3840	3.3751	5,788,000
2019		967,934	1,582,066	198,333	1,053,799	2,834,198	1,729,000
			1.6345	0.2049	1.0887	2.9281	5,815,000
2018		832,229	1,437,640	192,026	1,336,076	2,965,742	1,652,000
			1.7275	0.2307	1.6054	3.5636	3,772,000
2017		889,101	1,261,759	174,037	1,621,990	3,057,786	1,756,000
			1.4191	0.1957	1.8243	3.4391	6,193,000
2016		930,509	1,466,815	189,585	1,621,495	3,277,895	1,500,000
			1.5764	0.2037	1.7426	3.5227	7,755,000

(1) As part of the Wastewater Infrastructure fund (WIF) grant, the City processed zero gallons related to the grant during 2025. The restricted balance in the System Replacement fund at December 31, 2025 is $350.

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OTHER REQUIRED REPORTS

CITY OF HUTCHINSON
HUTCHINSON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Hutchinson, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information, of the City of Hutchinson, Minnesota (the City) as of and for the year ended December 31, 2025, and the notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 18, 2026.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Hutchinson failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, except as described in the Schedule of Findings and Responses as items 2025-001. 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.

The City's response to the finding in our audit is described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Abdo

Abdo
Mankato, Minnesota
June 18, 2026

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of Hutchinson, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hutchinson, 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 June 18, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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 responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

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Mankato, Minnesota
June 18, 2026

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Finding	Description
2025-001	**Responsible Contractor**
Condition:	Auditing for legal compliance requires a review of the City's contracting and bidding. Our study indicated an instance of noncompliance that we believe is required to be remedied.
Criteria:	Minnesota statute §16C.285 Subd. 3 requires contractors doing public work to verify the minimum criteria for a "responsible contractor" as set forth in the statute if the contract exceeds $50,000.
Cause:	We noted one contract where the City was not able to provide evidence that appropriate documentation was received.
Effect:	As a result, the City is not in compliance with the statute.
Recommendation:	We recommend the City review the statute and obtain such documentation on future contracts.

Management Response:

Management is aware of the condition and has taken the proper steps to ensure compliance in the future.

APPENDIX B

COMMISSION FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the HUC's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The HUC 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 HUC 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 HUC since the date of the financial statements, in connection with the issuance of the Bonds, the HUC represents that there have been no material adverse change in the financial position or results of operations of the HUC, nor has the HUC incurred any material liabilities, which would make such financial statements misleading.

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

HUTCHINSON UTILITIES COMMISSION

AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2025

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

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HUTCHINSON UTILITIES COMMISSION

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DECEMBER 31, 2025

HUTCHINSON UTILITIES COMMISSION

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HUTCHINSON UTILITIES COMMISSION

ORGANIZATIONAL DATA
DECEMBER 31, 2025

A Light and Power Commission was formed under the provisions of an amendment to the Hutchinson City Charter in 1935; the Commission was charged with the operation of the Municipal Electric Plant. Charter amendments approved December 17, 1954 provided for a change in the name to Hutchinson Utilities Commission. Additional duties under that amendment provided for the control and management of a municipal gas distribution system.

A revised city charter was adopted at a special election September 17, 1987. Some of the pertinent sections of this new charter are briefly summarized in the following paragraphs.

The Commission shall have control and management of the Light Plant, the Light Plant distribution system, the Gas Plant and the Gas Plant distribution system.

The Commission shall consist of five persons, who shall be appointed by the Council. A member shall be appointed every year for a term of five years, to fill the place of the member whose term has expired. No member shall be appointed to more than two successive terms. The members of the Commission shall receive compensation for their services as determined annually by the Council. The Commission's charter approves one person on the Commission may live outside the City of Hutchinson limits as long as they are a ratepayer.

The Commission shall provide for its own organization and rules of procedure and annually shall elect a president and vice president from among its members. It shall also appoint a secretary who may or may not be a member of the Commission.

The Commissioners and their official titles were as follows:

Matt Cheney	President
Troy Pullis	Vice President
Don Martinez	Secretary
Kathy Silvernale	Commissioner
Tom Lambert	Commissioner

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INDEPENDENT AUDITOR'S REPORT

Members of the Hutchinson Utilities Commission
Hutchinson, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Hutchinson Utilities Commission, a fund of the City of Hutchinson, Minnesota, as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission, as of December 31, 2025, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission, 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.

Report on Partial Comparative Information

We have previously audited the Commission's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 26, 2025. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived. Refer to Note 18 of the Notes to the Financial Statements for additional information regarding the prior year partial comparative information.

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.

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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 Commission'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 Commission'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 Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The statements and schedules listed in the table of contents as supplementary information 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is 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 organizational data section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2026 on our consideration of the Commission'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 Commission'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 Commission's internal control over financial reporting and compliance.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

March 25, 2026

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REQUIRED SUPPLEMENTARY INFORMATION

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Overview of the Financial Statements

Hutchinson Utilities Commission is a fund of the City of Hutchinson, Minnesota, and is responsible for the full operation and management of the electric and natural gas systems of the City. The annual report of Hutchinson Utilities Commission includes the financial statements, the independent auditor's report, and notes detailing the financial statements and this management's discussion and analysis report. The report also includes supplementary information for each of Hutchinson Utilities Commission's divisions.

Financial Statements Required

The financial statements report information about Hutchinson Utilities Commission using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities.

The Statement of Net Position includes all of the Commission's assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position and provides information regarding the nature and amount of investments in various assets and obligations to the Commission's creditors. They also provide the basis for computing rate of return, evaluating the capital structure, and determining the liquidity and financial flexibility of the Commission.

The Statement of Revenues, Expenses and Changes in Net Position accounts for all the current year's revenues and expenses. This statement measures the success of operations over the past year and can be used to determine whether all costs are recovered through user fees and other charges. This statement measures the Commission's profitability and credit worthiness.

The Statement of Cash Flows provides information about the Commission's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting in cash balances during the reporting period.

Financial Statement Analysis

Total gross investment in capital and right to use assets increased to $154,918,814 in 2025 from $146,124,457 in 2024. Capital and right to use assets increased $8,794,357 due to various asset additions during the year and multiple projects being capitalized.

Operating revenues increased and operating expenses increased from 2024 by $3,730,965 and $1,956,993, respectively. Operating income increased from 2024 by $1,773,972. The primary increase in operating revenues was due to an increase in electric and natural gas sales in 2025, by $3,210,939 and $424,454, respectively, from 2024. The primary increase in operating expenses was due to an increase in production expenses that was mostly due to the Commission having higher quantities of gas purchased during the year at a higher fixed price resulting in higher contract

The primary area of the increase in operating income was due to an increase in electricity being sold on the open market, because of the cost to produce electricity compared to the cost to sell it on the open market the Commission found this favorable.

Significant Transactions

In 2025, the Commission transferred $1,942,628 per agreement to the City of Hutchinson.

Condensed Financial Statements

A summary of the Statement of Net Position is presented in Table 1.

Table 1
Condensed Statement of Net Position

	2025	2024	Increase (Decrease)
Current Assets	$ 22,342,556	$ 27,483,694	$ (5,141,138)
Restricted Assets	3,247,000	3,255,256	(8,256)
Net Capital and Right to Use Assets	80,481,164	75,641,274	4,839,890
Total Assets	106,070,720	106,380,224	(309,504)
Deferred Outflows of Resources	495,988	457,012	38,976
Total Assets and Deferred Outflows of Resources	$ 106,566,708	$ 106,837,236	$ (270,528)
Current Liabilities	$ 3,657,955	$ 4,112,345	$ (454,390)
Long-Term Liabilities	18,590,285	21,627,147	(3,036,862)
Total Liabilities	22,248,240	25,739,492	(3,491,252)
Deferred Inflows of Resources	1,449,544	1,725,932	(276,388)
Net Position			
Net Investment in Capital Assets	65,345,353	57,495,349	7,850,004
Restricted for Debt Service	3,247,000	3,255,256	
Unrestricted	14,276,571	18,621,207	(4,344,636)
Total Net Position	82,868,924	79,371,812	3,497,112
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 106,566,708	$ 106,837,236	$ (270,528)

Condensed Financial Statements (Cont'd)

A summary of the Statement of Revenues, Expenses and Changes in Net Position is presented in Table 2.

Table 2
Condensed Statement of Revenues, Expenses and Changes in Net Position

	2025	2024	Increase (Decrease)
Operating Revenues	$ 45,472,792	$ 41,741,827	$ 3,730,965
Operating Expenses			
Cost of Operations	38,662,446	36,653,982	2,008,464
Depreciation and Amortization	4,261,165	4,312,636	(51,471)
Total Operating Expenses	42,923,611	40,966,618	1,956,993
Operating Income (Loss)	2,549,181	775,209	1,773,972
Nonoperating Revenues (Expenses)	947,931	1,817,367	(869,436)
Change in Net Position	3,497,112	2,592,576	904,536
Net Position, Beginning of Year	79,371,812	76,779,236	2,592,576
Net Position, End of Year	$ 82,868,924	$ 79,371,812	$ 3,497,112

Budgetary Highlights

The Commission adopts an annual Operating Budget and a Capital Improvement Budget. Because of its enterprise nature and in order to comply with Federal Energy Regulatory Commission accounting and reporting requirements, the budgets are not operated as statutory budgets. The Commission and Utilities staff review budget results monthly and the budget is used as a financial management tool. A summary of the 2025 Budget Analysis is presented in Table 3.

Budgetary Highlights (Cont'd)

Table 3
Condensed Budget Analysis

	2025 Budget	2025 Actual	Over (Under)
Operating Revenues	$ 44,526,779	$ 45,472,792	$ 946,013
Operating Expenses			
Cost of Operations	38,602,908	38,662,446	59,538
Depreciation and Amortization Expense	4,310,000	4,261,165	(48,835)
Total Operating Expenses	42,912,908	42,923,611	10,703
Operating Income (Loss)	1,613,871	2,549,181	935,310
Nonoperating Revenues (Expenses)	278,291	947,931	669,640
Change in Net Position	1,892,162	3,497,112	1,604,950
Net Position, Beginning of Year	79,371,812	79,371,812	
Net Position, End of Year	$ 81,263,974	$ 82,868,924	$ 1,604,950

Actual operating revenues were $946,013 over budgeted revenues while operating income (loss) was over budget by $935,310. The actual operating revenues for the Commission had a variance of approximately 2.12% from budgeted operating revenues.

Operating expenses were $10,703 more than budgeted. Purchased natural gas expenses were lower than budgeted due to a decrease in gas demand for power generation. The Commission had increased customer account related expenses and administrative and general expenses contributing to the increase from budgeted. Nonoperating revenue was $669,640 more than budgeted. The Commission had a higher about of interest income and miscellaneous income that was paid out in 2025 which largely contributed to the increase from budgeted.

In 2018, the Commission entered into an agreement for a specific Payment in Lieu of Taxes (PILOT). The agreement requires the Commission to make payments equaling $1,942,628 in 2025.

Starting in calendar year 2007, the Commission reallocated its common expenses between the two divisions. Formulas were developed and used to establish the common expenses between the two utilities, in particular, Customer Service and Collection Accounts and the Administrative and General Accounts.

Capital and Right to Use Assets and Long-Term Liability Activity

The Commission's investment in capital and right to use assets increased to $154,918,814 in 2025. This is a increase of $8,794,357 from 2024. Refer to Note 5 of the Notes to the Financial Statements for the Commission's 2025 capital asset activity.

At year-end, the Commission had $13,830,000 in bonds outstanding and $1,323,336 in compensated absences. Refer to Note 6 of the Notes to the Financial Statements for a schedule showing the Commission's long-term liability activity.

At 2025 year-end, the Commission had a Solar Array Land Lease Liability of $736,975. See Note 7 in the Financial Statements for a schedule showing the Commission's long-term lease activity.

Economic Factors and Next Year's Budget

The Commission considered many local community and external energy industry factors when setting the Electric & Gas Division fiscal year 2025 budgets, rates, and fees that will be charged to customers. Of significance was the continual increase in costs associated with purchased electrical wholesale power and transmission fees. Conversely, the Gas Division continues to see favorable prices for the procurement of the natural gas commodity but is budgeting for higher prices. Both divisions continue to see consistent energy consumption forecasts in the near future.

The Commission continued to "bundle" its electric wholesale rate to its retail customers. What this means is the operating income the Commission receives from its wholesale KWHR sales is applied to the wholesale rate it charges its retail customers. This "bundling" effect reduces the overall blended cost of wholesale power which aids in retail rate pricing stability.

Contact Information

Any questions regarding information contained in this report and requests for additional information should be addressed to the Hutchinson Utilities Commission, 225 Michigan Street SE, Hutchinson, MN 55350 or by phone at (320) 587-4746.

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BASIC FINANCIAL STATEMENTS

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HUTCHINSON UTILITIES COMMISSION

STATEMENT OF NET POSITION
DECEMBER 31, 2025
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2024

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash and Investments	$ 15,311,768	$ 20,596,789
Receivables		
Accounts Receivable (Net of Allowance for Doubtful Accounts of $136,688 and $68,111, Respectively)	3,794,475	3,704,825
Interest Receivable	99,570	148,628
Sales Tax Receivable	121,584	397,232
Inventory	2,785,157	2,543,644
Prepaid Items	230,002	92,576
Total Current Assets	22,342,556	27,483,694
Noncurrent Assets		
Restricted Assets		
Cash and Investments	3,247,000	3,255,256
Capital and Right to Use Assets		
Assets Not Being Depreciated or Amortized	14,486,925	7,491,453
Other Capital and Right to Use Assets, Net of Depreciation and Amortization	65,994,239	68,149,821
Net Capital Assets	80,481,164	75,641,274
Total Noncurrent Assets	83,728,164	78,896,530
Total Assets	106,070,720	106,380,224
Deferred Outflows of Resources	495,988	457,012
Total Assets and Deferred Outflows of Resources	$ 106,566,708	$ 106,837,236
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	$ 2,670,293	$ 2,960,729
Customer Deposits	341,674	294,610
Unearned Revenue	467,102	416,677
Accrued Expenses		
Interest	38,805	49,688
Salaries Payable	140,081	390,641
Total Current Liabilities	3,657,955	4,112,345
Long-Term Liabilities		
Net Pension Liability	2,113,771	2,442,997
Total OPEB Liability	56,282	53,173
Other Long-Term Liabilities Due Within One Year	3,302,124	3,026,031
Other Long-Term Liabilities Due in More Than One Year	13,118,108	16,104,946
Total Long-Term Liabilities	18,590,285	21,627,147
Total Liabilities	22,248,240	25,739,492
Deferred Inflows of Resources	1,449,544	1,725,932
Net Position		
Net Investment in Capital Assets	65,345,353	57,495,349
Restricted for Debt Service	3,247,000	3,255,256
Unrestricted	14,276,571	18,621,207
Total Net Position	82,868,924	79,371,812
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 106,566,708	$ 106,837,236

See Accompanying Notes to the Financial Statements

HUTCHINSON UTILITIES COMMISSION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2025
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2024

	2025	2024
OPERATING REVENUES		
Electric Energy Sales	$ 30,727,888	$ 27,516,949
Natural Gas Sales	11,711,866	11,287,412
Other Operating Revenues	3,033,038	2,937,466
Total Operating Revenues	45,472,792	41,741,827
OPERATING EXPENSES		
Production		
Operations	4,860,798	3,981,539
Maintenance	1,161,093	906,474
Purchased Power/Gas	19,776,673	19,167,749
Other Power Supply	351,474	328,766
Transmission		
Operations	3,292,304	3,084,503
Maintenance	148,078	94,607
Distribution		
Operations	2,340,124	2,156,923
Maintenance	1,269,710	1,305,405
Customer Accounts Expense	602,137	538,413
Sales Expense	187,304	247,274
Administrative and General	2,730,123	2,647,081
Depreciation and Amortization Expense	4,261,165	4,312,636
Contribution to City of Hutchinson	1,942,628	2,195,248
Total Operating Expenses	42,923,611	40,966,618
Operating Income (Loss)	2,549,181	775,209
NONOPERATING REVENUES (EXPENSES)		
Interest Income	1,177,065	1,241,242
Merchandise and Contract Work, Net	(46,200)	23,194
Miscellaneous Income	177,627	970,210
Gain (Loss) on Disposal of Assets	22,450	74,421
Bond Premium	219,065	219,066
Interest Expense	(602,076)	(710,766)
Total Nonoperating Revenues (Expenses)	947,931	1,817,367
Change in Net Position	3,497,112	2,592,576
NET POSITION, BEGINNING OF YEAR	79,371,812	76,779,236
NET POSITION, END OF YEAR	$ 82,868,924	$ 79,371,812

See Accompanying Notes to the Financial Statements

HUTCHINSON UTILITIES COMMISSION

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 42,447,593	$ 38,767,940
Payments Received from Other Sources	3,308,686	2,858,402
Payments to Suppliers	(33,468,992)	(30,779,026)
Payments to Employees	(6,455,501)	(5,665,395)
Net Cash Provided (Used) by Operating Activities	5,831,786	5,181,921
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other Noncapital Income (Expense)	131,427	993,404
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to Utility Plant	(9,101,053)	(8,072,320)
Proceeds from Sale of Assets	22,448	129,584
Principal Payments on Long-Term Liabilities	(2,791,049)	(2,675,536)
Interest Paid on Long-Term Liabilities	(612,959)	(719,616)
Net Cash Provided (Used) by Capital and Related Financing Activities	(12,482,613)	(11,337,888)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	1,226,123	1,234,026
Net Increase (Decrease) in Cash and Cash Equivalents	(5,293,277)	(3,928,537)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	23,852,045	27,780,582
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 18,558,768	$ 23,852,045
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Current Assets - Cash and Investments	$ 15,311,768	$ 20,596,789
Restricted Assets - Cash and Investments	3,247,000	3,255,256
Total Cash and Cash Equivalents	$ 18,558,768	$ 23,852,045

See Accompanying Notes to the Financial Statements

HUTCHINSON UTILITIES COMMISSION

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2024

	2025	2024
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	$ 2,549,181	$ 775,209
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	4,261,165	4,312,636
Pension Related Adjustments	(644,511)	(337,451)
OPEB Related Adjustments	3,030	(27,762)
(Increase) Decrease in Assets		
Accounts Receivable	(89,650)	(84,408)
Sales Tax Receivable	275,648	(79,064)
Inventory	(241,513)	(43,500)
Prepaid Items	(137,426)	136,247
Increase (Decrease) in Liabilities		
Accounts Payable	(290,436)	319,620
Customer Deposits	47,064	(19,491)
Unearned Revenue	50,425	67,478
Salaries Payable	(250,560)	49,869
Compensated Absences	299,369	112,538
Net Cash Provided (Used) by Operating Activities	$ 5,831,786	$ 5,181,921
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Amortization of Premium on Bonds Payable	219,065	219,066

See Accompanying Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Hutchinson Utilities Commission, a fund of the City of Hutchinson, Minnesota, is governed by five members who are appointed by the Council of the City of Hutchinson, Minnesota. The accompanying financial statements present only the Hutchinson Utilities Commission fund and are not intended to present fairly the financial position of the City of Hutchinson, Minnesota.

The financial statements present the Commission and its component units. The Commission includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate entities for which the Commission is financially accountable, or for which the exclusion of the component unit would render the financial statements of the Commission misleading.

The criteria used to determine if the Commission is financially accountable for a component unit includes whether or not 1) the Commission appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the Commission.

As a result of applying the component unit definition criteria above, the Commission does not have any component units.

B. FUND ACCOUNTING

The operations of the Commission are recorded as a proprietary fund. The proprietary fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements include the operations of the City of Hutchinson Municipal Utilities. The Electric and Natural Gas divisions are treated as a single enterprise fund of the City of Hutchinson, Minnesota. The Utilities are governed by the Hutchinson Utilities Commission, which is appointed by the City Council. No other operations are controlled by the Hutchinson Utilities Commission. The accounts of the Commission are organized on the basis of fund accounting. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Government resources are allocated to and accounted for in the individual fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Cont'd)

The proprietary fund is accounted for using the accrual basis of accounting and economic resources measurement focus. Revenues are recognized when earned, and expenses are recognized when incurred. Revenue from electricity and gas sales is reflected in the accounts only at the time such revenue is actually billed to customers. Accordingly, no recognition is given in the accounts for revenue from sales between established cycle billing dates.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital and right to use assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

It is generally the Commission's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

D. DEPOSITS AND INVESTMENTS

The Commission's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The Commission may invest in the following types of investments as authorized by Minn. Stat. §§118A.04 and 118A.05:

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. §118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. DEPOSITS AND INVESTMENTS (Cont'd)

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash and investments were comprised of deposit accounts, money market accounts, municipal bonds, FFCB bonds, FHLB bonds, US Treasury Strips, and brokered certificates of deposit.

The Commission categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The Commission has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk and custodial risk as follows:

Custodial Credit Risk - Deposits: For deposits, this is the risk that in the event of bank failure, the Commission's deposits may not be returned to it. Minnesota Statutes requires that all Commission deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of deposits in excess of FDIC Insurance. The Commission's investment policy states the collateralization level will be 110% of the market value of principal and accrued interest. When the pledged collateral consists of notes secured by first mortgages, the collateral level will be 140% of the market value of principal and accrued interest.

Authorized collateral includes the obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, futures contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days, as well as certain first mortgage notes, and certain other state or local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the Commission treasurer or in a financial institution other than that furnishing the collateral.

Interest Rate Risk - This is the risk that fair values of securities in a portfolio would decrease due to changes in market interest rates. The Commission's investment policy states the Commission should manage their interest rates based on safety, liquidity and the overall rate of return on the investment. The portfolio should contain both short-term and long-term investments to meet anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields; however, no investment shall be made with a term of more than ten years.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The Commission's investment policy states it will comply with Minnesota Statutes Chapter 118A.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. DEPOSITS AND INVESTMENTS (Cont'd)

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risk inherent in over investing in specific instruments, individual financial institutions or maturities. The Commission's investment policy states the Commission will attempt to diversify its investments according to type and maturity.

Custodial Credit Risk - Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission's investment policy states when investments purchased by the Commission are held in safekeeping by a broker/dealer, they must provide asset protection of $500,000 through the Securities Investor Protection Corporations (SIPC) and at least another $2,000,000 Supplemental Insurance Protection, provided by the broker dealer.

E. RECEIVABLES AND OPERATING REVENUES AND EXPENSES

An allowance for doubtful accounts is recorded based on historical electric and natural gas revenues, historical loss levels, and an analysis of the collectability of individual accounts.

Meters are read throughout the month and revenues are recognized when utility services are billed to customers. Hutchinson Utilities Commission did not accrue revenues for services provided but not billed at the end of the year.

Monthly billings from the wholesale power and natural gas suppliers, which are for power and natural gas costs to the last day of the month, are reflected in the accounts.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

F. INVENTORY

Inventories of materials and supplies are recorded at average cost, which does not exceed market.

G. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

H. CAPITAL AND RIGHT TO USE ASSETS

Capital and right to use assets, both tangible and intangible, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) and easements, are recorded at cost. Right to use assets are capitalized at the present value of minimum lease payments. The cost of additions to capital assets includes contracted work, direct labor, and materials. Major outlays for capital assets and improvements are capitalized as projects are constructed. Repairs, replacement, and the renewal of items determined to be less than units of property are charged to maintenance. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. CAPITAL AND RIGHT TO USE ASSETS (Cont'd)

Tangible and intangible capital and right to use assets of the Commission are amortized or depreciated using the straight-line, full month convention method over the following estimated useful lives:

Buildings	35-60 years
Transmission plant (electric)	20-35 years
Distribution plant (electric)	20-35 years
Building improvement	15-30 years
Transmission plant (gas)	10-45 years
Distribution plant (gas)	10-45 years
Generation plant	10-30 years
General plant	5-10 years
Vehicles	5-10 years
Office equipment	3-5 years
Computer equipment	3-5 years

Capital assets not being depreciated include land, easements and construction in progress, if any.

I. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net assets that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense). The Commission has two items that qualify for reporting in this category on the financial statements which is related to pensions and other post-employment benefits.

J. UNEARNED REVENUE

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

K. COMPENSATED ABSENCES

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and the current sick leave balance. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liabilty for the leave accumulates and the leave is more likely than not to be used. The Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on a trend analysis of current usage of vacation and vested sick leave. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. COMPENSATED ABSENCES (Cont'd)

Both union and nonunion employees can accrue a maximum of 200 hours per year of vacation pay. Both union and nonunion employee may carry over a maximum of two times their annual accrual of vacation into the next year. Each permanent nonunion full-time employee must use at least 40 hours of vacation per year. Vacation pay is 100% payable at severance of employment. A maximum of 720 hours can be accrued for sick leave. After accumulation of 720 hours, a payback of one-half of the amount over 720 hours will be made annually. This related liability is recorded as a salaries payable and is not included in the compensated absences calcuation. Upon retirement or death before retirement, severance payable is paid back at one-half of any amount of hours remaining will be made by the commission.

L. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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.

The Commission participates in various pension plans; total pension expense for the year ended December 31, 2025, was $(181,195). The components of pension expense are noted in the plan summaries.

M. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Employees of the Commission pay premiums based on a negotiated schedule. Since the insurance rate is not based on age, the Commission has an implicit rate subsidy factor in postemployment health care expenses. Additionally, Minnesota Statutes require the Commission to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation coverage. The Commission's bargaining agreement and personnel policy do not provide for any contributions upon employee retirement.

N. LONG-TERM OBLIGATIONS

In the financial statements, long-term liabilities and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Lease liabilities are measured at the present value of payments expected to be made and amortized as a component of interest expense over the lease term.

O. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net assets that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The Commission has one item that qualifies for reporting in this category on the financial statements which is related to pensions.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. NET POSITION

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and right to use assets, net of accumulated amortization, reduced by the outstanding balance of any long-term liabilities used to build or acquire the capital and right to use assets. Net position is reported as restricted in the financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

Q. BUDGETS AND BUDGETARY ACCOUNTING

The General Manager is responsible for preparing and submitting an annual budget. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

R. USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and deferred outflows of resources, and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

S. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended December 31, 2024, from which the partial information was derived.

NOTE 2. DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with applicable Minnesota Statutes, Hutchinson Utilities Commission maintains deposits at depository banks authorized by the Commission.

Custodial Credit Risk - Deposits: The Commission's bank balances were not exposed to custodial credit risk because they were fully insured through the Federal Deposit Insurance Corporation as well as collateralized with securities held by the pledging financial institution's trust department or agent and in the Commission's name.

NOTE 2. DEPOSITS AND INVESTMENTS (Cont'd)

A. DEPOSITS (Cont'd)

Deposits in Bank	$ 1,460,744
Money Market Accounts	15,192
Petty Cash	850
Total Deposits	$ 1,476,786

B. INVESTMENTS

The Commission had the following investments:

	Fair Value	Interest Rate Risk Maturity Date
Municipal Bonds	$ 8,226,900	1-10 years
FFCB Bonds	1,062,850	1 year
FHLB Bonds	2,578,129	1-2 years
US Treasury Strip	940,992	1-2 years
Brokered Certificates of Deposit	1,940,569	1-3 years
Total Investments	$ 14,749,440	

The Municipal Bonds had a variety of ratings. The FFCB Bonds and FHLB Bonds were rated AA+. The Brokered Certificates of Deposit and US Treasury Strip were not rated.

Investment's fair value measurements are as follows:

		Fair Value Measuring Unit		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments at fair value:				
Municipal Bonds	$ 8,226,900	$	$ 8,226,900	$
FFCB Bonds	1,062,850		1,062,850	
FHLB Bonds	2,578,129		2,578,129	
US Treasury Strip	940,992		940,992	
Brokered Certificates of Deposit	1,940,569		1,940,569	
Total Investments at fair value	$ 14,749,440	$ 0	$ 14,749,440	$ 0
Investments at Amortized Cost:				
Brokered Money Market Mutual Fund	2,332,542			
Total Investments	$ 17,081,982			

NOTE 2. DEPOSITS AND INVESTMENTS (Cont'd)

B. INVESTMENTS (Cont'd)

The following is a summary total of deposits and investments:

Deposits (Note 2.A.)	$ 1,476,786
Investments (Note 2.B.)	17,081,982
Total Deposits and Investments	$ 18,558,768

Deposits and investments are presented in the basic financial statements as follows:

Current Assets	
Cash and Investments	$ 15,311,768
Noncurrent Assets	
Restricted Assets	
Cash and Investments	3,247,000
Total Deposits and Investments	$ 18,558,768

NOTE 3. DEPOSITS AND INVESTMENTS - RESTRICTED

Restricted cash and investments are designated by bond covenants for specific purposes. Restricted cash consisted of the following:

	2025
Public Utility Revenue Refunding Bonds, Series 2012A	
Funds required to be held in a debt service reserve account based on criteria set aside in the bond issuance document.	$ 2,072,000
Public Utility Revenue Bonds, Series 2017B	
Funds required to be held in a debt service reserve account based on criteria set aside in the bond issuance document.	1,175,000
Total Cash and Investments - Restricted	$ 3,247,000

NOTE 4. INVENTORY

Inventory consists of the following:

Electric Division	
Fuel Oil and Lubricants	$ 67,808
Plant Systems Material	19,123
Engine Parts	1,105,023
Distribution Materials	643,216
Transformers	440,625
Total Electric Division	2,275,795
Natural Gas Division	
Fittings	205,792
Transmission Line Gas	303,570
Total Natural Gas Division	509,362
Total Inventory	$ 2,785,157

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Gas Fund	Electric Fund	$ 1,591,323

The purpose of the above interfund loan was to cover negative cash due to construction costs.

NOTE 6. CAPITAL ASSETS

Capital and right to use asset activity was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	$ 559,528	$	$	$ 559,528
Easements	4,030,760			4,030,760
Construction in Progress	2,901,165	9,101,053	(2,105,581)	9,896,637
Total Capital Assets, Not Being Depreciated	7,491,453	9,101,053	(2,105,581)	14,486,925
Capital Assets, Being Depreciated				
Structures and Improvements	116,173,645	1,689,169		117,862,814
Equipment	21,409,411	416,412	(306,696)	21,519,127
Software	208,632			208,632
Total Capital Assets, Being Depreciated	137,791,688	2,105,581	(306,696)	139,590,573
Right to Use Assets, Being Amortized				
Land	841,316			841,316
Less Accumulated Depreciation for				
Structures and Improvements	57,213,485	3,477,467		60,690,952
Equipment	13,012,582	754,140	(306,698)	13,460,024
Software	172,984	1,514		174,498
Total Accumulated Depreciation	70,399,051	4,233,121	(306,698)	74,325,474
Less Accumulated Amortization for				
Land	84,132	28,044		112,176
Total Capital and Right to Use Assets, Being Depreciated and Amortized, Net	68,149,821	(2,155,584)	2	65,994,239
Net Capital Assets	$ 75,641,274	$ 6,945,469	$ (2,105,579)	$ 80,481,164

Depreciation and amortization expense was charged to the following functions:

Electric Division	$ 3,084,770
Natural Gas Division	1,176,395
Total Depreciation and Amortization Expense	$ 4,261,165

NOTE 7. LONG-TERM LIABILITIES

A. COMPONENTS OF LONG-TERM LIABILITIES

	Interest Rates	Final Maturity	Balance Outstanding
Public Utility Revenue Refunding Bonds, Series 2012A	4.00-5.00%	12/01/2026	$ 2,080,000
Public Utility Revenue Bonds, Series 2017B	2.50-4.00%	12/01/2037	11,750,000
Bond Premium			568,836
Long-Term Leases	2.50%	1/31/2051	736,975
Compensated Absences			1,284,421
Total Long-Term Liabilities			$ 16,420,232

On July 19, 2012, Hutchinson Utilities Commission issued Public Utility Revenue Refunding Bonds, Series 2012A for $20,720,000, with an interest rate of 4.00% to 5.00%. The Commission issued the bonds to advance refund a portion of the 2013 through 2025 maturities of the Public Utility Revenue Bonds, Series 2003B. The Commission completed the refunding to reduce its debt service payment over the next 14 years by $1,638,277. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $1,245,620.

On October 31, 2017, the Hutchinson Utilities Commission issued Public Utility Revenue Bonds of 2017 for $16,675,000. The proceeds of the issue were used to purchase and install new generators for the expansion of electric generation.

B. MINIMUM DEBT PAYMENTS

Annual debt service requirements to maturity for bonded debt is as follows:

Year Ending	Revenue Refunding Bonds, Series 2012A		Revenue Bonds, Series 2017B	
December 31	Principal	Interest	Principal	Interest
2026	$ 2,080,000	$ 104,000	$ 820,000	$ 361,656
2027			850,000	328,856
2028			885,000	294,856
2029			910,000	272,731
2030			930,000	249,981
2030-2035			5,100,000	813,408
2036-2037			2,255,000	104,864
	$ 2,080,000	$ 104,000	$ 11,750,000	$ 2,426,353

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

C. CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Refunding Bonds, Series 2012A	$ 4,060,000	$	$ (1,980,000)	$ 2,080,000	$ 2,080,000
Revenue Bonds, Series 2017B	12,540,000		(790,000)	11,750,000	820,000
Bond Premium	787,901		(219,065)	568,836	203,598
Long-Term Leases	758,024		(21,049)	736,975	
Compensated Absences *	985,052	299,369		1,284,421	198,526
Total Long-Term Liabilities	$ 19,130,977	$ 299,369	$ (3,010,114)	$ 16,420,232	$ 3,302,124

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

D. PLEDGED REVENUES

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue/ Use of Proceeds/ Type	Percent of Total Debt Service	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
Revenue Refunding Bonds, Series 2012A Natural Gas Utility Charges	100%	2012-2026	$ 2,184,000	$ 2,183,000	$ 11,711,866
Revenue Bonds, Series 2017B Electric Utility Charges	100%	2017-2037	14,176,353	1,183,256	30,727,888

NOTE 8. LONG-TERM LEASES

Lease agreements are summarized as follows:

	Origination Date	Payment Terms	Payment Amount	Interest Rate
Solar Array Land Lease	1/31/2022	30 years	$ 40,000	2.50%

	Original Lease Liability	Current Year Additional Outflows	Balance Outstanding
Solar Array Land Lease	$ 841,316	$ 0	$ 736,975

Land was leased by the Commission from the City of Hutchinson to be used to construct and operate a solar power generating facility starting on 1/31/2022. The lease is for a period of 20 years and can be renewed for up to two five year extensions. The interest rate on the lease is a fixed rate of 2.50%.

Annual requirements to amortize lease obligations and related interest are as follows:

Year Ending December 31	Principal	Interest
2026	$	$
2027	21,576	18,424
2028	22,115	17,885
2029	22,668	17,332
2030	23,235	16,765
2031-2035	125,182	74,818
2036-2040	141,632	58,368
2041-2045	160,243	39,757
2046-2050	181,301	18,699
2051	39,023	976
	$ 736,975	$ 263,024

NOTE 9. RISK MANAGEMENT

The Commission purchases commercial insurance coverage through 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, with cities in the state. The Commission pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The Commission is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

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

NOTE 9. RISK MANAGEMENT (Cont'd)

The Commission's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2025 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

There are no other claims liabilities reported in the funds based on the requirements of accounting standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

The Commission 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 in accordance with Minnesota Statutes, Chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan’s financial reporting requirements. PERA’s defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (GERP; General Employees Plan; accounted for in the General Employees Fund):

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

B. BENEFITS PROVIDED

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

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

GERP 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 1.20% of the highest average salary for each of the first 10 years of service and 1.70% for each additional year. Under the Level formula, General Plan members receive 1.70% 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% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50.00% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.00% and a maximum of 1.50%. The 2025 annual increase was 1.25%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

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

GERP Contributions:

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the Commission was required to contribute 7.50% for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the year ended December 31, 2025, were $461,945. The Commission's contributions were equal to the required contributions as set by state statute.

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS

GERP Pension Costs:

At December 31, 2025, the Commission reported a liability of $2,113,771 for its proportionate share of the General Employees Fund's net pension liability. The Commission'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 Commission totaled $50,991. 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 Commission's proportionate share of the net pension liability was based on the Commission'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 Commission's proportion share was 0.0638% at the end of the measurement period and 0.0661% for the beginning of the period.

Commission's Proportionate Share of the Net Pension Liability	$ 2,113,771
State of Minnesota's Proportionate Share of the Net Pension Liability Associated With the Commission	50,991
Total	$ 2,164,762

There were no provision changes during the measurement period.

For the year ended December 31, 2025, the Commission recognized pension expense of $(79,407) for its proportionate share of GERP's pension expense. In addition, the Commission recognized an additional $(7,821) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At December 31, 2025, the Commission reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

GERP Pension Costs: (Cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 201,444	$
Changes in Actuarial Assumptions	50,942	486,487
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		841,290
Changes in Proportion		121,767
Contributions Paid to GERP Subsequent to Measurement Date	242,633	
Totals	$ 495,019	$ 1,449,544

The $242,633 reported as deferred outflows of resources related to pensions resulting from Commission 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:

Year ended December 31,	Pension Expense Amount
2026	$ (290,762)
2027	(432,946)
2028	(323,165)
2029	(150,285)

E. LONG-TERM EXPECTED RETURN ON INVESTMENT

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
	100.00%	

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

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 7.00%. The 7.00% 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 7.00% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.50% after one year of service to 3.00% after 27 years of service.

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

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

The following changes in actuarial assumptions occurred in 2025:

GERP

Changes in Actuarial Assumptions:

The combined service annuity loading factors increased from 15.00% to 19.00% for vested terminated members and from 3.00% to 44.00% for non-vested, terminated members.

The assumed post-retirement benefit increase changed from 1.25% to 1.50%.

Changes in Plan Provisions:

The post-retirement benefit increase formula changed to 100.00% of the Social Security annual increase, between 1.00% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85.00% for the last two consecutive annual valuations or is less than 80.00% in the most recent actuarial valuation, the maximum is reduced to 1.50%. Previously, the benefit increase was 50.00% of the Social Security annual increase, between 1.00% and 1.50%.

The 1.00% additional employer contribution is eliminated when the plan reaches 98.00% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100.00% funded status.

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

G DISCOUNT RATE

The discount rate used to measure the total pension liability in 2025 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. PENSION LIABILITY SENSITIVITY

The following presents the Commission's proportionate share of the net pension liability (asset) for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Commission'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:

		GERP
1.00% Lower	6.00%	$ 5,134,017
Current Discount Rate	7.00%	2,113,771
1.00% Higher	8.00%	(336,239)

I. PENSION PLAN FIDUCIARY NET POSITION

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

NOTE 11. DEFERRED COMPENSATION PLAN

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Commission employees, permits them to defer a portion of their salary into future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Investments are managed by the plan's trustee under one of four investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

NOTE 12. PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN

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

NOTE 12. PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN (Cont'd)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D and 356, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5.00% of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00% of employer contributions and 0.25% of the assets in each member's account annually.

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

	Contribution Amount		Percentage of Covered Payroll		
	Employee	Employer	Employee	Employer	Required Rate
Commissioners	$ 1,370	$ 1,370	5.00%	5.00%	5.00%

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. PLAN DESCRIPTION

The Commission operates a single-employer retiree benefit plan (the Plan) that provides health, dental, and life insurance to eligible employees and their spouses through the Commission's commercial insurance plans. There are 50 active participants and 1 retired participants. Benefit and eligibility provisions are established through negotiations between the Commission and employee groups including a union. The union contract is renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

B. TOTAL OPEB LIABILITY

The Commission's total OPEB liability of $56,282 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date. Update procedures were used to roll forward the total OPEB liability to December 31, 2025.

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (Cont'd)

C. CHANGES IN TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

	Total OPEB Liability
Beginning of Year	$ 53,173
Changes for the Year:	
Service Cost	3,243
Interest	2,110
Changes of Assumptions or Other Inputs	(1,355)
Benefit Payments	(889)
Net Changes	3,109
End of Year	$ 56,282

Changes of assumptions and other inputs reflect a change in the discount rate from 3.77% in 2024 to 4.08% in 2025.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current discount rate:

	1.00% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1.00% Increase in Discount Rate (5.08%)
Total OPEB Liability	$ 60,723	$ 56,282	$ 52,049

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.60% decreasing to 2.90%) or 1-percentage-point higher (9.60% decreasing to 4.90%) than the current healthcare cost trend rates:

	1.00% Decrease (7.60% decreasing to 2.90%)	Healthcare Cost Trend Rates (8.60% decreasing to 3.90%)	1.00% Increase (9.60% decreasing to 4.90%)
Total OPEB Liability	$ 49,936	$ 56,282	$ 63,537

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (Cont'd)

D. OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2025, the Commission recognized OPEB expense of $3,030. At December 31, 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Paid Subsequent to Measurement Date	$ 969	$ 0

$969 reported as deferred outflows of resources related to OPEB resulting from the Commission contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2026.

E. ACTUARIAL METHODS AND ASSUMPTIONS

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

Inflation	2.50%
Salary Increases	Based on the most recently disclosed assumptions for the pension plan in which the employee participates.
Healthcare Cost Trend Rates	8.60% for 2025, gradually decreasing over several decades to an ultimate rate of 3.90% for 2075 and later years.
Retiree's Share of Benefit-Related Costs	Assumed to increase with healthcare trend rates.

A discount rate of 4.08% was applied in the measurement of the total OPEB liability. The discount rate is based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on assumptions for General Employees used in the July 1, 2023 PERA of Minnesota Retirement Plan actuarial valuations, PUB-2010 General mortality tables with projected mortality improvements based on a scale MP-2021, and other adjustments.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2024– December 31, 2024.

NOTE 14. MAJOR CUSTOMERS

The Electric Division derived approximately 44.38% of utility revenue from the top five major customers.

The Natural Gas Division derived approximately 50.06% of its utility revenue from the top five major customers.

NOTE 15. RECLASSIFICATIONS

Certain immaterial prior year financial statement amounts have been reclassified to conform to the current year's presentation. There was no affect on total net position.

NOTE 16. COMMITMENTS

A. PURCHASED POWER

The Commission is committed to purchase 25 MW of its power requirements from Missouri River Energy Services pursuant to the Power Sale Agreement dated April 28, 2010. This contract is effective through January 1, 2046.

B. PAYMENT IN LIEU OF TAXES

The Commission is committed to contribute a portion of its total operating revenue to the City of Hutchinson in lieu of the payment of taxes pursuant to the Resolution No. 14853 dated February 10, 2018.

C. CONSTRUCTION COMMITMENTS

The Commission had the following projects in progress:

Project	Contract Amount	Remaining Commitment
Substation Transformer	$ 11,311,323	$ 5,715,806

NOTE 17. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The following is a summary of the major components of deferred outflows and inflows as presented in the Statement of Net Position:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Related to Pensions	$ 495,019	$ 1,449,544
Related to OPEB	969	
Total	$ 495,988	$ 1,449,544

NOTE 18. PRIOR PERIOD ADJUSTMENT

The net investment in capital assets net position balances have been restated to reflect a correction of an error. In the Commission's December 31, 2024 financial statements, the capital asset restricted cash for payment of capital debt amount was incorrectly included in the calculation for net investment in capital assets. The Electric Division December 31, 2024 net investment in capital assets balance has been restated from $36,868,023 to $35,684,770 (a decrease of $1,183,256) and the restricted net position for 2024 has been restated from $0 to $1,183,256 (an increase of $1,183,256). The Natural Gas Division December 31, 2024 net investment in capital assets balance has been restated from $23,882,579 to $21,810,579 (a decrease of $2,072,000) and the restricted net position for 2024 has been restated from $0 to $2,072,000 (an increase of $2,072,000). The Commission December 31, 2024 net investment in capital assets balance has been restated from $60,750,605 to $57,495,349 (a decrease of $3,255,256). As a result the restricted net position for 2024 has been restated to $3,255,256.

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REQUIRED SUPPLEMENTARY INFORMATION

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HUTCHINSON UTILITIES COMMISSION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2025

Fiscal Year Ending	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the Employer (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Pensions							
GERP							
June 30, 2025	0.0638%	$ 2,113,771	$ 50,991	$ 2,164,762	$ 5,800,949	37.32%	90.78%
June 30, 2024	0.0661%	2,442,997	63,171	2,506,168	5,670,420	44.20%	89.08%
June 30, 2023	0.0662%	3,701,830	102,159	3,803,989	5,328,556	71.39%	83.10%
June 30, 2022	0.0677%	5,361,862	157,228	5,519,090	5,157,815	107.00%	76.67%
June 30, 2021	0.0693%	2,959,420	90,354	3,049,774	5,043,405	60.47%	87.00%
June 30, 2020	0.0673%	4,034,943	124,288	4,159,231	4,848,886	85.78%	79.06%
June 30, 2019	0.0648%	3,582,647	111,328	3,693,975	4,605,472	80.21%	80.23%
June 30, 2018	0.0649%	3,600,387	118,224	3,718,611	4,376,690	84.96%	79.53%
June 30, 2017	0.0644%	4,111,253	51,661	4,162,914	4,146,010	100.41%	75.90%
June 30, 2016	0.0694%	5,634,936	73,588	5,708,524	4,334,384	131.70%	68.90%

See Accompanying Notes to the Required Supplementary Information

HUTCHINSON UTILITIES COMMISSION

SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2025

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
Pensions					
GERP					
12/31/2025	$ 461,945	$ 461,945	$	$ 6,159,267	7.50%
12/31/2024	428,792	428,792		5,717,227	7.50%
12/31/2023	405,709	405,709		5,409,453	7.50%
12/31/2022	388,459	388,459		5,179,453	7.50%
12/31/2021	376,462	376,462		5,019,493	7.50%
12/31/2020	367,734	367,734		4,903,120	7.50%
12/31/2019	351,656	351,656		4,688,747	7.50%
12/31/2018	337,735	337,735		4,503,133	7.50%
12/31/2017	314,977	314,977		4,201,039	7.50%
12/31/2016	310,915	310,915		4,145,538	7.50%

See Accompanying Notes to the Required Supplementary Information

HUTCHINSON UTILITIES COMMISSION

SCHEDULE OF CHANGES IN THE COMMISSION'S TOTAL OPEB LIABILITY
DECEMBER 31, 2025

	Measurement Date							
	12/31/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Service Cost	$ 3,244	$ 3,096	$ 4,242	$ 8,537	$ 7,345	$ 5,994	$ 6,199	$ 5,475
Interest	2,110	3,477	1,877	2,627	3,222	3,982	3,391	3,379
Differences Between Expected and Actual Experience		(42,280)		(25,876)		(10,484)		
Changes in Assumptions or Other Inputs	(1,355)	8,835	(12,909)	(2,021)	7,429	11,924	(3,843)	4,199
Benefit Payments	(890)	(5,416)	(11,056)	(5,509)	(4,519)	(1,347)		
Net Change in Total OPEB Liability	3,109	(32,288)	(17,846)	(22,242)	13,477	10,069	5,747	13,053
Total OPEB Liability - Beginning of Year	53,173	85,461	103,307	125,549	112,072	102,003	96,256	83,203
Total OPEB Liability - End of Year	$ 56,282	$ 53,173	$ 85,461	$ 103,307	$ 125,549	$ 112,072	$ 102,003	$ 96,256
Covered Employee Payroll	$ 5,806,695	$ 5,441,019	$ 5,204,044	$ 4,841,990	$ 4,896,460	$ 4,733,716	$ 4,488,568	$ 4,206,868
Total OPEB Liability as a % of Covered Employee Payroll	0.97%	0.98%	1.64%	2.13%	2.56%	2.37%	2.27%	2.29%

The Commission implemented GASB Statement No. 75 for fiscal year ended December 31, 2017. Information for prior years is not available.

See Accompanying Notes to the Required Supplementary Information

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NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2025 Changes:

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:

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

2023 Changes:

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 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024, by March 31, 2024.

2022 Changes:

There have been no changes since the prior valuation.

2021 Changes:

There have been no changes since the prior valuation.

2020 Changes:

Augmentation for current privatized members was reduced to 2.00% for the period July 1, 2020, through December 31, 2023, and 0.00% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2019 Changes:

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:

The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.

Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

Contribution stabilizer provisions were repealed.

Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.

For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.

Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes:

The State's contribution for the Minneapolis Employees Retirement Fund equals $16 million in 2017 and 2018, and $6 million thereafter.

The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21 million to $31 million in calendar years 2019 to 2031. The state's contribution changed from $16 million to $6 million in calendar years 2019 to 2031.

2016 Changes:

There have been no changes since the prior valuation.

B. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN NOT ADMINISTERED IN A TRUST

2025 Changes:

There have been no changes since the prior valuation.

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

B. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN NOT ADMINISTERED IN A TRUST (Cont'd)

2024 Changes:

Retiree premiums were update to current levels.

2023 Changes:

There have been no changes since the prior valuation.

2022 Changes:

Retiree premiums were update to current levels.

2021 Changes:

There have been no changes since the prior valuation.

2020 Changes:

Retiree premiums were update to current levels.

2019 Changes:

There have been no changes since the prior valuation.

2018 Changes:

There have been no changes since the prior valuation.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2025 Changes:

The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.

The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

2024 Changes:

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.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2024 Changes: (Cont'd)

Minor increase in assumed withdrawals for males and females.

Lower rates of disability.

Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.

Minor changes to form of payment assumptions for male and female retirees.

Minor changes to assumptions made with respect to missing participant data.

2023 Changes:

The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

2022 Changes:

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

2021 Changes:

The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.

The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 Changes:

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.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2020 Changes: (Cont'd)

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 100.00% Joint & Survivor option changed from 35.00% to 45.00%. The assumed number of married female new retirees electing the 100.00% Joint & Survivor option changed from 15.00% to 30.00%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 Changes:

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

2018 Changes:

The mortality projection was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes:

The combined service annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and non-vested deferred members. The revised CSA loads are now 0.00% for active member liability, 15.00% for vested deferred member liability and 3.00% for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

2016 Changes:

The assumed post-retirement benefit increase rate was changed for 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.

The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2016 Changes: (Cont'd)

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

B. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN NOT ADMINISTERED IN A TRUST

2025 Changes:

The discount rate was changed from 3.77% to 4.08% based on updated 20-year municipal bond rates.

2024 Changes:

The discount rate was changed from 4.05% to 3.77% based on updated 20-year municipal bond rates.

Healthcare trend rates were reset to reflect updated cost increase expectations.

Medical per capita claims costs were updated to reflect recent experience.

Withdrawal, mortality, and salary increase rates were updated from the rates used in the July 1, 2023 PERA General Employees Plan valuation to the rates used in the 2023 experience study.

The inflation assumption was changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

The payroll growth rate was changed from 3.00% to 3.25% based on an update in the underlying inflation assumption.

2023 Changes:

The discount rate was changed from 1.84% to 4.05% based on the updated 20-year municipal bond rates.

2022 Changes:

The discount rate was changed from 2.00% to 1.84% based on the updated 20-year municipal bond rates.

Healthcare trend rates were reset to reflect updated cost increase expectations.

Medical per capita claims costs were update to reflect recent experience.

Withdrawal, mortality, and salary increase rates were updated from the rates used in the July 1, 2019 PERA General Employees Plan valuation to the rates used in the July 1, 2021 valuation.

2021 Changes:

The discount rate was changed from 2.75% to 2.00% based on the updated 20-year municipal bond rates.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN NOT ADMINISTERED IN A TRUST (Cont'd)

2020 Changes:

The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

The discount rate was changed from 3.71% to 2.75% based on the updated 20-year municipal bond rates.

Healthcare trend rates were reset to reflect updated cost increase expectations.

Medical per capita claims costs were update to reflect recent experience.

Mortality and salary increase rates were update from the rates used in the July 1, 2017 PERA General Employees Plan valuation to the rates used in the July 1, 2019 valuation.

The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2019 Changes:

The index rate for 20 year, tax-exempt municipal bonds used in the determination of the discount rate was changed from 3.31% to 3.71%.

Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

2018 Changes:

There have been no changes since the prior valuation.

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SUPPLEMENTARY INFORMATION

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HUTCHINSON UTILITIES COMMISSION

COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Electric Division	Natural Gas Division	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Current Assets			
Cash and Investments	$	$ 15,311,768	$ 15,311,768
Receivables			
Accounts Receivable (Net of Allowance for Doubtful Accounts of $69,711 and $66,977, Respectively)	1,989,118	1,805,357	3,794,475
Interest Receivable	49,785	49,785	99,570
Sales Tax Receivable	121,584		121,584
Inventory	2,275,795	509,362	2,785,157
Prepaid Items	140,090	89,912	230,002
Due from Other Funds		1,591,323	1,591,323
Total Current Assets	4,576,372	19,357,507	23,933,879
Noncurrent Assets			
Restricted Assets			
Cash and Investments	1,175,000	2,072,000	3,247,000
Capital and Right to Use Assets			
Assets Not Being Depreciated or Amortized	10,586,804	3,900,121	14,486,925
Other Capital and Right to Use Assets, Net of Depreciation and Amortization	44,226,315	21,767,924	65,994,239
Net Capital Assets	54,813,119	25,668,045	80,481,164
Total Noncurrent Assets	55,988,119	27,740,045	83,728,164
Total Assets	60,564,491	47,097,552	107,662,043
Deferred Outflows of Resources	371,991	123,997	495,988
Total Assets and Deferred Outflows of Resources	$ 60,936,482	$ 47,221,549	$ 108,158,031
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities			
Current Liabilities			
Accounts Payable	$ 1,430,218	$ 1,240,075	$ 2,670,293
Customer Deposits	222,088	119,586	341,674
Unearned Revenue	238,222	228,880	467,102
Accrued Expenses			
Interest	30,138	8,667	38,805
Salaries Payable	110,963	29,118	140,081
Due to Other Funds	1,591,323		1,591,323
Total Current Liabilities	3,622,952	1,626,326	5,249,278
Long-Term Liabilities			
Net Pension Liability	1,585,328	528,443	2,113,771
Total OPEB Liability	42,211	14,071	56,282
Other Long-Term Liabilities Due Within One Year	998,371	2,303,753	3,302,124
Other Long-Term Liabilities Due in More Than One Year	12,860,437	257,671	13,118,108
Total Long-Term Liabilities	15,486,347	3,103,938	18,590,285
Total Liabilities	19,109,299	4,730,264	23,839,563
Deferred Inflows of Resources	1,087,158	362,386	1,449,544
Net Position			
Net Investment in Capital Assets	41,927,449	23,417,904	65,345,353
Restriced for Debt Service	1,175,000	2,072,000	3,247,000
Unrestricted	(2,362,424)	16,638,995	14,276,571
Total Net Position	40,740,025	42,128,899	82,868,924
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 60,936,482	$ 47,221,549	$ 108,158,031

HUTCHINSON UTILITIES COMMISSION

COMBINING SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2025

	Electric Division	Natural Gas Division	Total
OPERATING REVENUES			
Electric Energy Sales	$ 30,727,888	$	$ 30,727,888
Natural Gas Sales		11,711,866	11,711,866
Other Operating Revenues	166,513	2,866,525	3,033,038
Total Operating Revenues	30,894,401	14,578,391	45,472,792
OPERATING EXPENSES			
Production			
Operations	4,860,798		4,860,798
Maintenance	1,161,093		1,161,093
Purchased Power/Gas	12,385,247	7,391,426	19,776,673
Other Power Supply	351,474		351,474
Transmission			
Operations	2,964,927	327,377	3,292,304
Maintenance	73,521	74,557	148,078
Distribution			
Operations	1,312,709	1,027,415	2,340,124
Maintenance	988,005	281,705	1,269,710
Customer Accounts Expense	325,490	276,647	602,137
Sales Expense	105,086	82,218	187,304
Administrative and General	1,679,626	1,050,497	2,730,123
Depreciation and Amortization Expense	3,084,770	1,176,395	4,261,165
Contribution to City of Hutchinson	1,345,802	596,826	1,942,628
Total Operating Expenses	30,638,548	12,285,063	42,923,611
Operating Income (Loss)	255,853	2,293,328	2,549,181
NONOPERATING REVENUES (EXPENSES)			
Interest Income	593,538	583,527	1,177,065
Merchandise and Contract Work, Net	(65,238)	19,038	(46,200)
Miscellaneous Income	108,663	68,964	177,627
Gain (Loss) on Disposal of Assets	22,450		22,450
Bond Premium	33,457	185,608	219,065
Interest Expense	(401,575)	(200,501)	(602,076)
Total Nonoperating Revenues (Expenses)	291,295	656,636	947,931
Change in Net Position	547,148	2,949,964	3,497,112
NET POSITION, BEGINNING OF YEAR	40,192,877	39,178,935	79,371,812
NET POSITION, END OF YEAR	$ 40,740,025	$ 42,128,899	$ 82,868,924

HUTCHINSON UTILITIES COMMISSION

SCHEDULE OF DIVISIONS CASH FLOWS
YEAR ENDED DECEMBER 31, 2025

	Electric Division	Natural Gas Division	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	$ 30,813,299	$ 11,634,294	$ 42,447,593
Payments Received from Other Sources	442,161	2,866,525	3,308,686
Payments to Suppliers	(24,408,304)	(9,060,688)	(33,468,992)
Payments to Employees	(4,421,569)	(2,033,932)	(6,455,501)
Net Cash Provided (Used) by Operating Activities	2,425,587	3,406,199	5,831,786
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interfund Activity	1,591,323	(1,591,323)	
Other Noncapital Income (Expense)	43,425	88,002	131,427
Net Cash Provided (Used) by Noncapital Financing Activities	1,634,748	(1,503,321)	131,427
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to Utility Plant	(8,482,941)	(618,112)	(9,101,053)
Sale of Assets	22,448		22,448
Principal Payments on Long-Term Liabilities	(811,049)	(1,980,000)	(2,791,049)
Interest Paid on Long-Term Liabilities	(404,208)	(208,751)	(612,959)
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,675,750)	(2,806,863)	(12,482,613)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	618,067	608,056	1,226,123
Net Increase (Decrease) in Cash and Cash Equivalents	(4,997,348)	(295,929)	(5,293,277)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,172,348	17,679,697	23,852,045
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,175,000	$ 17,383,768	$ 18,558,768
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Current Assets - Cash and Investments	$	$ 15,311,768	$ 15,311,768
Restricted Assets - Cash and Investments	1,175,000	2,072,000	3,247,000
Total Cash and Cash Equivalents	$ 1,175,000	$ 17,383,768	$ 18,558,768

See Accompanying Notes to the Financial Statements

HUTCHINSON UTILITIES COMMISSION

SCHEDULE OF DIVISIONS CASH FLOWS
YEAR ENDED DECEMBER 31, 2025

	Electric Division	Natural Gas Division	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ 255,853	$ 2,293,328	$ 2,549,181
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation and Amortization	3,084,770	1,176,395	4,261,165
Pension Related Adjustments	(483,384)	(161,127)	(644,511)
OPEB Related Adjustments	2,272	758	3,030
(Increase) Decrease in Assets			
Accounts Receivable	45,769	(135,419)	(89,650)
Sales Tax Receivable	275,648		275,648
Inventory	(277,417)	35,904	(241,513)
Prepaid Items	(74,846)	(62,580)	(137,426)
Increase (Decrease) in Liabilities			
Accounts Payable	(447,076)	156,640	(290,436)
Customer Deposits	30,592	16,472	47,064
Unearned Revenue	9,050	41,375	50,425
Salaries Payable	(190,627)	(59,933)	(250,560)
Compensated Absences	194,983	104,386	299,369
Net Cash Provided (Used) by Operating Activities	$ 2,425,587	$ 3,406,199	$ 5,831,786
NONCASH FINANCING ACTIVITIES			
Amortization of Premium on Bonds Payable	$ 33,457	$ 185,608	$ 219,065

HUTCHINSON UTILITIES COMMISSION

STATEMENT OF NET POSITION
ELECTRIC DIVISION
DECEMBER 31, 2025
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2024

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash and Investments	$	$ 4,989,092
Receivables		
Accounts Receivable (Net of Allowance for Doubtful Accounts of $69,711 and $37,461, Respectively)	1,989,118	2,034,887
Interest Receivable	49,785	74,314
Sales Tax Receivable	121,584	397,232
Inventory	2,275,795	1,998,378
Prepaid Items	140,090	65,244
Total Current Assets	4,576,372	9,559,147
Noncurrent Assets		
Restricted Assets		
Cash and Investments	1,175,000	1,183,256
Capital and Right to Use Assets		
Assets Not Being Depreciated or Amortized	10,586,804	3,591,534
Other Capital and Right to Use Assets, Net of Depreciation and Amortization	44,226,315	45,823,412
Net Capital Assets	54,813,119	49,414,946
Total Noncurrent Assets	55,988,119	50,598,202
Total Assets	60,564,491	60,157,349
Deferred Outflows of Resources	371,991	342,759
Total Assets and Deferred Outflows of Resources	$ 60,936,482	$ 60,500,108
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	$ 1,430,218	$ 1,877,294
Customer Deposits	222,088	191,496
Unearned Revenue	238,222	229,172
Accrued Expenses		
Interest	30,138	32,771
Salaries Payable	110,963	301,590
Due to Other Funds	1,591,323	
Total Current Liabilities	3,622,952	2,632,323
Long-Term Liabilities		
Net Pension Liability	1,585,328	1,832,248
Total OPEB Liability	42,211	39,880
Other Long-Term Liabilities Due Within One Year	998,371	851,947
Other Long-Term Liabilities Due in More Than One Year	12,860,437	13,656,384
Total Long-Term Liabilities	15,486,347	16,380,459
Total Liabilities	19,109,299	19,012,782
Deferred Inflows of Resources	1,087,158	1,294,449
Net Position		
Net Investment in Capital Assets	41,927,449	35,684,770
Restriced for Debt Service	1,175,000	1,183,256
Unrestricted	(2,362,424)	3,324,851
Total Net Position	40,740,025	40,192,877
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 60,936,482	$ 60,500,108

HUTCHINSON UTILITIES COMMISSION

DETAILED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - ELECTRIC DIVISION
YEAR ENDED DECEMBER 31, 2025
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2024

	2025			2024
	Budget	Actual	Over (Under) Budget	Actual
OPERATING REVENUES				
Utility Revenues				
Residential	$ 6,486,293	$ 6,288,332	$ (197,961)	$ 6,040,987
General Service	9,990,633	10,023,369	32,736	9,050,761
Industrial	9,011,237	7,491,674	(1,519,563)	8,644,375
Street Lighting	121,054	121,336	282	124,399
Resale	3,490,250	6,803,177	3,312,927	3,656,427
Total Utility Revenues	29,099,467	30,727,888	1,628,421	27,516,949
Other Operating Revenues				
Penalties/Fees	135,000	156,881	21,881	144,740
Security Lights	9,500	9,632	132	9,495
Total Other Operating Revenues	144,500	166,513	22,013	154,235
Total Operating Revenues	29,243,967	30,894,401	1,650,434	27,671,184
OPERATING EXPENSES				
Production				
Operations				
Supervision and Engineering	1,226,219	1,375,574	149,355	1,294,157
Other Employee Benefits	880,732	426,096	(454,636)	684,278
Station	197,200	295,902	98,702	192,058
Gas for Generation	1,126,000	1,991,899	865,899	1,048,044
Transportation	727,666	727,666		724,600
Waste Disposal	35,000	43,661	8,661	38,402
Total Operations	4,192,817	4,860,798	667,981	3,981,539
Maintenance				
Structures	26,000	6,536	(19,464)	19,620
Generating Units	636,977	762,219	125,242	601,410
Other Equipment	284,000	392,338	108,338	285,444
Total Maintenance	946,977	1,161,093	214,116	906,474
Total Production	5,139,794	6,021,891	882,097	4,888,013
Power Costs				
Purchased Power	12,605,893	12,385,247	(220,646)	11,904,189

HUTCHINSON UTILITIES COMMISSION

DETAILED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - ELECTRIC DIVISION
YEAR ENDED DECEMBER 31, 2025
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2024

	2025			2024
	Budget	Actual	Over (Under) Budget	Actual
OPERATING EXPENSES (Cont'd)				
Other Power Supply				
Supervision and General Salaries	$ 299,407	$ 311,824	$ 12,417	$ 292,166
Professional Services	49,800	39,650	(10,150)	36,600
Total Other Power Supply	349,207	351,474	2,267	328,766
Transmission				
Operations				
Transmission	3,015,064	2,734,140	(280,924)	2,522,972
Station	212,000	230,787	18,787	223,701
Total Operations	3,227,064	2,964,927	(262,137)	2,746,673
Maintenance				
Plant and Equipment	32,097	73,521	41,424	84,576
Total Transmission	3,259,161	3,038,448	(220,713)	2,831,249
Distribution				
Operations				
Supervision and Engineering	629,808	533,936	(95,872)	494,968
Other Employee Benefits	464,676	426,308	(38,368)	460,430
Line	191,911	130,562	(61,349)	265,044
Meter	15,926	32,593	16,667	34,115
Territory Service Agreement		2,156	2,156	
Other	164,000	187,154	23,154	158,275
Total Operations	1,466,321	1,312,709	(153,612)	1,412,832
Maintenance				
Station Equipment	26,718	31,131	4,413	32,473
Underground Lines	402,951	414,899	11,948	527,734
Lines Transformers	37,800	198,036	160,236	38,260
Street Lighting	105,231	260,362	155,131	255,168
Other Equipment	56,169	83,577	27,408	61,150
Total Maintenance	628,869	988,005	359,136	914,785
Total Distribution	2,095,190	2,300,714	205,524	2,327,617
Customer Accounts Expense				
Meter Reading	31,566	5,111	(26,455)	33,710
Collection	183,277	187,380	4,103	185,225
Other Employee Benefits	18,000	21,041	3,041	22,365
Uncollectible Accounts	4,000	35,838	31,838	(17,174)
Customer Services	48,889	76,115	27,226	70,799
Meetings and Training	1,650	5	(1,645)	1,276
Total Customer Accounts Expense	287,382	325,490	38,108	296,201

HUTCHINSON UTILITIES COMMISSION

DETAILED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - ELECTRIC DIVISION
YEAR ENDED DECEMBER 31, 2025
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2024

	2025			2024
	Budget	Actual	Over (Under) Budget	Actual
OPERATING EXPENSES (Cont'd)				
Sales Expense				
Salaries	$ 56,763	$ 46,973	$ (9,790)	$ 47,433
Conservation	255,499	58,113	(197,386)	96,798
Total Sales Expense	312,262	105,086	(207,176)	144,231
Administrative and General				
Supervision and General Salaries	579,462	542,781	(36,681)	568,023
Office Supplies	319,462	339,835	20,373	293,650
Outside Services Employed	75,907	96,767	20,860	71,811
Property Insurance	331,014	337,862	6,848	324,841
Medical Insurance	104,476	90,318	(14,158)	106,009
Other Employee Benefits	109,100	102,503	(6,597)	113,584
Regulatory	900	420	(480)	375
Commissioners Salaries	15,836	15,883	47	15,808
Travel	7,000	4,728	(2,272)	3,695
Miscellaneous	73,346	74,434	1,088	68,383
Maintenance of General Plant	66,593	74,095	7,502	64,719
Total Administrative and General	1,683,096	1,679,626	(3,470)	1,630,898
Depreciation and Amortization Expense	3,200,000	3,084,770	(115,230)	3,188,060
Contribution to City of Hutchinson				
Payment in Lieu of Taxes	1,345,802	1,345,802		1,345,803
Lighting				252,620
Total Contributions to City of Hutchinson	1,345,802	1,345,802	0	1,598,423
Total Operating Expenses	30,277,787	30,638,548	360,761	29,137,647
Operating Income (Loss)	(1,033,820)	255,853	1,289,673	(1,466,463)
NONOPERATING REVENUES (EXPENSES)				
Interest Income	300,000	593,538	293,538	620,831
Merchandise and Contract Work, Net		(65,238)	(65,238)	(26,401)
Miscellaneous Income	46,626	108,663	62,037	77,850
Gain (Loss) on Disposal of Assets		22,450	22,450	60,871
Bond Premium	33,457	33,457		33,457
Interest Expense	(394,732)	(401,575)	(6,843)	(432,134)
Total Nonoperating Revenues (Expenses)	(14,649)	291,295	305,944	334,474
Change in Net Position	$ (1,048,469)	547,148	$ 1,595,617	(1,131,989)
NET POSITION, BEGINNING OF YEAR		40,192,877		41,324,866
NET POSITION, END OF YEAR		$ 40,740,025		$ 40,192,877

HUTCHINSON UTILITIES COMMISSION

STATEMENT OF NET POSITION
NATURAL GAS DIVISION
DECEMBER 31, 2025
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2024

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash and Investments	$ 15,311,768	$ 15,607,697
Receivables		
Accounts Receivable (Net of Allowance for Doubtful Accounts of $66,977 and $30,650, Respectively)	1,805,357	1,669,938
Interest Receivable	49,785	74,314
Inventory	509,362	545,266
Prepaid Items	89,912	27,332
Due from Other Funds	1,591,323	
Total Current Assets	19,357,507	17,924,547
Noncurrent Assets		
Restricted Assets		
Cash and Investments	2,072,000	2,072,000
Capital and Right to Use Assets		
Assets Not Being Depreciated or Amortized	3,900,121	3,899,919
Other Capital and Right to Use Assets, Net of Depreciation and Amortization	21,767,924	22,326,409
Net Capital Assets	25,668,045	26,226,328
Total Noncurrent Assets	27,740,045	28,298,328
Total Assets	47,097,552	46,222,875
Deferred Outflows of Resources	123,997	114,253
Total Assets and Deferred Outflows of Resources	$ 47,221,549	$ 46,337,128
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	$ 1,240,075	$ 1,083,435
Customer Deposits	119,586	103,114
Unearned Revenue	228,880	187,505
Accrued Expenses		
Interest	8,667	16,917
Salaries Payable	29,118	89,051
Total Current Liabilities	1,626,326	1,480,022
Long-Term Liabilities		
Net Pension Liability	528,443	610,749
Total OPEB Liability	14,071	13,293
Other Long-Term Liabilities Due Within One Year	2,303,753	2,174,084
Other Long-Term Liabilities Due in More Than One Year	257,671	2,448,562
Total Long-Term Liabilities	3,103,938	5,246,688
Total Liabilities	4,730,264	6,726,710
Deferred Inflows of Resources	362,386	431,483
Net Position		
Net Investment in Capital Assets	23,417,904	21,810,579
Restricted for Debt Service	2,072,000	2,072,000
Unrestricted	16,638,995	15,296,356
Total Net Position	42,128,899	39,178,935
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 47,221,549	$ 46,337,128

HUTCHINSON UTILITIES COMMISSION

DETAILED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - NATURAL GAS DIVISION
YEAR ENDED DECEMBER 31, 2025
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2024

	2025			2024
	Budget	Actual	Over (Under) Budget	Actual
OPERATING REVENUES				
Utility Revenues				
Residential	$ 3,942,877	$ 3,636,316	$ (306,561)	$ 3,526,225
Commercial	2,865,310	2,560,549	(304,761)	2,526,865
Industrial	5,623,741	5,515,001	(108,740)	5,234,322
Total Utility Revenues	12,431,928	11,711,866	(720,062)	11,287,412
Other Operating Revenues				
Gas Transportation Contract - New Ulm	822,278	826,179	3,901	754,398
Transportation - Electric Division	727,666	727,666		724,600
Penalties/Fees	52,000	56,407	4,407	55,177
Gas Transportation Contract - Other	1,248,940	1,256,273	7,333	1,249,056
Total Other Operating Revenues	2,850,884	2,866,525	15,641	2,783,231
Total Operating Revenues	15,282,812	14,578,391	(704,421)	14,070,643
OPERATING EXPENSES				
Purchased Natural Gas	7,650,274	7,391,426	(258,848)	7,263,560
Transmission				
Operations				
Supervision and Engineering	175,361	147,150	(28,211)	184,962
Other	81,500	180,227	98,727	152,868
Total Operations	256,861	327,377	70,516	337,830
Maintenance				
Supervision and Engineering	2,165	674	(1,491)	7,068
Other	38,000	73,883	35,883	2,963
Total Maintenance	40,165	74,557	34,392	10,031
Total Transmission	297,026	401,934	104,908	347,861
Distribution				
Operations				
Supervision and Engineering	258,829	219,046	(39,783)	179,285
Other Employee Benefits	530,606	335,475	(195,131)	348,006
Mains and Services	277,582	379,034	101,452	135,746
Meters	91,800	54,216	(37,584)	36,243
Other	51,200	39,644	(11,556)	44,811
Total Operations	1,210,017	1,027,415	(182,602)	744,091
Maintenance				
Mains and Services	268,036	228,903	(39,133)	280,700
Meters	16,545	11,859	(4,686)	18,891
Other Equipment	60,500	40,943	(19,557)	91,029
Total Maintenance	345,081	281,705	(63,376)	390,620
Total Distribution	1,555,098	1,309,120	(245,978)	1,134,711

HUTCHINSON UTILITIES COMMISSION

DETAILED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - NATURAL GAS DIVISION
YEAR ENDED DECEMBER 31, 2025
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2024

	2025			2024
	Budget	Actual	Over (Under) Budget	Actual
OPERATING EXPENSES (Cont'd)				
Customer Accounts Expense				
Meter Reading	$ 6,827	$ 4,561	$ (2,266)	$ 31,583
Collection	169,045	153,228	(15,817)	152,191
Other Employee Benefits	9,000	17,799	8,799	19,621
Uncollectible Accounts	1,000	38,756	37,756	(20,154)
Customer Services	40,000	62,276	22,276	57,927
Meetings and Training	1,350	27	(1,323)	1,044
Total Customer Accounts Expense	227,222	276,647	49,425	242,212
Sales Expense				
Salaries	56,763	46,972	(9,791)	47,432
Conservation	135,646	35,246	(100,400)	55,611
Total Sales Expense	192,409	82,218	(110,191)	103,043
Administrative and General				
Supervision and General Salaries	436,952	490,789	53,837	474,371
Office Supplies	121,354	124,636	3,282	108,805
Outside Services Employed	35,969	59,665	23,696	35,957
Property Insurance	74,513	75,952	1,439	77,700
Medical Insurance	65,871	64,229	(1,642)	66,576
Other Employee Benefits	93,100	81,126	(11,974)	90,454
Regulatory	60,000	47,538	(12,462)	53,574
Commissioners Salaries	10,558	10,589	31	10,539
Travel	4,000	3,536	(464)	3,045
Miscellaneous	46,000	48,044	2,044	42,559
Maintenance of General Plant	57,951	44,393	(13,558)	52,603
Total Administrative and General	1,006,268	1,050,497	44,229	1,016,183
Depreciation and Amortization Expense	1,110,000	1,176,395	66,395	1,124,576
Contribution to City of Hutchinson				
Payment in Lieu of Taxes	596,824	596,826	2	596,825
Total Operating Expenses	12,635,121	12,285,063	(350,058)	11,828,971
Operating Income (Loss)	2,647,691	2,293,328	(354,363)	2,241,672

HUTCHINSON UTILITIES COMMISSION

DETAILED SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - NATURAL GAS DIVISION
YEAR ENDED DECEMBER 31, 2025
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2024

	2025			2024
	Budget	Actual	Over (Under) Budget	Actual
NONOPERATING REVENUES (EXPENSES)				
Interest Income	$ 300,000	$ 583,527	$ 283,527	$ 620,411
Merchandise and Contract Work, Net	(13,500)	19,038	32,538	49,595
Miscellaneous Income	25,107	68,964	43,857	892,360
Gain (Loss) on Disposal of Assets				13,550
Bond Premium	185,608	185,608		185,609
Interest Expense	(204,275)	(200,501)	3,774	(278,632)
Total Nonoperating Revenues (Expenses)	292,940	656,636	363,696	1,482,893
Change in Net Position	$ 2,940,631	2,949,964	$ 9,333	3,724,565
NET POSITION, BEGINNING OF YEAR		39,178,935		35,454,370
NET POSITION, END OF YEAR		$ 42,128,899		$ 39,178,935

COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the Hutchinson Utilities Commission
Hutchinson, 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 Hutchinson Utilities Commission, a fund of the City of Hutchinson, Minnesota, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 25, 2026.

In connection with our audit, nothing came to our attention that caused us to believe that the Commission failed to comply with the provisions of the contracting-bid laws, depositories of public funds and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions 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 Commission's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

March 25, 2026

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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*

Members of the Hutchinson Utilities Commission
Hutchinson, 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 Hutchinson Utilities Commission, a fund of the City of Hutchinson, Minnesota, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 25, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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 determination of financial statement amounts. 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

March 25, 2026

HUTCHINSON UTILITIES COMMISSION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2025

Finding Reference	Finding Title	Status	Year Finding Initially Occurred	If Not Corrected, Provide Planned Corrective Action or Other Explanation

Financial Statement Findings:

None

Minnesota Legal Compliance Findings:

None

APPENDIX C

FORM OF LEGAL OPINION

(See following pages)

City of Hutchinson
Hutchinson, Minnesota

Hutchinson Utilities Commission
Hutchinson, Minnesota

[Purchaser]
[City, State]

Re: $[___] Public Utility Revenue Bonds, Series 2026B
City of Hutchinson, Minnesota

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the City of Hutchinson, Minnesota (the "City"), of the obligations described above, dated, as originally issued, as of September [__], 2026 (the "Bonds"). In that capacity, we have reviewed copies of certain proceedings taken by the City Council in the authorization, sale, and issuance of the Bonds, including the form of the Bonds and certain other proceedings and documents furnished by the City and others. 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 special obligations of the City, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable solely from net revenues of the City's municipal electric system and municipal gas system which are controlled and managed on behalf of the City by the Hutchinson Utilities Commission. The pledge of net revenues of the City's municipal electric system and municipal gas system to the payment of the Bonds is on a parity with the pledge of such net revenues heretofore made to pay the City's Public Utility Revenue Refunding Bonds, Series 2012A and Public Utility Revenue Bonds, Series 2017B. The Bonds are not a general obligation of the City, and the taxing powers of the City are not to be used to provide money for the payment of principal or interest thereon.

3. Interest on the Bonds (a) is excluded 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 excluded 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.

5. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

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, 4, and 5 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 or the Bonds failing to be qualified tax-exempt obligations, 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 and equipment 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 [__]th day of September, 2026.

Very truly yours,

APPENDIX D

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.

APPENDIX E

FORM OF CONTINUING DISCLOSURE COVENANTS (EXCERPTS FROM AWARD RESOLUTION)

(See following pages)

<u>Form of Continuing Disclosure Covenants</u>

Excerpt from Resolution

<u>Continuing Disclosure</u>. (a) <u>Purpose and Beneficiaries</u>. 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 (a) 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 (b) is treated as the owner of the Bond for federal income tax purposes.

(b) <u>Information To Be Disclosed</u>. 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 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, containing balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, showing in comparative form such figures for the preceding fiscal year of the City, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified 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: "THE BONDS – Public Utility Revenue Debt Outstanding;" "– Historic Electric and Natural Gas Utility Revenues and Expenses;" "DESCRIPTION OF ELECTRIC UTILITY;" and "DESCRIPTION OF NATURAL GAS UTILITY;" 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. If the document incorporated by reference is a final official statement, it must be available from the MSRB. 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;
(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

$4,295,000* PUBLIC UTILITY REVENUE BONDS, SERIES 2026B
CITY OF HUTCHINSON, MINNESOTA

Proposals for the purchase of $4,295,000* Public Utility Revenue Bonds, Series 2026B (the "Bonds") of the City of Hutchinson, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M., Central Time, on August 11, 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 4:00 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, Chapter 453, by the City, to provide funds for the public purpose of financing improvements to the City's electric generation and distribution system. **THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE PAYABLE ONLY FROM NET REVENUES TO BE DERIVED FROM THE OPERATION OF THE ELECTRIC AND NATURAL GAS UTILITY SYSTEMS.**

DATES AND MATURITIES

The Bonds will be dated September 3, 2026, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on December 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2027	$295,000	2031	$375,000	2035	$435,000
2028	340,000	2032	390,000	2036	450,000
2029	350,000	2033	405,000	2037	470,000
2030	365,000	2034	420,000		

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 June 1 and December 1 of each year, commencing June 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

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

OPTIONAL REDEMPTION

The Bonds maturing on and after December 1, 2035 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 December 1, 2034, 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 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 September 3, 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 $4,243,460 plus accrued interest on the principal sum of $4,295,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

1) Electronically to bondsale@ehlers-inc.com; or

2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M., Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at https://ihsmarkit.com/products/municipal-issuance.html or via telephone (844) 301-7334.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of $85,900 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.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, 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 Hutchinson, Minnesota

PROPOSAL FORM

The City Council **August 11, 2026**
City of Hutchinson, Minnesota (the "City")

RE: $4,295,000* Public Utility Revenue Bonds, Series 2026B (the "Bonds")
DATED: September 3, 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 $4,243,460) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

________	% due	2027	________	% due	2031	________	% due	2035
________	% due	2028	________	% due	2032	________	% due	2036
________	% due	2029	________	% due	2033	________	% due	2037
________	% due	2030	________	% due	2034			

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

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of $85,900 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 September 3, 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 September 3, 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 Hutchinson, Minnesota, on August 11, 2026.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________