CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2025

PREPARED BY:

FINANCE DEPARTMENT

DEBRA OLSEN
Finance Director

Member GFOA of U.S. and Canada
Published June 25, 2026

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City of Worthington, Minnesota

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INTRODUCTORY SECTION

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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Worthington

FINANCE DEPARTMENT

CITY OF WORTHINGTON ■ 303 NINTH STREET, PO BOX 279 ■ WORTHINGTON, MN 56187
TELEPHONE: (507) 372-8600 ■ FAX: (507) 372-8630 ■ www.ci.worthington.mn.us

June 25, 2026

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

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

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

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

GAAP accounting principles generally accepted in the United States of America requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a 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 of Worthington's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Worthington, incorporated in 1873, is located in the southwestern part of the State of Minnesota, and serves as a regional trade and service center for the surrounding agricultural area. The City of Worthington currently occupies a land area of 9.28 square miles and serves a population of 14,103. The City of Worthington is empowered to levy a property tax on both real estate and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing Council.

The City of Worthington has operated under the council-administrator form of government since 1973. Policy making and legislative authority are vested in a City Council consisting of the Mayor and five other members. The governing Council is responsible, among other things, for passing ordinances, adopting the budgets, appointing committees, and hiring the City Administrator. The City Administrator is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City government, and for appointing the heads of various departments. The Council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three Council members elected every four years and the Mayor and two Council members elected in staggered four-year terms. Four of the Council members are elected by district. The Mayor and the one remaining Council member are elected at-large.

The City of Worthington provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; water, sewer and electric services, and recreational activities and cultural events.

This annual budget serves as the foundation for the City of Worthington's financial planning and control. All departments of the City of Worthington submit requests for appropriation to the City Administrator and Finance Director in July of each year. The City Administrator and Finance Director uses these requests as the starting point for developing a proposed budget. The City Administrator and Finance Director then provides this proposed budget to the department heads in August to suggest priorities. These budgets then are brought to council for review during work sessions scheduled in September. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than December 31, the close of the City of Worthington's fiscal year. The appropriated budget is prepared by fund, function (e.g. general government, public safety, etc.), and department (e.g. administration, police, etc.). Budgetary control is maintained at the departmental level of expenditures within each activity (function). The level of control (level at which expenditures may not exceed budget) is maintained at each individual fund, except for the general fund. The general fund is reviewed at the departmental level (i.e. Mayor and council, administration, police department, fire, public works, and streets); however, the overall budget of the general fund is the responsibility of the City Administrator. Informal approval is given by the City Administrator and Finance Director. The City Administrator must obtain approval from the City Council for all budget transfers and departmental overages.

Budgets for the General and special revenue funds, excluding the police forfeitures fund, are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Factors Affecting Financial Condition

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

Local economy. The City serves as the county seat and regional economic center for Nobles County in Southwestern Minnesota. In 2025, the City issued 450 building permits (565 permits less than issued in 2024) for a cumulative total of $27.6 million of construction work, which is 47.5% more than the construction value reported in 2024. The current economic environment has resulted in the investment of over $97 million in building activities within the corporate limits of Worthington between January 2021 and December 2025.

Worthington is the commercial, industrial and agricultural regional center of southwest Minnesota. Our economy has remained strong and steady. Local option sales tax revenue in 2025 saw a year over year increase in net revenue of 7.0% compared to 2024 collections. Local sales tax revenue continues to exceed annual revenue bond payments. The City's Adjusted Tax Capacity grew by $777,800 in 2025, an increase of 5.7%

Long-term financial planning. Unassigned fund balance in the general fund at year end was 84 percent of the total general fund budgeted expenditures. This amount is above the policy guidelines (35%-50%) set by the Council for budgetary and planning purposes. This year-end amount is over the target percentages set by the policy guidelines (2023 and 2024 percentages were 42% and 63% respectively).

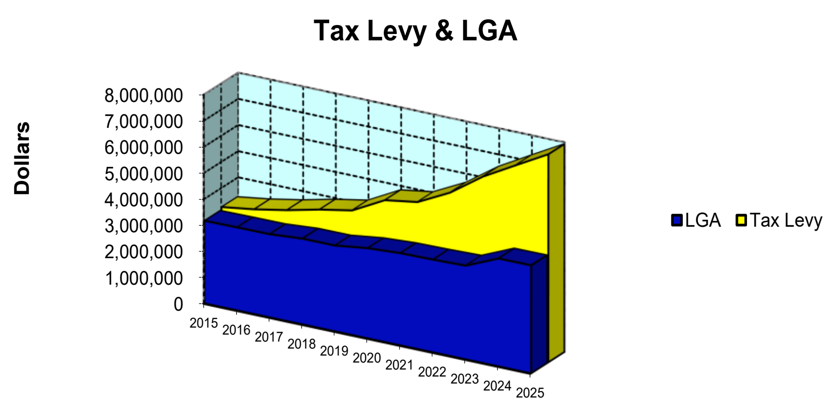
The City maintains a five-year Capital Improvement Program which serves as its planning document to ensure that its facilities and infrastructure are well maintained and operating in peak condition. Projects are identified by name, cost and funding sources (property taxes, reserves, bonding, assessments, utility revenue, state/federal funding or other). The City also funds its equipment purchases through it budgetary process annually. This ensures that when a piece of equipment is scheduled to be replaced, a majority (if not all) of the funding is available for the purchase of the equipment. This allows the City to stabilize the impact on property tax revenues by building the required amounts over a period of time.

Tax Abatements. The City, and other taxing authorities, have approved future tax abatements for residential homeowners that elect to construct a new owner occupied or rental residential housing unit. Under these agreements the homeowner is abated 100% of the City's share of the increased real estate taxes resulting in the constructed housing unit for a period of five years. This abatement encourages new construction which in turn adds to the tax capacity within the City and increased property tax collections in the future.

The City also has entered into tax abatement (Tax Increment Financing-TIF) agreements for the purpose of various housing projects (apartment complexes, single family housing development, townhomes, rental housing), hotel development, and various redevelopments. The projects that utilize TIF provide public benefits which include future increased property taxes and depending on the project, other public benefits can also include job creation/retention. Affordable housing, and improved blighted building conditions.

The City also has one remaining abatement established under Minnesota Statute 469.1812. This abatement was granted for the redevelopment of property. This abatement will be existence for a total of 15 years or until a total of $80,000 is abated, whichever occurs first. As of December 31, 2025, the City has abated $30,283 in property taxes and it is currently in its fourteenth year. This agreement also resulted in public benefits which include future increased property taxes for the redevelopment of the property.

The City raised its property tax levy 9.51% for taxes payable in 2025. Following is a graph comparing the City's tax levy and LGA received in the appropriate years.



Labor agreements with the City's three bargaining units (Law Enforcement Labor Services #4 and #274 and Union of Operating Engineers Local #49, AFL-CIO) terminated on December 31, 2024. The City and all three bargaining units secured three-year agreements for years 2025-2027. The Cost of Living Adjustment (COLA) increase for 2025 was 5% and the 2026/2027 increase will be 4% for all three bargaining units and non-aligned employees.

Major Initiatives. The City undertook a number of street and utility improvements in 2025. A major downtown enhancement project was completed in 2025. Construction of East Flower Lane began in 2025 and will be completed in 2026. This new roadway will serve as access to the new South Shore Apartments, a market rate multi-family housing development that will have 76 units completed in 2026.

Housing. The City has two multi-family market rate housing projects under construction with completion scheduled for late 2026. A total of 112 new studio, one, two and three bedroom rental units will be completed and available for leasing in 2026. This is the initial development of the two housing projects. Total planned development is projected to offer up to 250 new rental units. The City developed two single-family subdivisions in previous years. The Cecilee Subdivision consisting of 17 parcels is sold out as a contractor continues to build one and two family homes. The Glenwood Heights subdivision has 37 single-family parcels fully developed with an additional 60 parcels available for future development.

Relevant Financial Policies. The City has a policy regarding General Fund reserve balances. The City plans for an unassigned fund balance in the General Fund equivalent to 35%-50% of the subsequent year's budgeted expenditures to provide working capital between semi-annual property tax settlements. Since the property tax settlements are received by the City in July and December, the City needs sufficient cash reserves to avoid short-term borrowing to finance operations. The City has unspendable or restricted fund balances for deferrals, prepaid items, inventories, assets held for resale and other legal obligations. The City also reports committed and assigned fund balances for special purposes.

The primary goal of the City's investment policy is to ensure the safety of the principal invested. Cash temporarily idle during the year is invested in certificates of deposit, obligations of the U.S. Treasury and government agencies. Cash balances from all City funds are pooled into an investment fund and investment income is distributed on a pro-rata basis at June 30 and December 31. A cash flow analysis is utilized and staggered in a way to meet projected liquidity needs. Capital financing for major improvements is provided through improvement bonds, general obligation bonds, tax increment bonds, or revenue bonds. Depending on the project, special assessments may be levied upon properties to share in the cost of the improvement project. The special assessments are collected over a period of time, typically over the life of the bond issue, and are used to help satisfy the improvement bond debt or reimburse the fund used to finance the project.

The City Council has also adopted financial management policies in order to allow for the planning of adequate funding of services desired by the public, to manage City finances wisely, and to carefully account for public funds. These policies are reviewed each year when the annual budget is adopted. The financial management policies included: operating budget policies; revenue policies; accounting, auditing and financial reporting policies; investment policies; debt policies; capital improvement policies; and risk management policies.

The City Council has adopted a comprehensive set of internal control procedures. The City's accounting system was developed and is continually evaluated to assure the adequacy of internal controls. Internal accounting controls are designed to provide reasonable but not absolute assurance in the areas of: safeguarding assets against loss from unauthorized use or disposition, reliability of financial records, and convenience of access for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the evaluation of cost and benefits requires estimates and judgments by management, and the cost of a control should not exceed the benefits likely to be derived. All internal controls are evaluated against the above criteria. It is our belief that the City's internal accounting controls adequately safeguard the City's assets and also provide reasonable assurance of properly recording financial transactions.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Worthington for its annual comprehensive financial report (ACFR) for the fiscal year ended December 31, 2024. This was the thirty-six consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized ACFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Worthington's finances.

Respectfully submitted,

Steven Robinson

Steven Robinson
City Administrator

Debra K. Olsen

Debra K. Olsen
Finance Director

City of Worthington, Minnesota
Elected and Appointed Officials
December 31, 2025

ELECTED

Name	Title	Term Expires
Rick VonHoldt	Mayor	12/31/26
Dennis Weber	Council Member, At-Large	12/31/28
Amy Woitalewicz	Council Member, Ward I	12/31/26
Chris Kielblock	Council Member, Ward I	12/31/28
Mike Kuhle	Council Member, Ward II	12/31/26
Amy Ernst	Council Member, Ward II	12/31/28

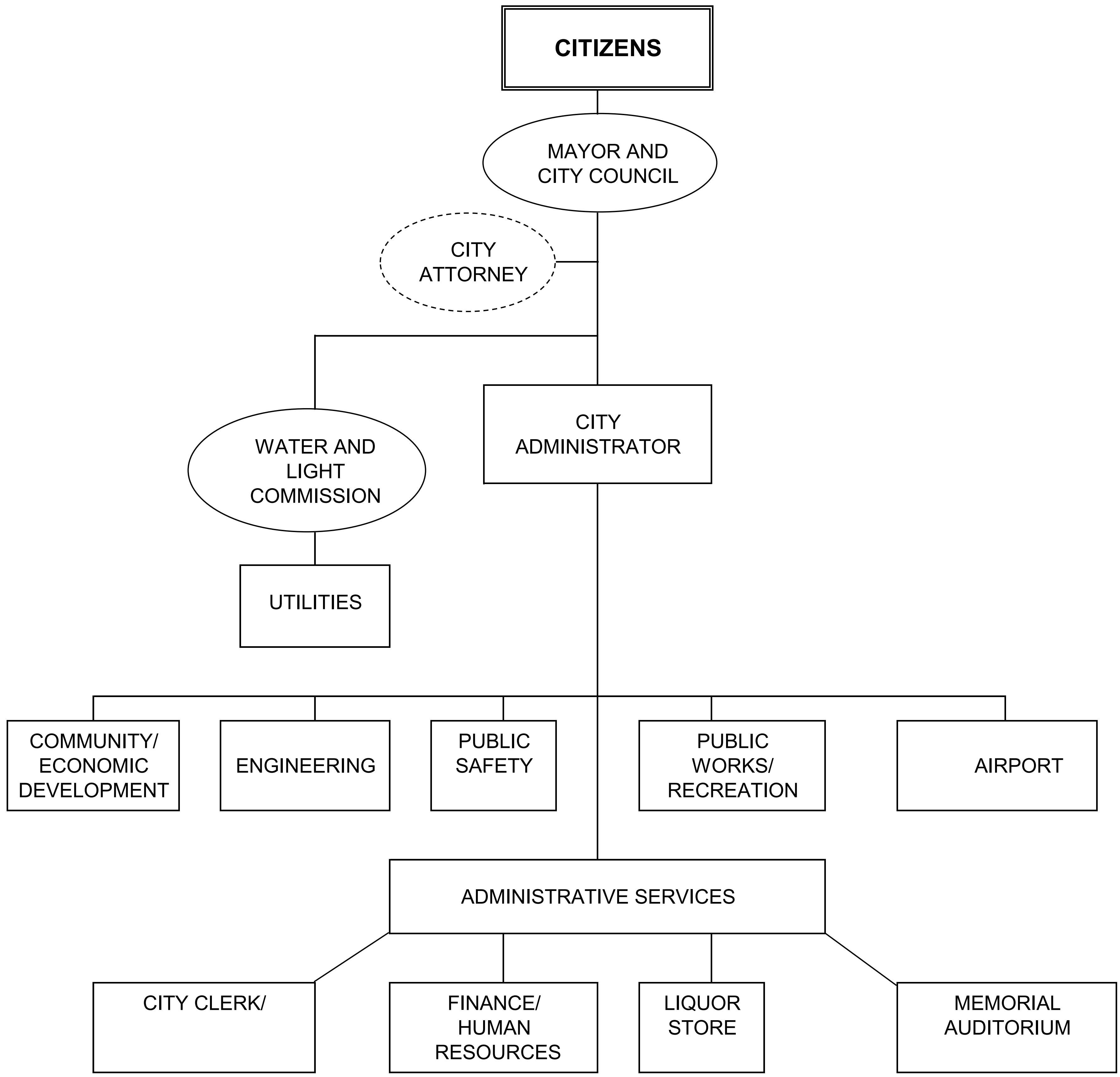
APPOINTED

Name	Title
Steven Robinson	City Administrator
Debra Olsen	Finance Director
Mindy Eggers	City Clerk
Hyunmyeong Goo	City Engineer
Peter Mikhail	City Attorney

Department Heads

Name	Title
Steven Robinson	City Administrator
Mindy Eggers	City Clerk
Debra Olsen	Finance Director
Hyunmyeong Goo	City Engineer
Matt Selof	Director of Community Service/Economic Development
Troy Appel	Director of Public Safety
Todd Wietzema	Superintendent of Public Works
Scott Hain	General Manager of Utilities

CITY OF WORTHINGTON, MINNESOTA
ADMINISTRATIVE ORGANIZATION



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Worthington
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 WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Worthington, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Worthington, 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, each major fund and the aggregate remaining fund information of the City as of December 31, 2025, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 23 and the respective budgetary comparison schedules and related note disclosures, 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 and the Schedule of Changes in the Total OPEB Liability and Related Ratios starting on page 104 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 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.

Abdo

Abdo
Mankato, Minnesota
June 25, 2026

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Management’s Discussion and Analysis

As management of the City of Worthington (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 are intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 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

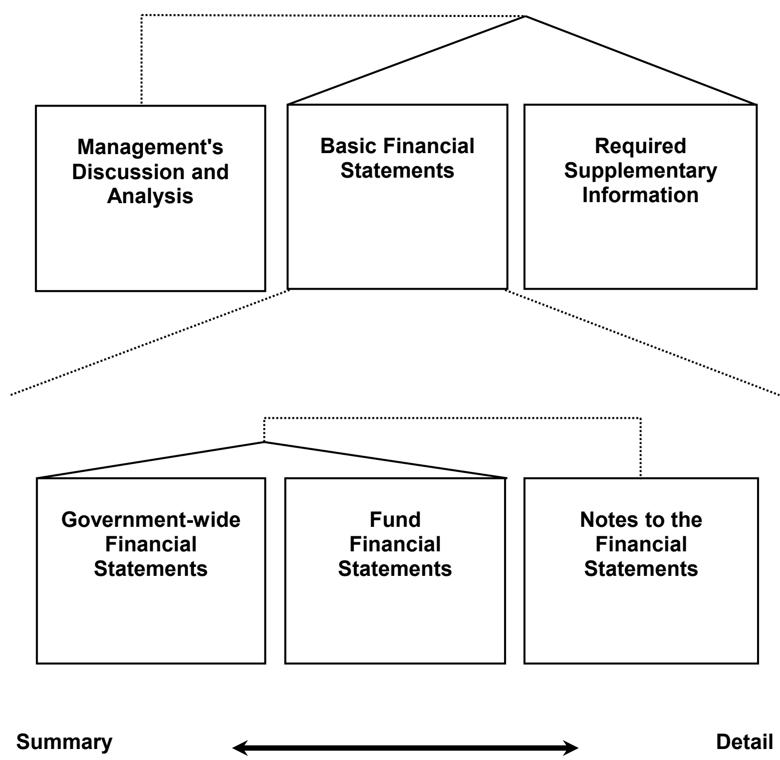


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

<table>
<tr><th rowspan="2"></th><th rowspan="2">Government-wide Statements</th><th colspan="3">Fund Financial Statements</th></tr>
<tr><th>Governmental Funds</th><th>Proprietary Funds</th><th>Fiduciary Funds</th></tr>
<tr><td>Scope</td><td>Entire City government (except fiduciary funds) and the City's component units</td><td>The activities of the City that are not proprietary or fiduciary, such as police, fire and parks</td><td>Activities the City operates similar to private businesses, such as the water and sewer system</td><td>Activities of the City held in trust for others</td></tr>
<tr><td>Required financial statements</td><td>• Statement of Net Position
• Statement of Activities</td><td>• Balance Sheet
• Statement of Revenues, Expenditures, and Changes in Fund Balances</td><td>• Statement of Net Position
• Statement of Revenues, Expenses and Changes in Net Position
• Statement of Cash Flows</td><td>• Statement of Fiduciary Net Position
• Statement of Changes in Fiduciary Net Position</td></tr>
<tr><td>Accounting basis and measurement focus</td><td>Accrual accounting and economic resources focus</td><td>Modified accrual accounting and current financial resources focus</td><td>Accrual accounting and economic resources focus</td><td>Accrual accounting and economic resources focus</td></tr>
<tr><td>Type of asset/liability information</td><td>All assets and liabilities, both financial and capital, and short-term and long-term</td><td>Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included</td><td>All assets and liabilities, both financial and capital, and short-term and long-term</td><td>All assets and liabilities, both financial and short-term and long-term</td></tr>
<tr><td>Type of deferred outflows/inflows of resources information</td><td>All deferred outflows/inflows of resources, regardless of when cash is received or paid.</td><td>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</td><td>All deferred outflows/inflows of resources, regardless of when cash is received or paid</td><td>None reported</td></tr>
<tr><td>Type of inflow/outflow information</td><td>All revenues and expenses during year, regardless of when cash is received or paid</td><td>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</td><td>All revenues and expenses during the year, regardless of when cash is received or paid</td><td>None reported</td></tr>
</table>

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

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, sanitation, culture and recreation, conservation and development, and interest and fiscal charges. The business-type activities of the City include the water, municipal wastewater, electric, industrial wastewater facility, storm water management, street lighting, liquor, airport and cable television activities.

The government-wide financial statements can be found starting on page 39 of this report.

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

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

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

The City maintains numerous individual governmental funds, many of which are Debt Service funds which are combined for reporting. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, WRH, Recreation, Economic Development Authority and Improvement Construction, all of 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* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and certain special revenue funds. Budgetary comparison statements have been provided for the General, WRH, Recreation, Economic Development Authority, Memorial Auditorium, Small Cities Grant, Sales Tax Revenue, Event Center, Wgtn EDA, and Private Development Assistance Spending Plan funds to demonstrate compliance with these budgets.

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

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, municipal wastewater, electric, industrial wastewater facility, storm water management, street lighting, liquor, airport and cable television 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 data processing, safety promotion loss control, and vacation and sick accrual. Because 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 the water, municipal wastewater and electric, all of which are considered to be major funds of the City. Conversely, other internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. 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 51 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 54 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 57 of this report.

Required Supplementary Information Other than MD&A. Governments have an option of including the budgetary comparison statements for the General fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The City has chosen to present these budgetary statements as part of the basic financial statements. Additionally, this report also presents certain *required supplementary information* concerning the City's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees starting on page 104 of this report. The City has disclosed this information in Notes 4 and 7 to the financial statements and as separate required supplementary information.

Supplementary Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules can be found starting on page 124 of this report.

Statistical Section. 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 176 of this report.

Government-wide Financial Analysis

The two government-wide statements report the City's net position and how they have changed. The following table presents net position which is the difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is one way to measure the City's financial health, or position, over time. Over time increases or decreases in the City's net position are an indicator of whether the financial health is improving or deteriorating respectively.

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources as shown below at the close of the most recent fiscal year. A large 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 Worthington's Summary of Net Position

	Governmental Activities			Business-type Activities			Total	
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024
Current and Other Assets	$ 35,549,938	$ 33,128,640	$ 2,421,298	$ 54,816,042	$ 51,345,238	$ 3,470,804	$ 90,365,980	$ 84,473,878
Capital Assets	102,736,839	102,526,622	210,217	103,669,007	103,173,616	495,391	206,405,846	205,700,238
Total Assets	138,286,777	135,655,262	2,631,515	158,485,049	154,518,854	3,966,195	296,771,826	290,174,116
Deferred Outflows of Resources	3,365,295	4,027,570	(662,275)	407,215	324,849	82,366	3,772,510	4,352,419
Long-term Liabilities outstanding	28,809,283	31,384,023	(2,574,740)	25,785,068	27,396,014	(1,610,946)	54,594,351	58,780,037
Other Liabilities	1,457,318	1,835,983	(378,665)	4,115,735	2,931,447	1,184,288	5,573,053	4,767,430
Total Liabilities	30,266,601	33,220,006	(2,953,405)	29,900,803	30,327,461	(426,658)	60,167,404	63,547,467
Deferred Inflows of Resources	5,192,228	5,516,237	(324,009)	943,840	989,447	(45,607)	6,136,068	6,505,684
Net Position								
Net investment in capital assets	79,300,890	76,702,598	2,598,292	79,557,175	77,786,503	1,770,672	158,858,065	154,489,101
Restricted	8,083,966	7,563,301	520,665	-	-	-	8,083,966	7,563,301
Unrestricted	18,808,387	16,680,690	2,127,697	48,490,446	45,740,292	2,750,154	67,298,833	62,420,982
Total Net Position	$ 106,193,243	$ 100,946,589	$ 5,246,654	$ 128,047,621	$ 123,526,795	$ 4,520,826	$ 234,240,864	$ 224,473,384
Net Position as a Percent of Total								
Net investment in capital assets	74.7 %	76.0 %		62.1 %	63.0 %			
Restricted	7.6	7.5		-	-			
Unrestricted	17.7	16.5		37.9	37.0			
	100.0 %	100.0 %		100.0 %	100.0 %			

Additionally, a 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.

As shown in the table above, as of December 31, 2025, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources. The City's total net position increased as a result of the financial performance of the governmental activities and business-type activities. The following sections of the MD&A analyze the finances of the governmental activities and business-type activities separately.

Governmental Activities. Governmental activities increased the City's net position as shown below.

City of Worthington's Changes in Net Position

	Governmental Activities			Business-type Activities			Total	
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024
Revenues								
Program Revenues								
Charges for services	$ 1,549,475	$ 1,708,602	$ (159,127)	$ 39,221,608	$ 40,131,218	$ (909,610)	$ 40,771,083	$ 41,839,820
Operating grants and contributions	3,291,408	1,541,640	1,749,768	169,768	267,252	(97,484)	3,461,176	1,808,892
Capital grants and contributions	338,743	1,299,612	(960,869)	413,767	138,884	274,883	752,510	1,438,496
General Revenues								
Property taxes	7,951,872	7,294,818	657,054	-	-	-	7,951,872	7,294,818
Other taxes	1,665,390	1,707,900	(42,510)	-	-	-	1,665,390	1,707,900
Grants and contributions not restricted to specific programs	4,109,365	4,262,009	(152,644)	-	-	-	4,109,365	4,262,009
Unrestricted investment earnings	1,863,157	2,155,085	(291,928)	1,546,204	995,801	550,403	3,409,361	3,150,886
Other	19,997	26,018	(6,021)	-	-	-	19,997	26,018
Gain on sale of capital assets	-	65,005	(65,005)	37,700	12,696	25,004	37,700	77,701
Total Revenues	20,789,407	20,060,689	728,718	41,389,047	41,545,851	(156,804)	62,178,454	61,606,540
Expenses								
General government	2,333,003	2,637,519	(304,516)	-	-	-	2,333,003	2,637,519
Public safety	5,940,905	5,630,990	309,915	-	-	-	5,940,905	5,630,990
Public works	3,739,734	3,571,699	168,035	-	-	-	3,739,734	3,571,699
Culture and recreation	3,215,766	3,559,652	(343,886)	-	-	-	3,215,766	3,559,652
Conservation and development	1,107,879	1,450,082	(342,203)	-	-	-	1,107,879	1,450,082
Interest and fiscal charges	590,737	691,847	(101,110)	-	-	-	590,737	691,847
Water	-	-	-	3,227,857	3,289,843	(61,986)	3,227,857	3,289,843
Municipal wastewater	-	-	-	2,409,555	2,424,690	(15,135)	2,409,555	2,424,690
Electric	-	-	-	22,862,929	21,948,387	914,542	22,862,929	21,948,387
Industrial wastewater facility	-	-	-	1,155,060	3,613,750	(2,458,690)	1,155,060	3,613,750
Storm water management	-	-	-	737,437	587,982	149,455	737,437	587,982
Street lighting	-	-	-	51,561	49,954	1,607	51,561	49,954
Liquor	-	-	-	4,564,648	4,694,686	(130,038)	4,564,648	4,694,686
Airport	-	-	-	847,939	874,571	(26,632)	847,939	874,571
Cable television	-	-	-	81,738	90,836	(9,098)	81,738	90,836
Total Expenses	16,928,024	17,541,789	(613,765)	35,938,724	37,574,699	(1,635,975)	52,866,748	55,116,488
Increase (decrease) in net position before special items and transfers	3,861,383	2,518,900	1,342,483	5,450,323	3,971,152	1,479,171	9,311,706	6,490,052
Special item - loss on sale of capital assets	-	-	-	-	(3,959,159)	3,959,159	-	(3,959,159)
Transfers	1,109,497	992,498	116,999	(1,109,497)	(992,498)	(116,999)	-	-
Change in Net Position	4,970,880	3,511,398	1,459,482	4,340,826	(980,505)	5,321,331	9,311,706	2,530,893
Net Position, January 1 as Previously Reported	100,946,589	97,835,174	3,111,415	123,526,795	124,507,300	(980,505)	224,473,384	222,342,474
Error Corrections	275,774	(399,983)	675,757	180,000	-	180,000	455,774	(399,983)
Net Position, January 1 as Restated	101,222,363	97,435,191	3,787,172	123,706,795	124,507,300	(800,505)	224,929,158	221,942,491
Net Position - December 31	$ 106,193,243	$ 100,946,589	$ 5,246,654	$ 128,047,621	$ 123,526,795	$ 4,520,826	$ 234,240,864	$ 224,473,384

Key elements of this increase are as follows:

- Increases in operating grants and contributions
- Increases in property taxes
- Increases in public safety expenses
- Decreases in culture and recreation expenses

Increases in operating grants and contributions (Key element #1 from above)

- Increases due to more MSA state aid received in the current year compared to the prior year.

Increases in property taxes

- Increases due to a 9.51% increase in the current year tax levy compared to the prior year.

Increases in public safety expenses

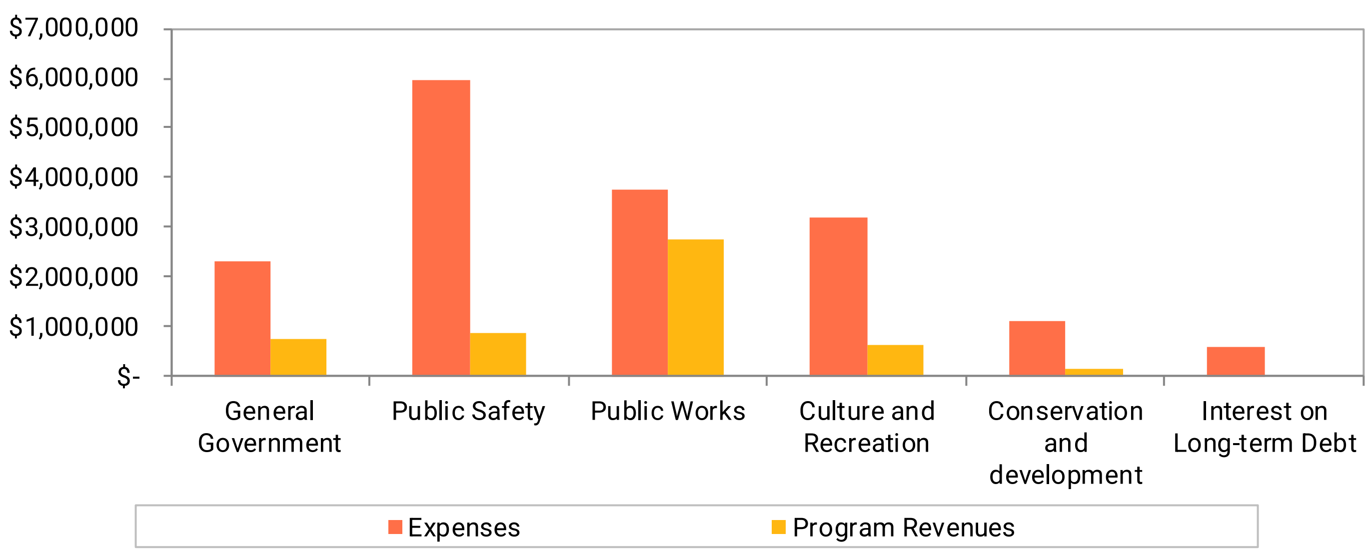
- Increases due to a lesser amount of public safety related capital assets compared to the prior year. A smaller negative pension expense is shown in the current year compared to the prior year due to the change in the GASB 68 pension liability.

Decreases in culture and recreation expenses

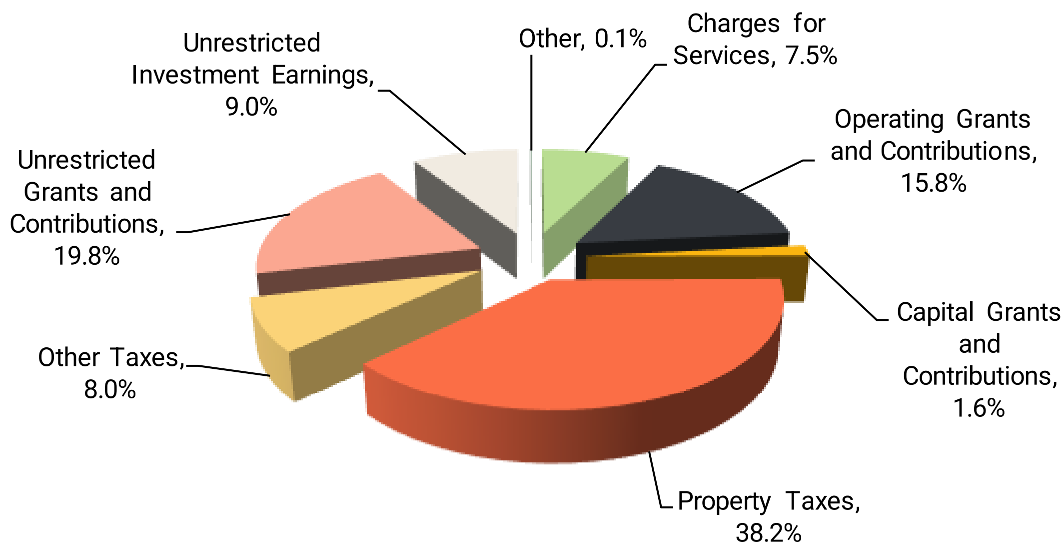
- Decreases due to less capital outlay in the current year compared to the prior year. A larger negative pension expense in shown in the current year compared to the prior year due to the change in the GASB 68 pension liability.

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

Expenses and Program Revenues - Governmental Activities



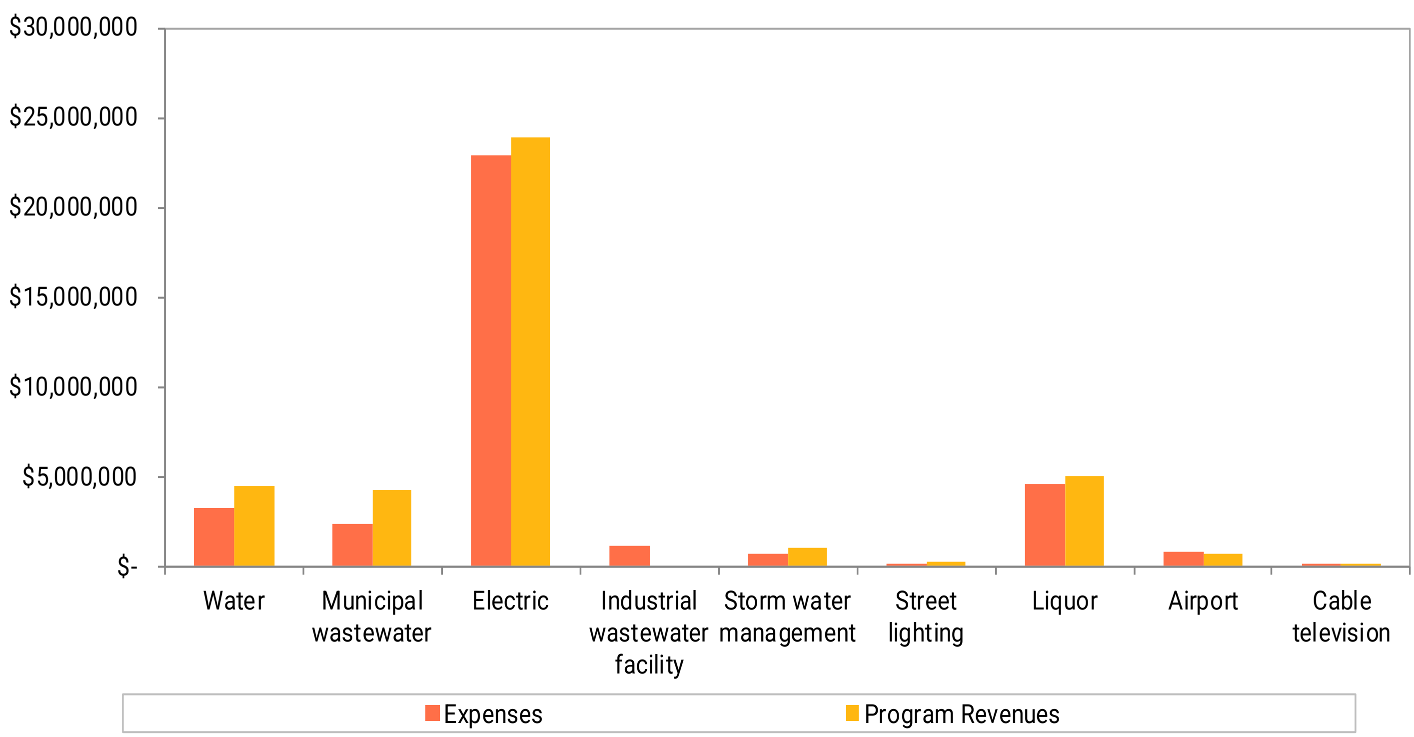
Revenues by Source - Governmental Activities



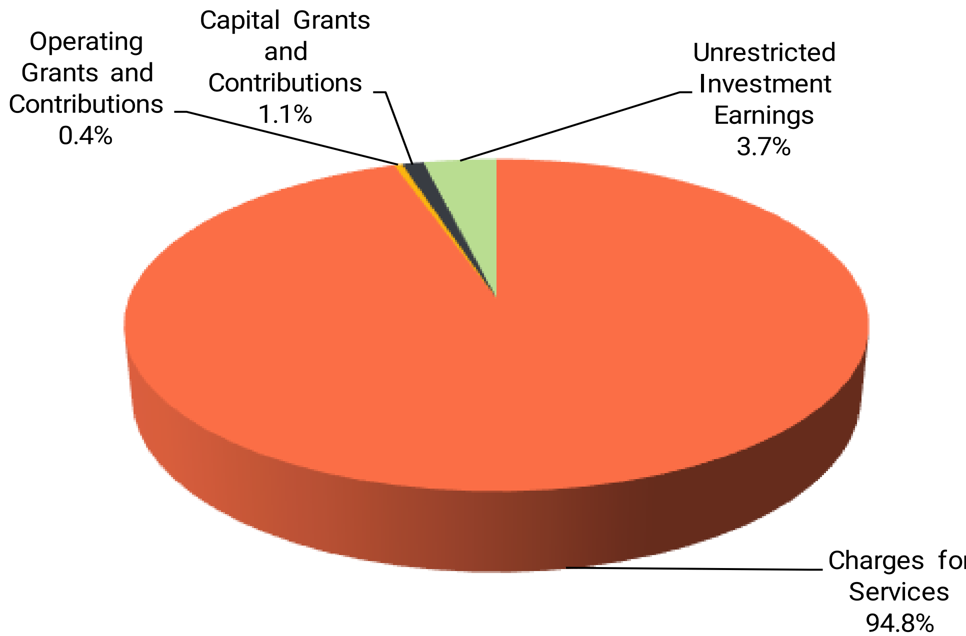
Business-type Activities. Business-type activities increased the City's net position. Key elements of this increase are as follows:

- Decrease in charges for services related to the Industrial Wastewater Facility fund. In March 2024 the Industrial Wastewater Facility was sold to JBS, resulting in no charges for services in this fund for 2025.
- Decrease in Industrial Wastewater Facility expenses is due to the sale of this facility in March 2024.
- Increase in Electric expenses due to an increase in purchased power in the current year.

Expenses and Program Revenues - Business - type Activities



Revenues by Source - Business - type Activities



Financial Analysis of the City's Funds

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

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

	General Fund	WRH	Recreation	Economic Development Authority	Debt Service	Improvement Construction	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances										
Nonspendable	$ 357,552	$ -	$ 24,488	$ 1,222	$ -	$ 4,226	$ 5,124	$ 392,612	$ 540,740	$ (148,128)
Restricted	202,187	-	196,641	930,257	1,897,346	317,069	3,167,248	6,710,748	6,081,140	629,608
Committed	3,701,868	11,280,230	555,189	-	-	-	2,564,148	18,101,435	17,500,728	600,707
Assigned for	735,198	-	16,184	-	-	-	65,707	817,089	3,362,129	(2,545,040)
Unassigned	9,238,441	-	(2,728,412)	(164,306)	-	(3,996,582)	(205,815)	2,143,326	(307,508)	2,450,834
	$ 14,235,246	$ 11,280,230	$ (1,935,910)	$ 767,173	$ 1,897,346	$ (3,675,287)	$ 5,596,412	$ 28,165,210	$ 27,177,229	$ 987,981

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 1 starting on page 57 of this report.

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

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	$ 357,552	$ 503,998	$ (146,446)
Restricted	202,187	404,375	(202,188)
Committed	3,701,868	3,404,009	297,859
Assigned	735,198	1,091,897	(356,699)
Unassigned	9,238,441	6,555,442	2,682,999
	$ 14,235,246	$ 11,959,721	$ 2,275,525
General Fund expenditures	$ 10,470,699	$ 10,540,725	
Unassigned as a percent of expenditures	88.2%	62.2%	
Total Fund Balance as a percent of expenditures	136.0%	113.5%	

The fund balance of the City's General fund increased during the current fiscal year as shown in the table above. The increase in fund balance was due an increase in investment earnings.

Other major governmental fund analysis is shown below:

	December 31, 2025	Restated December 31, 2024	Increase (Decrease)
WRH Fund	$ 11,280,230	$ 10,867,529	$ 412,701
The increase in fund balance during the year was due to an increase in investment income.			
Recreation Fund	$ (1,935,910)	$ (2,014,822)	$ 78,912
The increase in fund balance was due to charges for services increases.			
Economic Development Authority Project	$ 767,173	$ 700,254	$ 66,919
The increase in fund balance was caused by unbudgeted intergovernmental revenues related to state housing aid.			
Debt Service Fund	$ 1,897,346	$ 2,285,911	$ (388,565)
The decrease in fund balance was caused by increases in principal and interest payments compared to the prior year.			
Improvement Construction	$ (3,675,287)	$ 2,297,070	$ (5,972,357)
The decrease in fund balance is due to capital outlay expenditures related to various street construction projects.			

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:

	Ending Net Position 2025	Ending Net Position 2024	Increase/ (Decrease)
Water	$ 35,827,408	$ 34,252,888	$ 1,574,520
The increase primarily is attributed to the collection of charges for services and investment income.			
Municipal Wastewater	$ 27,104,182	$ 24,822,539	$ 2,281,643
The increase primarily is attributed to the collection of charges for services and investment income.			
Electric	$ 40,796,357	$ 39,845,052	$ 951,305
The increase primarily is attributed to the collection of charges for services and investment income.			

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2025 amounts to $206,405,846 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways and bridges.

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

- Purchase of a 2025 Versa Vac Truck in the amount of $384,329.
- Construction continued on Service Road (Graham Tire) for $2,318,654.
- Construction continued on 3rd and 4th Avenue in the amount of $1,823,711.
- Construction continued on Watermain Replacement/Reconstruction for $1,142,842.
- Construction continued on Sanitary Sewer Replacement/Reconstruction for $537,647.
- Construction completed on the Chataqua Park Restroom in the amount of $406,128.
- Purchase of Underground Conductors in the amount of $606,846.
- Sale of Prairie Expo Land in the amount of $245,819.
- Construction started but not completed on Airport Multi-Bay Hangar for $314,331.

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

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

	Governmental Activities			Business-type Activities			Total	
	2025	2024 As Restated	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024
Land	$ 5,039,988	$ 4,814,211	$ 225,777	$ 1,649,663	$ 1,639,663	$ 10,000	$ 6,689,651	$ 6,453,874
Intangibles	134,607	134,607	-	3,350,810	3,350,810	-	3,485,417	3,485,417
Construction in Progress	17,814,224	10,510,885	7,303,339	36,957,010	35,314,303	1,642,707	54,771,234	45,825,188
Buildings	31,243,606	32,574,519	(1,330,913)	11,747,104	12,443,260	(696,156)	42,990,710	45,017,779
Improvements	6,510,440	6,184,679	325,761	43,681,757	44,243,365	(561,608)	50,192,197	50,428,044
Machinery and Equipment	4,014,261	3,786,064	228,197	6,114,761	6,074,594	40,167	10,129,022	9,860,658
Office Equipment	46,702	43,899	2,803	167,902	107,621	60,281	214,604	151,520
Other Capital Assets	79,386	92,531	(13,145)	-	-	-	79,386	92,531
Infrastructure	37,853,625	40,004,348	(2,150,723)	-	-	-	37,853,625	40,004,348
Total	$102,736,839	$ 98,145,743	$ 4,591,096	$103,669,007	$103,173,616	$ 495,391	$206,405,846	$201,319,359
Percent increase (decrease)			4.7%			0.5%		

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding as shown below.

City of Worthington's Outstanding Debt

	Governmental Activities			Business-type Activities			Total	
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024
General Obligation Bonds	$ 11,920,000	$ 13,290,000	$ (1,370,000)	$ -	$ -	$ -	$ 11,920,000	$ 13,290,000
G.O. Sales Tax Bonds	10,530,000	11,380,000	(850,000)	-	-	-	10,530,000	11,380,000
General Obligation Revenue Bonds	-	-	-	750,000	820,000	(70,000)	750,000	820,000
Notes Payable	-	-	-	23,632,756	25,079,954	(1,447,198)	23,632,756	25,079,954
Total	$ 22,450,000	$ 24,670,000	$ (2,220,000)	$ 24,382,756	$ 25,899,954	$ (1,517,198)	$ 46,832,756	$ 50,569,954
Percent increase (decrease)			-9.0%			-5.9%		

The City's total bonded debt decreased during the current fiscal year due to no new debt issuances in 2025.

The City maintains an "AA-" rating. Such was reaffirmed by Standards and Poor's in 2025.

Minnesota statutes limit the amount of net general obligation debt a City may issue three percent of the total estimated market value of the City. The current debt limitation for the City is $36,981,948, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3F starting on page 77 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Nobles County as of December 31, 2025 is 3.5 percent, which is higher than a year ago (2.7). This compares favorably to the State's average unemployment rate of 3.9 percent and the national average rate of 4.3 percent.

- Inflationary trends in the region compare favorably to national indices.

- The 2026 City property tax levy is increasing by $541,202 to $8,487,583. Despite the levy increase the tax rate will see a minimal change as a result of new growth and increasing existing property market value.

- The rate increases for utility operations for 2026 are as follows:
  Electric: 4.4% increase for residential and 5.2% commercial rates for non-summer months
  Water: Stayed the same as the 2025 rates
  Sewer: 9.36% increase for residential and commercial

- These factors were considered in preparing the City of Worthington's budget for the 2026 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Worthington, 303 Ninth Street, Worthington, Minnesota 56187.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	$ 23,231,746	$ 50,170,424	$ 73,402,170
Receivables			
Accrued interest	127,481	251,332	378,813
Delinquent taxes	121,681	-	121,681
Accounts	163,021	3,081,715	3,244,736
Loans (net of allowance)	1,225,534	-	1,225,534
Leases	456,088	-	456,088
Special assessments	1,950,797	-	1,950,797
Intergovernmental	3,593,458	449,385	4,042,843
Internal balances	(52,535)	52,535	-
Inventories	72,986	705,313	778,299
Prepaid items	171,343	105,338	276,681
Land held for resale	4,405,673	-	4,405,673
Net pension asset	82,665	-	82,665
Capital assets			
Nondepreciable	22,988,819	41,957,483	64,946,302
Depreciable, net of accumulated depreciation	79,748,020	61,711,524	141,459,544
Total Assets	138,286,777	158,485,049	296,771,826
Deferred Outflows of Resources			
Deferred pension resources	3,107,808	323,978	3,431,786
Deferred other postemployment benefit resources	257,487	83,237	340,724
Total Deferred Outflows of Resources	3,365,295	407,215	3,772,510
Liabilities			
Accounts and contracts payable	647,314	3,317,540	3,964,854
Due to other governments	4,233	248,755	252,988
Accrued interest payable	287,745	107,436	395,181
Salaries payable	425,818	181,495	607,313
Deposits payable	14,042	210,665	224,707
Unearned revenue	78,166	49,844	128,010
Noncurrent liabilities			
Due within one year			
Long-term liabilities	2,878,896	1,771,000	4,649,896
Other postemployment benefit resources	31,607	10,218	41,825
Due in more than one year			
Long-term liabilities	21,982,675	22,611,756	44,594,431
Net pension liability	3,098,260	1,127,712	4,225,972
Other postemployment benefit resources	817,845	264,382	1,082,227
Total Liabilities	30,266,601	29,900,803	60,167,404
Deferred Inflows of Resources			
Deferred pension resources	4,015,980	713,999	4,729,979
Deferred other postemployment benefit resources	710,990	229,841	940,831
Deferred lease resources	465,258	-	465,258
Total Deferred Inflows of Resources	5,192,228	943,840	6,136,068
Net Position			
Net investment in capital assets	79,300,890	79,557,175	158,858,065
Restricted			
Net pension asset	82,665	-	82,665
Debt service	3,504,968	-	3,504,968
Freedom veteran's park	8,707	-	8,707
Field house	187,934	-	187,934
Tax increment financing	625,145	-	625,145
Sales tax projects	2,278,842	-	2,278,842
Public safety	252,180	-	252,180
Housing	1,143,525	-	1,143,525
Unrestricted	18,808,387	48,490,446	67,298,833
Total Net Position	$ 106,193,243	$ 128,047,621	$ 234,240,864

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

City of Worthington, 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	$ 2,333,003	$ 663,071	$ 87,912	$ -
Public safety	5,940,905	116,051	769,146	-
Public works	3,739,734	86,665	2,321,684	338,743
Culture and recreation	3,215,766	558,619	90,900	-
Conservation and development	1,107,879	125,069	21,766	-
Interest	590,737	-	-	-
Total Governmental Activities	16,928,024	1,549,475	3,291,408	338,743
Business-Type Activities				
Water	3,227,857	4,461,640	-	-
Municipal wastewater	2,409,555	4,249,163	9,043	-
Electric	22,862,929	23,895,983	-	-
Industrial wastewater facility	1,155,060	-	-	-
Storm water management	737,437	1,051,101	-	-
Street lighting	51,561	271,172	-	-
Liquor	4,564,648	5,062,631	-	-
Airport	847,939	160,350	160,725	413,767
Cable television	81,738	69,568	-	-
Total Business-type Activities	35,938,724	39,221,608	169,768	413,767
Totals Primary Government	$ 52,866,748	$ 40,771,083	$ 3,461,176	$ 752,510

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

Transfers
- Total General Revenues and Transfers

Change in Net Position

Net Position, January 1 as Previously Reported

Change within financial reporting entity (Note 10)
- Error Corrections

Net Position, January 1 as Restated

Net Position, December 31

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (1,582,020)	$ -	$ (1,582,020)
(5,055,708)	-	(5,055,708)
(992,642)	-	(992,642)
(2,566,247)	-	(2,566,247)
(961,044)	-	(961,044)
(590,737)	-	(590,737)
(11,748,398)	-	(11,748,398)
-	1,233,783	1,233,783
-	1,848,651	1,848,651
-	1,033,054	1,033,054
-	(1,155,060)	(1,155,060)
-	313,664	313,664
-	219,611	219,611
-	497,983	497,983
-	(113,097)	(113,097)
-	(12,170)	(12,170)
-	3,866,419	3,866,419
(11,748,398)	3,866,419	(7,881,979)
6,587,619	-	6,587,619
316,964	-	316,964
1,047,289	-	1,047,289
323,383	-	323,383
184,614	-	184,614
1,148,149	-	1,148,149
9,244	-	9,244
4,109,365	-	4,109,365
1,863,157	1,546,204	3,409,361
19,997	-	19,997
-	37,700	37,700
1,109,497	(1,109,497)	-
16,719,278	474,407	17,193,685
4,970,880	4,340,826	9,311,706
100,946,589	123,526,795	224,473,384
275,774	180,000	455,774
101,222,363	123,706,795	224,929,158
$ 106,193,243	$ 128,047,621	$ 234,240,864

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

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FUND FINANCIAL STATEMENTS

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Worthington, Minnesota

Balance Sheet
Governmental Funds
December 31, 2025

	General	211 WRH	229 Recreation	231 Economic Development Authority	Formerly Nonmajor Debt Service
Assets					
Cash and investments	$ 6,602,395	$ 6,121,878	$ -	$ 530,786	$ 1,991,266
Receivables					
Accrued interest	56,662	20,234	-	3,154	6,452
Delinquent taxes	121,681	-	-	-	-
Accounts	22,264	146	128,713	3,549	-
Loans (net of allowance)	-	981,032	-	-	-
Leases	-	-	105,819	350,269	-
Special assessments	17,277	-	-	-	1,578,298
Intergovernmental	1,402,830	-	18,416	-	140
Due from other funds	6,461,326	-	-	-	-
Advances to other funds	167,702	4,156,940	594,484	-	-
Inventories	72,986	-	-	-	-
Prepaid items	116,864	-	24,488	1,222	-
Land held for resale	-	-	-	4,405,673	-
Total Assets	$ 15,041,987	$ 11,280,230	$ 871,920	$ 5,294,653	$ 3,576,156
Liabilities					
Accounts payable	$ 203,637	$ -	$ 45,925	$ 12,150	$ 1,700
Contracts payable	-	-	-	-	-
Due to other funds	-	-	2,619,984	-	98,812
Advance from other funds	-	-	-	4,156,940	-
Due to other governments	2,248	-	1,800	101	-
Salaries payable	370,475	-	32,367	-	-
Deposits payable	13,257	-	785	-	-
Unearned revenue	78,166	-	-	-	-
Total Liabilities	667,783	-	2,700,861	4,169,191	100,512
Deferred Inflows of Resources					
Unavailable revenue					
Special assessments	17,277	-	-	-	1,578,298
Intergovernmental	-	-	-	-	-
Property taxes	121,681	-	-	-	-
Deferred lease resources	-	-	106,969	358,289	-
Total Deferred Inflows of Resources	138,958	-	106,969	358,289	1,578,298
Fund Balances					
Nonspendable	357,552	-	24,488	1,222	-
Restricted	202,187	-	196,641	930,257	1,897,346
Committed	3,701,868	11,280,230	555,189	-	-
Assigned	735,198	-	16,184	-	-
Unassigned	9,238,441	-	(2,728,412)	(164,306)	-
Total Fund Balances	14,235,246	11,280,230	(1,935,910)	767,173	1,897,346
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 15,041,987	$ 11,280,230	$ 871,920	$ 5,294,653	$ 3,576,156

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

401 Improvement Construction	Other Governmental Funds	Total Governmental Funds
$ 60,604	$ 5,447,097	$ 20,754,026
-	36,403	122,905
-	-	121,681
-	8,349	163,021
-	244,502	1,225,534
-	-	456,088
355,222	-	1,950,797
1,975,781	196,291	3,593,458
-	-	6,461,326
-	-	4,919,126
-	-	72,986
4,226	5,124	151,924
-	-	4,405,673
$ 2,395,833	$ 5,937,766	$ 44,398,545
$ 9,410	$ 175,446	$ 448,268
146,828	-	146,828
3,582,159	160,371	6,461,326
-	-	4,156,940
-	84	4,233
1,720	5,453	410,015
-	-	14,042
-	-	78,166
3,740,117	341,354	11,719,818
355,222	-	1,950,797
1,975,781	-	1,975,781
-	-	121,681
-	-	465,258
2,331,003	-	4,513,517
4,226	5,124	392,612
317,069	3,167,248	6,710,748
-	2,564,148	18,101,435
-	65,707	817,089
(3,996,582)	(205,815)	2,143,326
(3,675,287)	5,596,412	28,165,210
$ 2,395,833	$ 5,937,766	$ 44,398,545

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

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City of Worthington, 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	$	28,165,210
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.		102,713,084
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
Bonds payable		(22,450,000)
Unamortized bond premium, net of amortization		(839,121)
Other postemployment benefits obligation		(797,821)
Net pension liability		(2,911,230)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes		121,681
Special assessments		1,950,797
Intergovernmental		1,975,781
Governmental funds do not report a liability for accrued interest until due and payable.		(287,745)
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.		
Deferred outflows of pension resources		3,077,826
Deferred inflows of pension resources		(3,949,903)
Deferred outflows of other postemployment benefit resources		241,837
Deferred inflows of other postemployment benefit resources		(667,775)
Internal service funds are used by management to charge the costs of insurance and various services to individual funds. The assets and liabilities of the internal services funds are included in governmental activities in the statement of net position.		(149,378)
Total Net Position - Governmental Activities	$	106,193,243

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

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

	General	211 WRH	229 Recreation	231 Economic Development Authority	Formerly Nonmajor Debt Service
Revenues					
Taxes	$ 3,665,469	$ -	$ 1,619,173	$ 337,955	$ 1,047,289
Special assessments	1,420	-	-	-	288,087
Licenses and permits	321,262	-	-	-	-
Intergovernmental	5,113,599	-	3,915	21,766	-
Charges for services	430,913	-	494,905	57,014	-
Fines and forfeits	43,701	-	-	-	-
Investment income	1,310,579	324,395	-	18,051	35,434
Miscellaneous	52,983	884	84,257	68,055	-
Total Revenues	10,939,926	325,279	2,202,250	502,841	1,370,810
Expenditures					
Current					
General government	2,395,314	18,460	-	-	-
Public safety	5,682,386	-	-	-	-
Public works	1,202,196	-	-	-	-
Culture and recreation	203,184	-	1,695,492	-	-
Conservation and development	222,021	-	226,450	354,543	-
Capital outlay					
General government	94,928	-	-	-	-
Public safety	290,947	-	-	-	
Public works	303,357	-	-	-	-
Culture and recreation	76,366	-	210,812	-	-
Conservation and development	-	-	-	-	-
Debt service					
Principal retirement	-	-	-	-	2,220,000
Interest and fiscal charges	-	-	-	-	732,054
Total Expenditures	10,470,699	18,460	2,132,754	354,543	2,952,054
Excess (Deficiency) of Revenues Over (Under) Expenditures	469,227	306,819	69,496	148,298	(1,581,244)
Other Financing Sources (Uses)					
Sale of capital assets	275,219	-	5,501	-	-
Transfers in	1,583,999	105,882	3,915	-	1,192,679
Transfers out	(52,920)	-	-	(81,379)	-
Total Other Financing Sources (Uses)	1,806,298	105,882	9,416	(81,379)	1,192,679
Net Change in Fund Balances	2,275,525	412,701	78,912	66,919	(388,565)
Fund Balances, January 1 as Previously Reported	11,959,721	10,867,529	(2,014,822)	(3,869,725)	-
Change within financial reporting entity (Note 10)					
Change from nonmajor to major	-	-	-	-	2,285,911
Error Corrections	-	-	-	4,569,979	-
Fund Balances, January 1 as Restated	11,959,721	10,867,529	(2,014,822)	700,254	2,285,911
Fund Balances, December 31	$ 14,235,246	$ 11,280,230	$ (1,935,910)	$ 767,173	$ 1,897,346

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

401 Improvement Construction	Other Governmental Funds	Totals
$ 1,093,089	$ 1,828,161	$ 9,591,136
132,187	-	421,694
-	-	321,262
472,687	-	5,611,967
-	58,176	1,041,008
-	42,329	86,030
17,973	135,543	1,841,975
-	106	206,285
1,715,936	2,064,315	19,121,357
-	-	2,413,774
-	-	5,682,386
-	-	1,202,196
-	370,274	2,268,950
-	183,940	986,954
-	-	94,928
-	-	290,947
7,688,293	-	7,991,650
-	156,919	444,097
-	302,310	302,310
-	-	2,220,000
-	-	732,054
7,688,293	1,013,443	24,630,246
(5,972,357)	1,050,872	(5,508,889)
-	-	280,720
-	73,962	2,960,437
-	(1,266,641)	(1,400,940)
-	(1,192,679)	1,840,217
(5,972,357)	(141,807)	(3,668,672)
2,210,396	8,024,130	27,177,229
-	(2,285,911)	-
86,674	-	4,656,653
2,297,070	5,738,219	31,833,882
$ (3,675,287)	$ 5,596,412	$ 28,165,210

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

City of Worthington, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statements 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	$ (3,668,672)
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	9,400,343
Depreciation expense	(4,408,983)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position	
Book value of traded-in capital assets	109,673
Book value of disposed of capital assets	(510,193)
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	2,220,000
Amortization of bond premiums	112,932
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.	28,385
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	26,126
Special assessments	(99,558)
Intergovernmental	1,718,055
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 benefits cost	(17,561)
Long-term pension activity is not reported in governmental funds.	
Pension expense	273,854
Direct aid contributions	26,814
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.	(240,335)
Change in Net Position - Governmental Activities	$ 4,970,880

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

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

	Business-type Activities - Enterprise Funds					
	601 Water	**602** Municipal Wastewater	**604** Electric	Other Business-type Activities	Total	Governmental Activities- Internal Service Funds
Assets						
Current Assets						
Cash and investments	$ 10,850,503	$ 14,253,889	$ 18,423,837	$ 6,642,195	$ 50,170,424	$ 2,477,720
Receivables						
Accrued interest	54,589	73,302	88,966	34,475	251,332	4,576
Accounts	425,120	448,480	2,074,451	133,664	3,081,715	-
Intergovernmental	-	-	-	449,385	449,385	-
Inventories	-	-	-	705,313	705,313	-
Prepaid items	22,791	17,492	47,967	17,088	105,338	19,419
Total Current Assets	11,353,003	14,793,163	20,635,221	7,982,120	54,763,507	2,501,715
Noncurrent Assets						
Capital assets at cost						
Land	101,065	75,702	300,717	1,172,179	1,649,663	-
Intangibles	3,071,544	-	279,266	-	3,350,810	-
Construction in progress	6,035,539	29,154,134	-	1,767,337	36,957,010	-
Buildings and other improvements	31,290,568	25,150,225	36,939,695	35,470,962	128,851,450	-
Machinery and equipment	473,593	200,869	7,572,069	1,380,771	9,627,302	155,168
Vehicles	413,542	804,830	423,383	83,034	1,724,789	-
Less accumulated depreciation	(15,954,102)	(19,106,658)	(22,512,654)	(20,918,603)	(78,492,017)	(131,413)
Total Noncurrent Assets	25,431,749	36,279,102	23,002,476	18,955,680	103,669,007	23,755
Total Assets	36,784,752	51,072,265	43,637,697	26,937,800	158,432,514	2,525,470
Deferred Outflows of Resources						
Deferred pension resources	71,636	88,703	112,971	50,668	323,978	29,982
Deferred other postemployment benefit resources	11,640	10,044	46,019	15,534	83,237	15,650
Total Deferred Outflows of Resources	83,276	98,747	158,990	66,202	407,215	45,632
Liabilities						
Current Liabilities						
Accounts payable	100,009	26,696	1,743,239	1,368,520	3,238,464	52,218
Contracts payable	44,018	23,617	-	11,441	79,076	-
Advances from other funds - current portion	-	-	-	242,013	242,013	-
Due to other governments	2,665	-	76,105	169,985	248,755	-
Accrued interest payable	-	96,998	-	10,438	107,436	-
Salaries payable	37,392	43,799	75,955	24,349	181,495	15,803
Deposits payable	28,742	27,812	154,111	-	210,665	-
Unearned revenue	-	-	29,881	19,963	49,844	-
Compensated absences payable	-	-	-	-	-	878,896
G.O. revenue bonds and notes payable	230,000	1,466,000	-	75,000	1,771,000	-
Other postemployment benefits obligation	1,429	1,233	5,649	1,907	10,218	1,921
Total Current Liabilities	444,255	1,686,155	2,084,940	1,923,616	6,138,966	948,838
Noncurrent Liabilities						
Compensated absences payable	-	-	-	-	-	693,554
Advances from other funds	-	-	-	520,173	520,173	-
G.O. revenue bonds and notes payable	120,000	21,816,756	-	675,000	22,611,756	-
Net pension liability	249,368	308,778	393,203	176,363	1,127,712	104,365
Other postemployment benefits obligation	36,970	31,903	146,168	49,341	264,382	49,710
Total Noncurrent Liabilities	406,338	22,157,437	539,371	1,420,877	24,524,023	847,629
Total Liabilities	850,593	23,843,592	2,624,311	3,344,493	30,662,989	1,796,467
Deferred Inflows of Resources						
Deferred pension resources	157,887	195,503	248,948	111,661	713,999	66,077
Deferred other postemployment benefit resources	32,140	27,735	127,071	42,895	229,841	43,215
Total Deferred Inflows of Resources	190,027	223,238	376,019	154,556	943,840	109,292
Net Position						
Net investment in capital assets	25,387,731	12,972,729	23,002,476	18,194,239	79,557,175	23,755
Unrestricted	10,439,677	14,131,453	17,793,881	5,310,714	47,675,725	641,588
Total Net Position	$ 35,827,408	$ 27,104,182	$ 40,796,357	$ 23,504,953	127,232,900	$ 665,343

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	814,721
Net Position of Business-type Activities	$ 128,047,621

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

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

	Business-type Activities - Enterprise Funds						
				Formerly Major			
	601	**602**	**604**	**605**			Governmental Activities-
	Water	Municipal Wastewater	Electric	Industrial Wastewater Facility	Other Business-type Activities	Total	Internal Service Funds
Operating Revenues							
Charges for services	$ 4,405,561	$ 4,166,602	$ 22,406,310		$ 6,608,852	$ 37,587,325	$ 698,930
Cost of goods sold	-	-	-		(3,736,244)	(3,736,244)	-
Miscellaneous	52,247	82,339	1,468,683		-	1,603,269	130,074
Total Operating Revenues	4,457,808	4,248,941	23,874,993		2,872,608	35,454,350	829,004
Operating Expenses							
Personal services	654,106	846,506	1,127,416		513,231	3,141,259	274,489
Employee benefits	160,461	200,238	299,024		143,424	803,147	73,355
Supplies	139,762	143,207	83,189		151,292	517,450	30,668
Professional services	1,299,088	565,781	19,935,225		1,904,356	23,704,450	93,430
Depreciation	977,728	448,716	1,480,108		991,497	3,898,049	11,457
Total Operating Expenses	3,231,145	2,204,448	22,924,962		3,703,800	32,064,355	483,399
Operating Income (Loss)	1,226,663	2,044,493	950,031		(831,192)	3,389,995	345,605
Nonoperating Revenues (Expenses)							
Intergovernmental							
State grants	-	9,043	-		160,725	169,768	-
Investment income	338,285	456,864	543,931		207,124	1,546,204	27,925
Miscellaneous	3,832	222	20,990		5,970	31,014	-
Gain (loss) on sale of capital assets	19,900	(512)	17,800		-	37,188	-
Interest and fiscal charges	(26,411)	(240,718)	(2,448)		(31,901)	(301,478)	-
Total Nonoperating Revenues (Expenses)	335,606	224,899	580,273		341,918	1,482,696	27,925
Income (Loss) Before Special Items, Contributions, and Transfers	1,562,269	2,269,392	1,530,304		(489,274)	4,872,691	373,530
Capital Grants and Contributions	-	-	-		413,767	413,767	-
Transfers In	12,251	12,251	180,000		-	204,502	-
Transfers Out	-	-	(758,999)		(555,000)	(1,313,999)	(450,000)
Change in Net Position	1,574,520	2,281,643	951,305		(630,507)	4,176,961	(76,470)
Net Position, January 1 as Previously Reported	34,252,888	24,822,539	39,845,052	1,146,107	22,809,353	122,875,939	741,813
Change within financial reporting entity (Note 10)							
Change from major to nonmajor fund	-	-	-	(1,146,107)	1,146,107	-	-
Error Correction	-	-	-		180,000	180,000	-
Net Position, January 1 as Restated	34,252,888	24,822,539	39,845,052		24,135,460	123,055,939	741,813
Net Position, December 31	$ 35,827,408	$ 27,104,182	$ 40,796,357		$ 23,504,953	$ 127,232,900	$ 665,343

Changes in net position as shown above	$ 4,176,961
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	163,865
Changes in net position of business-type activities	$ 4,340,826

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

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

	Business-type Activities - Enterprise Funds						
	601	602	604	*Formerly Major* 605			
	Water	Municipal Wastewater	Electric	Industrial Wastewater Facility	Other Business-type Activities	Total	Governmental Activities-Internal Service Funds
Cash Flows From Operating Activities							
Receipts from customers and users	$ 4,372,485	$ 4,035,992	$ 22,039,906		$ 3,142,696	$ 33,591,079	$ -
Receipts from interfund services provided	-	-	-		-	-	843,825
Payments to vendors and suppliers	(1,439,098)	(703,685)	(19,768,257)		(1,123,512)	(23,034,552)	(137,669)
Payments to and on behalf of employees	(879,921)	(1,124,531)	(1,457,528)		(690,489)	(4,152,469)	(369,369)
Other receipts	56,079	82,561	1,489,673		5,970	1,634,283	130,074
Net Cash Provided (Used) by Operating Activities	2,109,545	2,290,337	2,303,794		1,334,665	8,038,341	466,861
Cash Flows From Noncapital Financing Activities							
Grants received	-	9,043	-		340,725	349,768	-
Payments received (paid) to other funds	-	-	-		(4,428)	(4,428)	-
Payments received (paid) on advances to/from other funds	-	-	-		(74,311)	(74,311)	-
Transfers from other funds	12,251	12,251	180,000		-	204,502	-
Transfers to other funds	-	-	(758,999)		(555,000)	(1,313,999)	(450,000)
Net Cash Provided (Used) by Noncapital Financing Activities	12,251	21,294	(578,999)		(293,014)	(838,468)	(450,000)
Cash Flows From Capital and Related Financing Activities							
Proceeds from bonds issued, net	-	224,802	-		-	224,802	-
Payments received (paid) on advances to/from other funds	-	-	-		(164,413)	(164,413)	-
Capital grants and contributions received	-	-	-		31,909	31,909	-
Proceeds from sale of capital assets	23,595	10,280	17,800		-	51,675	-
Principal paid on bonds and leases	(220,000)	(1,452,000)	-		(70,000)	(1,742,000)	-
Interest and fiscal charges paid on bonds and leases	(26,411)	(244,630)	(2,448)		(32,875)	(306,364)	-
Payments for acquisition and construction of capital assets	(1,440,393)	(1,013,420)	(1,438,042)		(534,922)	(4,426,777)	(11,713)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,663,209)	(2,474,968)	(1,422,690)		(770,301)	(6,331,168)	(11,713)
Cash Flows From Investing Activities							
Interest receipts	332,470	451,397	535,747		203,100	1,522,714	27,253
Net Increase (Decrease) in Cash and Cash Equivalents	791,057	288,060	837,852		474,450	2,391,419	32,401
Cash and Cash Equivalents, January 1, as Previously Reported	10,059,446	13,965,829	17,585,985	956,153	5,211,592	47,779,005	2,445,319
Change to the Financial Reporting Entity (Note 10)							
Change from major to nonmajor fund	-	-	-	(956,153)	956,153	-	-
Cash and Cash Equivalents, January 1, as Restated	10,059,446	13,965,829	17,585,985		6,167,745	47,779,005	2,445,319
Cash and Cash Equivalents, December 31	$ 10,850,503	$ 14,253,889	$ 18,423,837		$ 6,642,195	$ 50,170,424	$ 2,477,720
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities							
Operating income (loss)	1,226,663	2,044,493	950,031		(831,192)	3,389,995	345,605
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities							
Other income related to operations	3,832	222	20,990		5,970	31,014	-
Depreciation	977,728	448,716	1,480,108		991,497	3,898,049	11,457
(Increase) decrease in assets							
Accounts receivable	(33,207)	(129,884)	(363,466)		269,421	(257,136)	-
Inventories	-	-	-		(17,497)	(17,497)	-
Prepaid items	5,113	3,473	(4,383)		3,410	7,613	(397)
(Increase) decrease in deferred outflows of resources							
Deferred pension resources	(13,431)	(16,842)	(28,226)		(11,327)	(69,826)	(6,324)
Deferred other postemployment benefit resources	(754)	(1,091)	(7,863)		(2,832)	(12,540)	(1,540)
Increase (decrease) in liabilities							
Accounts payable	(5,359)	1,830	239,965		964,612	1,201,048	(13,174)
Due to other governments	(2)	-	14,575		(18,389)	(3,816)	-
Salaries payable	4,848	4,102	10,074		(5,366)	13,658	2,678
Compensated absences payable	-	-	-		-	-	144,895
Other postemployment benefits obligation	(6,679)	(3,939)	(6,180)		(1,349)	(18,147)	(6,798)
Net pension liability	(26,209)	(31,457)	(8,034)		(9,901)	(75,601)	(7,648)
Customer deposits payable	131	(726)	(8,007)		-	(8,602)	-
Unearned revenue	-	-	5,069		667	5,736	-
Increase (decrease) in deferred inflows of resources							
Deferred pension resources	(27,682)	(33,606)	(21,239)		(13,766)	(96,293)	(9,350)
Deferred other postemployment benefit resources	4,553	5,046	30,380		10,707	50,686	7,457
Net Cash Provided (Used) by Operating Activities	$ 2,109,545	$ 2,290,337	$ 2,303,794		$ 1,334,665	$ 8,038,341	$ 466,861
Schedule of Noncash Financing and Investing Activities							
Book value of disposed/traded capital assets	$ 3,695	$ 10,792	$ -		$ -	$ 14,487	$ -
Capital assets acquired on account	$ 14,607	$ 12,261	$ -		$ 8,671	$ 35,539	$ -

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

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

	Custodial Funds
Assets	
Cash and investments	$ 140,797
Receivables	
Accounts	133,129
Total Assets	273,926
Liabilities	
Accounts payable	174,800
Due to other governments	8,673
Deposits payable	15,093
Total Liabilities	198,566
Net Position	
Restricted	
Individuals, organizations, endowments and other governments	$ 75,360

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

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

	Custodial Funds
Additions	
Charges for services	$ 1,418,050
Miscellaneous	11,000
Total Additions	1,429,050
Deductions	
Other services and charges	1,415,743
Net Increase (Decrease) in Fiduciary Net Position	13,307
Net Position, January 1	62,053
Net Position, December 31	$ 75,360

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

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Note 1: Summary of Significant Accounting Policies

The financial statements of the City of Worthington, Minnesota (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

A. Reporting Entity

The City of Worthington is a municipal corporation formed under Section 412 of *Minnesota State Statutes* and operates under an elected Mayor and five-member Council. The Council and Mayor are elected on rotating terms in each even-numbered year. The accompanying financial statements present the government entities for which the City is considered to be financially accountable.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

Blended Component Unit. The Worthington Economic Development Authority (EDA) was created pursuant to Minnesota statutes 469.090 through 469.108 for the purpose of providing housing and redevelopment services to the Worthington area. The City can impose its will on the EDA. As a result, its operations are blended and reported as a governmental fund.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. 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 segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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 G*eneral 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 *WRH fund* accounts for the activity surrounding the use of money obtained from the sale of the City-owned hospital. The revenue sources for the WRH fund are investment earnings and recapture payments from past due accounts that had previously been written off.

The *Recreation fund* accounts for the operations and maintenance of the City's recreational facilities programs including all City-owned parks, playgrounds and swimming beaches. The revenue sources for the recreation fund are general property taxes, charges for services, interest earnings, rebates and forfeited shelter deposits.

The *Economic Development Authority fund* accounts for the operations and maintenance of the City's Industrial Park. Financing is provided by general property taxes.

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

Note 1: Summary of Significant Accounting Policies (Continued)

The *Improvement Construction fund* accounts for major capital expenditures for the street paving management program of the City.

The City reports the following major proprietary funds:

The *Water fund* is used to account for activities related to the operation of a water distribution system.

The *Municipal Wastewater fund* is used to account for activities related to the operation of the municipal wastewater distribution system.

The *Electric fund* is used to account for activities related to the operation of electric generation and distribution systems.

Additionally, the City reports the following fund types:

Internal service funds account for the financing of goods and services provided by one department of the City, to other departments on a cost reimbursement basis. Internal service fund activities include data processing, safety promotion loss control and vacation and sick accrual.

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 Olson Water, Garbage Collection and Waste Management Collection.

Olson Water account for assets in the form of water availability charges by the City and remitted to the Okabena-Ocheda Watershed District

Garbage Collection account for assets in the form of Garbage collection charges by the City and remitted to Schaap Sanitation

Waste Management Collection account for assets in the form of Waste Management charges by the City and remitted to Nobles County

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 other charges between the City's enterprise 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order: 1) committed 2) assigned 3) unassigned.

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

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statement 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 invest idle funds as authorized by Minnesota statutes, as follows:

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

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

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

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

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 79 and are valued using quoted market prices (Level 1 inputs) and a matrix pricing model (Level 2 inputs).

The City has the following recurring fair value measurements as of December 31, 2025:

- Mutual Funds and U.S. Treasury notes of $28,485,028 are valued using quoted market prices (Level 1 inputs).

- Government Agency Securities, Government Bonds, and Municipal Bonds of $35,482,253 are valued using a matrix pricing model (Level 2 inputs).

Investment Policy

Interest rate risk. In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than nine months.

Credit risk. Both the Minnesota Statutes and the City Council approve of the following investment instruments:

a. Direct or guaranteed U.S. Government obligations;

b. Interest bearing deposits and certificates of deposits.

Custodial risk. The City does not presently have a custodial credit risk policy. All of the City's investments are adequately collateralized according to State statutes.

Other investment instruments which are approved by the Minnesota Statutes and the City Council, but have not been purchased by the City, follow:

a. General obligations of the State of Minnesota or Minnesota municipalities;

b. Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less;

c. Repurchase or reverse repurchase agreements 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;

d. Futures contracts sold under authority of Minnesota Statutes 471.56, subdivision 5;

e. Federal agency or instrumentality issues

f. Federally registered investment companies whose only investments are in direct or guaranteed U.S. Government obligations and/or Federal agency or instrumentality issues.

Property Taxes

City Council adopts a proposed budget and certifies its proposed property tax levy for the following year in September. Public hearings are held and the final property tax levy is adopted. The City certifies the final adopted property taxes to the Nobles County Auditor in December.

Note 1: Summary of Significant Accounting Policies (Continued)

The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies.

Taxpayers in two equal installments, on May 15 and October 15, may pay real property taxes. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other local governmental units three times annually, in January, July and December.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by deferred inflows 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.

Loans to Other Funds, Loans Receivable and Loans to Other Governments

Noncurrent portions of long-term interfund loan receivables, loans receivable and loans to other governments are equally offset by a fund balance nonspendable account in applicable governmental funds to indicate that they do not constitute available spendable resources.

Special Assessments

Special assessments are levied against benefiting properties of the cost of a portion of special assessment improvement projects in accordance with state statutes. These assessments are collectible by the City over a term of years as approved by City Council resolution. Collection of annual installments (including interest) is handled by the County Auditor same manner as property taxes. Property owners are allowed to prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted by the City Council, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of the sale (after costs, penalties, and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by the City Council or court action. Pursuant to state statutes, a property shall be subject to a tax forfeit sale after three years unless it is homestead, agriculture, or seasonal recreation land, in which event the property is subject to sale after five years.

Special assessments receivable consist of unportioned, delinquent, and noncurrent special assessments. 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.

Interfund Receivables and Payables

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Inventories and Prepaid Items

Inventories held for resale are reported at the lower of cost or market on the first-in, first-out (FIFO) method and inventories of supplies which are reported at cost.

Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors (such as service and maintenance agreements) reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-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, water pipes, sewer pipes, and similar items and networks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

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 was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). 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. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

	Water, Electric and Municipal Wastewater	All Other
Land	$ 1,000	$ 5,000
Land Improvements	1,000	5,000
Buildings and Building Improvements	1,000	5,000
Machinery, Equipment and Vehicles	1,000	5,000
Infrastructure	1,000	5,000
Other Assets	1,000	5,000
Easements	100,000	100,000

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

Assets	Years
Infrastructure	30 - 50
Improvements other than buildings	10 - 50
Buildings and structures	20 - 50
Machinery and equipment	5 - 35
Furniture and fixtures	5 - 15

Deferred Outflows of Resources

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

Compensated Absences

According to City policy, unused paid time off (PTO) is payable upon termination of employment. PTO payments are made at the employee's current wage rate. The City pays the vested extended sick leave bank (ESLB) amount per contract to an employee upon termination. 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 using the LIFO method. Retiring employees have the option to use accrued PTO an vested hours for post-retirement benefits. Compensated absences reported in this fund are fully funded by the Vacation and Sick Accrual fund.

Note 1: Summary of Significant Accounting Policies (Continued)

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. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Pensions

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

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

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

	Public Employees Retirement Association of Minnesota (PERA)				
	GERP	PEPFP	DCP	Fire Relief Association	Total All Plans
City's proportionate share	$ (68,651)	$ 446,262	$ 2,271	$ 123,689	$ 503,571
Proportionate share of State's contribution	(8,729)	31,312	-	-	22,583
Total pension expense	$ (77,380)	$ 477,574	$ 2,271	$ 123,689	$ 526,154

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the term 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 recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

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

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

Fund Balance

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

Nonspendable - Amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact.

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

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

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator or Finance Director.

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

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 35-50 percent of budgeted operating expenditures for cash-flow timing needs.

Note 1: Summary of Significant Accounting Policies (Continued)

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 of capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

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

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

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits to the City Council a proposed operating budget for the year commencing the following January. The operating budget includes proposed expenditures and means of financing them.

2. The budget is legally enacted through the passage of a City Council Resolution.

3. The City Council may authorize the transfer of budgeted amounts between departments within any fund.

4. Formal budgetary integration is employed as a management control device during the year for the General fund and certain special revenue funds. Formal budgetary integration is not employed for the debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for capital projects funds is accomplished through the use of project controls.

5. Budgetary control is maintained at the object of expenditure category level within each activity, and in compliance with City Charter requirements. Also, inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically infer that it will be expended. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated, (2) the expenditure is still necessitated, and (3) funds are available.

The City Council adopts the annual budget. During the budget year, supplemental appropriations are authorized by the City Council. These amounts, shown in the financial statements as “Original Budget”, represent the originally adopted budget and that labeled “Final Budget” includes all amendments made during the year by the City Council. Budget amendments were made to various funds, including increases in appropriations in the General fund of $168,400.

The General fund operating budget includes an account for contingencies. The City Council may authorize, by resolution, a budget transfer from this contingency account to an area that is expected to overspend their budget.

Budgets for the General and special revenue funds, excluding the police forfeitures fund, are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

The following budgeted special revenue fund had expenditures in excess of budget for the year ended December 31, 2025:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special Revenue			
Event Center	$ 44,874	$ 52,348	$ 7,474

Excess expenditures in the above fund will be funded excess revenues and available fund balance.

C. Deficit Fund Balance

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

Fund	Amount
Governmental Funds	
Major	
Recreation	$ 1,935,910
Improvement Construction	3,675,287
Nonmajor	
Special revenue	
Memorial Auditorium	33,906
Event Center	122,162
Capital Projects	
Aquatic Center Facility	14,168
Northland Mall TIF #16	4,251
Grand Terrace Apt TIF #17	912
Cemstone Redevelopment TIF #19	25,296

It is anticipated that the Recreation deficit will be eliminated through future charges for services revenues and tax levies.

It is anticipated that the Improvement Construction deficit will be eliminated through future revenue.

It is anticipated that the Memorial Auditorium deficit will be eliminated through future revenue and tax levies.

It is anticipated that the Event Center deficit will be eliminated through future revenues and possible tax levies.

It is anticipated that the Aquatic Center Facility deficit will be eliminated through tax levies.

It is anticipated that the Northland Mall TIF #16, Grand Terrace Apt TIF #17 and Cemstone Redevelopment TIF #19 deficits will be funded through future tax increment collections.

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 City 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, bonds or irrevocable standby letters of credit from Federal Home Loan Banks. Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year-end, the City's carrying amount of deposits was $7,622,610, including $140,797 reported in fiduciary funds. The bank balance was $8,225,912. The bank balance was covered by federal depository insurance of $750,000 and the remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name. The primary government and component unit's deposits and investments are pooled.

Note 3: Detailed Notes on All Funds (Continued)

Investments

As of December 31, 2025 the City had the following investments that are insured or registered, or securities held by the City or it's 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
Non-pooled Investments at Amortized Costs						
Money Market Funds	N/A	less than 1 year	$ 1,946,501	$ -	$ -	$ -
Non-pooled Investments at Fair Value						
Mutual Funds	N/A	N/A	19,575,559	19,575,559	-	-
Government Agency Securities	AA+	less than 6 months	736,320	-	736,320	-
Government Agency Securities	AA+	less than 1 year	1,126,567	-	1,126,567	-
Government Bonds	AA+	less than 1 year	5,983,660	-	5,983,660	-
Government Bonds	AA+	1 to 5 years	19,454,775	-	19,454,775	-
U.S. Treasury Securities	Aaa	less than 1 year	4,510,651	4,510,651	-	-
U.S. Treasury Securities	Aaa	1 to 5 years	4,398,818	4,398,818	-	-
Municipal Bonds	N/A	less than 1 year	626,506	-	626,506	-
Municipal Bonds	A1	less than 1 year	113,640	-	113,640	-
Municipal Bonds	A1	1 to 5 years	68,003	-	68,003	-
Municipal Bonds	AA	less than 1 year	240,761	-	240,761	-
Municipal Bonds	AA	1 to 5 years	154,163	-	154,163	-
Municipal Bonds	Aaa	less than 1 year	79,314	-	79,314	-
Municipal Bonds	Aaa	1 to 5 years	1,614,722	-	1,614,722	-
Municipal Bonds	AA+	less than 1 year	49,790	-	49,790	-
Municipal Bonds	AA+	1 to 5 years	165,798	-	165,798	-
Municipal Bonds	AA-	1 to 5 years	49,804	-	49,804	-
Municipal Bonds	AA1	less than 1 year	328,963	-	328,963	-
Municipal Bonds	AA1	1 to 5 years	2,788,006	-	2,788,006	-
Municipal Bonds	AA2	less than 1 year	569,085	-	569,085	-
Municipal Bonds	AA2	1 to 5 years	1,332,376	-	1,332,376	-
Total Investments			$ 65,913,782	$ 28,485,028	$ 35,482,253	$ -

(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.
There were no Level 3 investments in current year and therefore was not necessary to include.
N/A indicates not applicable or available.

The City's investment policy follows Minnesota statutes, which reduces the City's exposure to credit, custodial credit and interest rate risk. Specific risk information for the City is as follows:

- *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 78 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.

Note 3: Detailed Notes on All Funds (Continued)

- *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 investment.

- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds totals $6,575.

Cash and Investments Summary

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

	Primary Government	Fiduciary Funds	Totals
Deposits	$ 7,481,813	$ 140,797	$ 7,622,610
Investments	65,913,782	-	65,913,782
Cash on Hand	6,575	-	6,575
Total	$ 73,402,170	$ 140,797	$ 73,542,967

B. Loans Receivable

Specific special revenue funds make installment loans to promote economic development within the City. Balances of economic development loans for the year ended December 31, 2025 are as follows:

Fund	Amount
Primary Government	
Special Revenue	
WRH	$ 981,032
Wgtn EDA	244,502
Total Governmental Activities	$ 1,225,534

The WRH fund has two outstanding loans receivable totaling $981,032. The loan to Southwest Mental Health has an interest rate of 2.0% and matures March 1, 2043. The loan to MN West Housing matures February 1, 2042 and has an interest rate of 4.25%.

The Small Cities Grant fund has four outstanding loans receivable. All payments are deferred until maturity which ranges from 2040-2043. Each loan has 0% interest rate. There is an allowance for these loans in the amount of $920,000.

The City has seven outstanding loans through the Wgtn EDA totaling $244,502. These loans are to businesses to promote economic development in the City. Each has their own amortization schedule with varying interest and maturity dates.

The EDA fund has one outstanding loan receivable. The loan to New Tec has an interest rate of 5.0% and matures on July 1, 2044.. There is an allowance for this loan in the amount of $277,154.

Note 3: Detailed Notes on All Funds (Continued)

The TIF District #7 Redevelopment Amend 5 fund has 3 outstanding loans receivable. These Workforce Housing Grant Program loans are forgivable after 5 year. These is an allowance for these loans in the amount of $51,049.

C. Leases Receivable

The City leases building space to Bison-Holdings, LLC. The lease has a term of 1/1/2019-12/31/2025 which includes the City's option to renew for two years. The lessee may terminate upon annual anniversary of commencement date with three month notice to the City. The monthly payments are $3,500 and are not variable. There is no related debt secured by the lease payments.

The City leases building space to The Movie Guy, Inc. The lease has a term of 3/1/2022-2/28/2027 which does not include the operations to renew for two year terms as those could not be reasonably estimated to be exercised at the end of 2024. The monthly payments are $5,000 and are not variable. There is no related debt secured by the lease payments.

The City leases land space to Alltel Corporation, dba Verizon Wireless. The lease has a term of 3/21/2004-3/20/2029 The monthly payments are $500, with a balloon payment of $20,000 in 2024, and are not variable. There is no related debt secured by the lease payments.

Further information for 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
Bison-Holdings, LLC Building	01/01/19	0.38 %	$ 41,100	$ 330,893
The Movie Guy, Inc Building	03/01/22	0.74	58,922	69,677
American Tower, Land Lease	03/21/04	0.38	9,073	19,377
Fieldhouse - SW State Building	07/01/25	3.41	1,416	36,141
Total				$ 456,088

Annual lease revenues to maturity for all lease agreements are as follows:

Year Ending December 31	Lease Receivable Governmental Activities Principal	Interest	Total
2026	$ 108,685	$ 2,815	$ 111,500
2027	59,245	2,255	61,500
2028	49,513	1,987	51,500
2029	45,270	1,730	47,000
2030	44,015	1,485	45,500
2031 - 2035	139,548	3,952	143,500
2035 - 2040	9,812	687	10,499
Total	$ 456,088	$ 14,911	$ 470,999

Note 3: Detailed Notes on All Funds (Continued)

D. Capital Assets

Primary Government

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

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	$ 4,814,211	$ 255,072	$ (29,295)	$ 5,039,988
Intangible assets	134,607	-	-	134,607
Construction in progress	10,510,885	7,857,176	(553,837)	17,814,224
Total Capital Assets not Being Depreciated	15,459,703	8,112,248	(583,132)	22,988,819
Capital Assets Being Depreciated				
Buildings and structures	44,403,873	-	-	44,403,873
Improvements	8,362,649	606,722	-	8,969,371
Machinery and equipment	9,149,446	1,321,681	(781,696)	9,689,431
Furniture and fixtures	455,867	9,116	-	464,983
Other capital assets	381,496	-	-	381,496
Infrastructure	75,758,385	25,799	-	75,784,184
Total Capital Assets Being Depreciated	138,511,716	1,963,318	(781,696)	139,693,338
Less Accumulated Depreciation for				
Buildings and structures	(11,829,354)	(1,330,913)	-	(13,160,267)
Improvements	(2,177,970)	(280,961)	-	(2,458,931)
Machinery and equipment	(5,363,382)	(612,586)	300,798	(5,675,170)
Furniture and fixtures	(411,968)	(6,313)	-	(418,281)
Other capital assets	(288,965)	(13,145)	-	(302,110)
Infrastructure	(35,754,037)	(2,176,522)	-	(37,930,559)
Total Accumulated Depreciation	(55,825,676)	(4,420,440)	300,798	(59,945,318)
Total Capital Assets Being Depreciated, Net	82,686,040	(2,457,122)	(480,898)	79,748,020
Governmental Activities Capital Assets, Net	$ 98,145,743	$ 5,655,126	$ (1,064,030)	$ 102,736,839

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	$ 1,639,663	$ 10,000	$ -	$ 1,649,663
Intangible assets	3,350,810	-	-	3,350,810
Construction in progress	35,314,303	2,349,903	(707,196)	36,957,010
Total Capital Assets not Being Depreciated	40,304,776	2,359,903	(707,196)	41,957,483
Capital Assets Being Depreciated				
Buildings and structures	33,264,980	-	-	33,264,980
Improvements	93,598,714	1,987,756	-	95,586,470
Machinery and equipment	10,805,274	680,490	(507,179)	10,978,585
Furniture and fixtures	286,532	86,974	-	373,506
Total Capital Assets Being Depreciated	137,955,500	2,755,220	(507,179)	140,203,541
Less Accumulated Depreciation for				
Buildings and structures	(20,821,720)	(696,156)	-	(21,517,876)
Improvements	(49,355,349)	(2,549,364)	-	(51,904,713)
Machinery and equipment	(4,730,680)	(625,836)	492,692	(4,863,824)
Furniture and fixtures	(178,911)	(26,693)	-	(205,604)
Total Accumulated Depreciation	(75,086,660)	(3,898,049)	492,692	(78,492,017)
Total Capital Assets Being Depreciated, Net	62,868,840	(1,142,829)	(14,487)	61,711,524
Business-type Activities Capital Assets, Net	$ 103,173,616	$ 1,217,074	$ (721,683)	$ 103,669,007

Note 3: Detailed Notes on All Funds (Continued)

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

Governmental Activities	
General government	$ 67,205
Public safety	390,937
Public works	2,833,704
Culture and recreation	922,561
Conservation and development	194,576
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of assets	11,457
Total Depreciation Expense - Governmental Activities	$ 4,420,440
Business-type Activities	
Water	$ 977,728
Municipal wastewater	448,716
Electric	1,480,108
Storm water management	268,194
Liquor	111,868
Airport	611,435
Total Depreciation Expense - Business-type Activities	$ 3,898,049

Construction Commitments

The City has active construction projects as of December 31, 2025. The projects include building improvements, transportation improvements and solid waste improvements. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Murray Ave	$ 630,423	$ 32,539
6th Ave Water & Sewer	871,508	25,835
Service Road	2,123,943	49,068
East Flower Lane	938,947	597,058
Wastewater Treatment Facility Improvements	25,987,419	218,381
Airport Master Plan Update	422,347	2,357
Multi-Hangar	214,085	442,894
Total	$ 31,188,672	$ 1,368,132

Note 3: Detailed Notes on All Funds (Continued)

E. Interfund Receivables, Payables and Transfers

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

Due from/to Other Funds

Primary Government		
Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	$ 160,371
	Recreation	2,619,984
	Debt Service	98,812
	Improvement Construction	3,582,159
Total		$ 6,461,326
Business-type activities - internal balances	Governmental activities - internal balances	$ (52,535)

The above interfund balances related to eliminating cash deficits.

Advances from/to Other Funds

Receivable Fund	Payable Fund	Interest Rate	Issue Date	Maturity Date	Amount
General	Nonmajor enterprise	2.00 %	12/23/20	12/23/26	$ 167,702
Recreation	Nonmajor enterprise	0.00	12/31/24	12/31/33	594,484
WRH	Economic Development Authority	0.00	02/01/20	undetermined	4,156,940
Totals					$ 4,919,126

The interfund advance for $167,702 from the General fund to the Liquor fund (nonmajor enterprise) is due to the purchase of a building as well as remodeling the building for the new liquor store, which will be paid back over six years.

The purpose of the $4,156,940 interfund advance was for construction of a new theater complex. As revenues and tax levies are collected in the future, the WRH fund will be paid back the amount transferred for project costs.

The purpose of the $594,484 interfund advance was for overflow pipes for the Field House Project, which will be paid from the storm water fund to the recreation fund.

Note 3: Detailed Notes on All Funds (Continued)

Interfund Transfers

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

Fund	Transfers In: General	WRH	Recreation	Debt Service	Nonmajor Governmental	Water	Municipal Wastewater	Electric	Total
Transfers Out									
General	$ -	$ 24,503	$ 3,915	$ -	$ -	$ 12,251	$ 12,251	$ -	$ 52,920
Economic Development Authority	-	81,379	-	-	-	-	-	-	81,379
Nonmajor governmental	-	-	-	1,192,679	73,962	-	-	-	1,266,641
Electric	758,999	-	-	-	-	-	-	-	758,999
Nonmajor enterprise	375,000	-	-	-	-	-	-	180,000	555,000
Internal Service fund	450,000	-	-	-	-	-	-	-	450,000
Total	$ 1,583,999	$ 105,882	$ 3,915	$ 1,192,679	$ 73,962	$ 12,251	$ 12,251	$ 180,000	$ 3,164,939

The majority of transfers were routine, budgeted transfers. However, there were the following one-time transfers:

- From the Private Development Assistance Spending Plan Fund to the TIF District No. 7 Fund for the North Humston Avenue Utility Improvement Project.
- From the General Fund to the Recreation Fund for professional fees related to programming, feasibility, concept and cost estimating of a new Ice Arena.
- From the EDA Fund to the WRH Fund for the sale of a lot in the Cecilee extension development.

F. Long-term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital improvements. General obligation bonds have been issued for governmental activities.

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

General Obligation Bonds

The following bonds were issued to provide funding for various street reconstruction projects, street improvement projects, and improvements to City facilities. Revenue to retire this bond issue comes from ad valorem tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. PIR Series 2010A	$ 1,890,000	2.00 - 4.00 %	12/14/10	02/01/26	$ 60,000
G.O. PIR Series 2012A	2,570,000	1.00 - 2.25	12/19/12	02/01/28	60,000
G.O. PIR Series 2016A	3,150,000	2.00 - 2.50	08/30/16	02/01/33	1,775,000
G.O. Series 2019A	9,595,000	2.25 - 4.00	10/17/19	02/01/35	6,240,000
G.O. PIR Series 2023B	4,090,000	4.00 - 5.00	12/07/23	02/01/39	3,785,000
Total G.O. Bonds					$ 11,920,000

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31	G.O. Bonds Governmental Activities Principal	Interest	Total
2026	$ 1,090,000	$ 349,520	$ 1,439,520
2027	1,055,000	314,845	1,369,845
2028	1,075,000	282,070	1,357,070
2029	1,085,000	251,533	1,336,533
2030	1,105,000	221,708	1,326,708
2031 - 2035	5,260,000	641,740	5,901,740
2036 - 2039	1,250,000	103,099	1,353,099
Total	$ 11,920,000	$ 2,164,515	$ 14,084,515

General Obligation Revenue Bonds

The City also issues bonds where the government pledges income derived from the charges for the services to pay debt service. Revenue bonds have been issued for governmental activities.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sales Tax Revenue of 2020A	$ 7,970,000	1.05 - 2.00 %	11/12/20	02/01/35	$ 5,920,000
G.O. Sales Tax Revenue of 2023A	4,925,000	5.00	12/07/23	02/01/35	4,610,000
Total G.O. Bonds					$ 10,530,000

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

Year Ending December 31	G.O. Sales Tax Bonds Governmental Activities Principal	Interest	Total
2026	$ 910,000	$ 308,793	$ 1,218,793
2027	945,000	278,993	1,223,993
2028	975,000	247,943	1,222,943
2029	1,005,000	215,693	1,220,693
2030	1,040,000	185,019	1,225,019
2031 - 2035	5,655,000	446,580	6,101,580
Total	$ 10,530,000	$ 1,683,021	$ 12,213,021

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Revenue Bonds

The City issues general obligation revenue bonds where the government pledges income derived from the charges for the services to pay debt service. Revenue bonds have been issued for business-type activities.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Storm Water Revenue Bonds of 2018A	$ 1,140,000	3.34 %	12/06/18	02/01/34	$ 750,000

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

Year Ending December 31	Revenue Bonds Business-type Activities Principal	Interest	Total
2026	$ 75,000	$ 23,798	$ 98,798
2027	75,000	21,293	96,293
2028	75,000	18,788	93,788
2029	80,000	16,199	96,199
2030	85,000	13,444	98,444
2031 - 2034	360,000	24,547	384,547
Total	$ 750,000	$ 118,069	$ 868,069

General Obligation Revenue Notes

The City issues general obligation notes where the government pledges income derived from the charges for the services to pay debt service. Revenue notes have been issued for business-type activities.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Midwest Consortium Of Municipal Utilities (Water) Note	$ 3,105,000	4.06 %	05/24/07	06/01/27	$ 350,000
Wastewater Revenue of 2021A (1)	30,322,820	1.00	08/05/21	08/20/41	23,282,756
Total Notes Payable					$ 23,632,756

(1) Difference in balance is due to undrawn proceeds of $2,025,244 from the note as of December 31, 2025.

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31	Notes Payable Business-type Activities Principal	Interest	Total
2026	$ 1,696,000	$ 268,559	$ 1,964,559
2027	1,601,000	242,092	1,843,092
2028	1,496,000	226,610	1,722,610
2029	1,511,000	208,650	1,719,650
2030	1,526,000	193,540	1,719,540
2031 - 2035	7,862,000	735,730	8,597,730
2036 - 2040	8,263,000	334,690	8,597,690
2041	1,703,000	17,030	1,720,030
Total	$ 25,658,000	$ 2,226,901	$ 27,884,901

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

	Water	Wastewater	Stormwater Management
Revenues	$ 4,457,808	$ 4,248,941	$ 1,050,631
Principal and Interest	246,411	1,696,630	96,232
Percentage of Revenues	5.5%	39.9%	9.2%

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	$ 13,290,000	$ -	$ (1,370,000)	$ 11,920,000	$ 1,090,000
General Obligation Sales Tax Revenue Bonds	11,380,000	-	(850,000)	10,530,000	910,000
Unamortized Bond Premiums	952,207	-	(112,971)	839,236	-
Unamortized Bond Discounts	(154)	-	39	(115)	-
Total Bonds Payable	25,622,053	-	(2,332,932)	23,289,121	2,000,000
Compensated Absences Payable*	1,427,555	144,895	-	1,572,450	878,896
Governmental Activity Long-term Liabilities	$ 27,049,608	$ 144,895	$ (2,332,932)	$ 24,861,571	$ 2,878,896

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable					
General Obligation Revenue Bonds	$ 820,000	$ -	$ (70,000)	$ 750,000	$ 75,000
Notes Payable	25,079,954	224,802	(1,672,000)	23,632,756	1,696,000
Business-type Activity Long-term Liabilities	$ 25,899,954	$ 224,802	$ (1,742,000)	$ 24,382,756	$ 1,771,000

*Compensated Absences Payable is presented as a net change.

Note 3: Detailed Notes on All Funds (Continued)

G. Components of Fund Balance

At December 31, 2025, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	WRH	Recreation	Economic Development Authority	Debt Service	Improvement Construction	Other Governmental Funds	Total
Nonspendable								
Prepaid items	$ 116,864	$ -	$ 24,488	$ 1,222	$ -	$ 4,226	$ 5,124	$ 151,924
Inventories	72,986	-	-	-	-	-	-	72,986
Advance to other funds	167,702	-	-	-	-	-	-	167,702
Total Nonspendable	$ 357,552	$ -	$ 24,488	$ 1,222	$ -	$ 4,226	$ 5,124	$ 392,612
Restricted								
Debt service	$ -	$ -	$ -	$ -	$ 1,897,346	$ 317,069	$ -	$ 2,214,415
Public safety	202,187	-	-	-	-	-	49,993	252,180
Sales tax projects	-	-	-	-	-	-	2,278,842	2,278,842
Freedom veteran's park	-	-	8,707	-	-	-	-	8,707
Field house	-	-	187,934	-	-	-	-	187,934
Tax increment financing	-	-	-	-	-	-	625,145	625,145
Housing	-	-	-	930,257	-	-	213,268	1,143,525
Total Restricted	$ 202,187	$ -	$ 196,641	$ 930,257	$ 1,897,346	$ 317,069	$ 3,167,248	$ 6,710,748
Committed								
Equipment revolving	$ 3,501,868	$ -	$ 495,032	$ -	$ -	$ -	$ -	$ 3,996,900
Emergency disaster	200,000	-	-	-	-	-	-	200,000
Economic development	-	-	-	-	-	-	2,564,148	2,564,148
Community development	-	11,280,230	-	-	-	-	-	11,280,230
Olson Park	-	-	8,695	-	-	-	-	8,695
PV development	-	-	51,462	-	-	-	-	51,462
	$ 3,701,868	$ 11,280,230	$ 555,189	$ -	$ -	$ -	$ 2,564,148	$ 18,101,435
Assigned								
Police programs	$ 176,058	$ -	$ -	$ -	$ -	$ -	$ -	$ 176,058
Capital projects	34,431	-	-	-	-	-	65,707	100,138
Untion Pacific Railroad	12,000	-	-	-	-	-	-	12,000
Parking lot	9,000	-	-	-	-	-	-	9,000
Redevelopment	93,560	-	-	-	-	-	-	93,560
Lake improvement	389,007	-	-	-	-	-	-	389,007
Senior dining	8,436	-	-	-	-	-	-	8,436
Education (building official)	12,706	-	-	-	-	-	-	12,706
Skate park	-	-	14,624	-	-	-	-	14,624
Park acquisition	-	-	1,560	-	-	-	-	1,560
Total Assigned	$ 735,198	$ -	$ 16,184	$ -	$ -	$ -	$ 65,707	$ 817,089
Unassigned	$ 9,238,441	$ -	$ (2,728,412)	$ (164,306)	$ -	$ (3,996,582)	$ (205,815)	$ 2,143,326

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

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

General Employees Retirement Plan (General Plan)

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

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

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

B. Benefits Provided

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

General Employee Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 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.

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

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

Police and Fire Plan Benefits

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

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

C. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.50% for General Plan members. The City’s contributions to the General Employees Fund for the year ended December 31, 2025, were $503,218. The City's contributions were equal to the required contributions as set by state statute.

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 $429,966. The City’s contributions were equal to the required contributions as set by state statute.

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2025, the City reported a liability of $2,359,114 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $56,909.

City's proportionate share of the net pension liability	$	2,359,114
State of Minnesota's proportionate share of the net pension liability associated with the City		56,909
Total	$	2,416,023

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 0.0712% at the end of the measurement period and 0.0693% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of negative $68,651 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional negative $8,729 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 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	$ 224,772	$ -
Changes in actuarial assumptions	56,841	542,824
Net difference between projected and actual investment earnings	-	938,714
Changes in proportion	143,120	11,473
Employer contributions subsequent to the measurement date	254,216	-
Total	$ 678,949	$ 1,493,011

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

The $254,216 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:

2026	$	(218,464)
2027		(386,290)
2028		(295,834)
2029		(167,690)

Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of $1,866,858 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 0.1593% at the end of the measurement period and 0.1549% 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 $64,715.

City's proportionate share of the net pension liability	$	1,866,858
State of Minnesota's proportionate share of the net pension liability associated with the City		64,715
Total	$	1,931,573

For the year ended December 31, 2025, the City recognized pension expense of $446,262 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized $31,312 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 $14,340 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.

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

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	$ 862,548	$ -
Changes in actuarial assumptions	1,415,677	2,339,095
Net difference between projected and actual earnings on investments	-	833,205
Changes in proportion	86,481	55,238
Employer contributions subsequent to the measurement date	213,539	-
Total	$ 2,578,245	$ 3,227,538

The $213,539 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	$ 438,624
2027	(416,483)
2028	(913,131)
2029	(33,443)
2030	61,601

E. Long-term Expected Return on Investment

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

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

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

F. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 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)

<u>Police and Fire Fund</u>

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

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

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

H. Pension Liability Sensitivity

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

	1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
General Employees Fund	$ 5,729,917	$ 2,359,114	$ (375,366)
Police and Fire Fund	4,891,564	1,866,858	(616,903)

I. Pension Plan Fiduciary Net Position

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

Note 5: Public Employees Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

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

Contribution Amount		Percentage of Covered Payroll		
Employee	Employer	Employee	Employer	Required Rate
$ 2,271	$ 2,271	5.00%	5.00%	5.00%

The City and council member’s contributions to the DCP plan for the year ending December 31, 2025, was $2,271.

Note 6: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All Fire Relief Association members of the Worthington Fire Department (the Department) are covered by a defined benefit plan administered by the Worthington Fire Department Relief Association (the Association). As of December 31, 2025, the plan covered 31 active firefighters, 11 retired participants and 3 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69 and 424. During the fiscal year 2025, the City has elected to implement the look-back valuation for the Fire Relief Association.

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

B. Benefits Provided

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

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 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 with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

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

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed $123,689 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2025. 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 $123,689. The City did not make voluntary contributions to the plan. The firefighter has no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2025, the City reported a net pension liability (asset) of $(82,665) for the plan, which is the same as prior year because the city elected to move to the look back method. The net pension liability (asset) was measured as of December 31, 2024. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by PERA, Inc. applying an actuarial formula to specific census data certified by the Department. 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	$ 1,022,511	$ 1,105,176	$ (82,665)
Ending Balance December 31, 2025	$ 1,022,511	$ 1,105,176	$ (82,665)

For the year ended December 31, 2025, the City recognized pension expense of $123,689 for the plan.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 18,042	$ 8,075
Changes in Actuarial Assumptions	2,003	1,355
Net Difference Between Projected and Actual Earnings on Plan Investments	30,858	-
Contributions to Plan Subsequent to the Measurement Date	123,689	-
Total	$ 174,592	$ 9,430

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

Deferred outflows of resources totaling $123,689 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

2026	$	27,128
2027		27,731
2028		(8,731)
2029		(2,532)
2030		(709)
Thereafter		(1,414)

E. Actuarial 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 Age 50 With 20 Years of Service	
Salary Increases	N/A
Inflation	2.50% per year
Investment Rate of Return	5.00%
20 Year Municipal Bond Yield	N/A

The following changes in assumptions occurred in 2025:

- No changes in assumptions since the prior year report.

The following changes in benefit terms occurred in 2025:

- No changes in benefit terms since the prior year report.

The 5.00 percent 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.

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

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	35.0 %	5.07 %
International Equity	20.0	5.17
Domestic Fixed Income	10.0	0.98
Commodities	5.0	2.05
Alternative	5.0	2.73
Cash	25.0	(0.25)
Total	100.0 %	

F. Discount Rate

The discount rate used to measure the total pension liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Professional judgment on future contributions has been applied in those cases where contribution patterns deviate from the actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 (4.00%)	Current (5.00%)	1 Percent Increase (6.00%)
Defined Benefit Plan	$ (32,478)	$ (82,665)	$ (129,648)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the Worthington Fire Department Relief Association, 830 2nd Ave, Worthington, MN 56187.

Note 7: Postemployment Benefits Other Than Pensions

A. Plan Description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

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

Active Plan Members	107

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 the year ended December 31, 2025, the City had no direct contributions to the Plan.

For the year ended December 31, 2025, the City's average contribution rate was 11.36 percent of covered-employee payroll. For the fiscal year 2025, the City did not directly contribute to the plan. The General fund is typically used to liquidate the governmental portion of the net OPEB obligation.

C. Actuarial Methods and Assumptions

The City's total OPEB liability of $1,124,052 was measured as of December 31, 2025, and the OPEB liability was determined by an actuarial valuation as of January 1, 2025.

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

Discount Rate	4.83%
Expected Long-Term Investment Return	N/A
20-Year Municipal Bond Yield	4.83%
Inflation Rate	2.25%
Salary Increases	N/A
Medical Trend Rate	6.25% grading to 4.50% over 7 years

The discount rate used to measure the total OPEB liability was 4.83 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

Note 7: Postemployment Benefits Other Than Pensions (Continued)

Mortality rates were based on the SOA-2010 Headcount Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

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

D. Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at December 31, 2024	$ 1,231,302
Changes for the Year	
Service Costs	94,809
Interest Costs	56,042
Assumption Changes	111,222
Differences between expected and actual experience	(335,550)
Benefit Payment	(33,773)
Net Changes	(107,250)
Balances at December 31, 2025	$ 1,124,052

Since the prior measurement date, the following assumptions changed:

• The discount rate as of the Measurement Date has been updated based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The current full valuation uses a discount rate of 4.83% as of December 31, 2025 and 4.28% as of December 31, 2024. This change caused a significant decrease in the City's liabilities. The discount rate will be updated annually to reflect market conditions as of the Measurement Date.

• Salary increase rates have been set to follow the most recent PERA of Minnesota Actuarial Valuations for General Employees and Police as of July 1, 2024. This change caused a slight decrease in liabilities.

• Retirement rates have been set to follow the most recent PERA of Minnesota Actuarial Valuations for General Employees and Police as of July 1, 2024. This change caused a slight increase in liabilities.

• Termination rates have been set to follow the most recent PERA of Minnesota Actuarial Valuations for General Employees and Police as of July 1, 2024. This change caused a slight increase in liabilities.

In addition, claims costs and premiums were updated for 2025, which caused a significant decrease in liabilities. The reason for the decrease is that the higher cost Advantage and Value plans are no longer offered so all non-49er participants are enrolled in the lower cost HSA plan. Updated census data caused a decrease in liabilities.

Since the prior measurement date, the following plan provisions changed:

• None

Since the prior measurement date, the following benefit terms changed:

• None

Note 7: Postemployment Benefits Other Than Pensions (Continued)

E. Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability of the City, as well as what the City's net OPEB 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 3.83%	Discount Rate Current 4.83%	1 Percent Increase 5.83%
$ 1,235,235	$ 1,124,052	$ 1,021,604

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

1 Percent Decrease 6.5% Decreasing to 3.5%	Healthcare Cost Trend Rates 7.5% Decreasing to 4.5%	1 Percent Increase 8.5% Decreasing to 5.5%
$ 940,317	$ 1,124,052	$ 1,332,978

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

For the year ended December 31, 2025, the City Recognized OPEB expense of $36,679. At December 31, 2025, the City 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
Differences Between Expected and Actual Economic Experience	$ 96,460	$ 765,461
Changes in Actuarial Assumptions	244,264	175,370
Total	$ 340,724	$ 940,831

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

2026	$ (80,396)
2027	(71,987)
2028	(76,118)
2029	(74,213)
2030	(70,641)
Thereafter	(226,752)

Note 8: Other Information

A. Risk Management

The City has an internal service fund called safety promotion/loss control. This fund was set up to account and finance the City's uninsured risk of loss. The risk of loss is as follows:

- The amount of the deductible
- Specific property items, which are of low risk for damage, that are uninsured. (This property list is included in the insurance manual)
- This fund will absorb the annual fluctuations in the cost of workers compensation.
- This fund is to be used to promote health, safety and fitness. Ten percent of insurance refunds, which are receipted into this fund, are set aside to promote health and safety.
- This fund is to be used for purchases of security-type equipment for City buildings.

All funds of the City participate in this program and make a payment to the safety promotions/loss control fund based on the amount of savings each fund incurred by the selection of the higher deductible amount.

Due to a couple high health insurance claim years, the City opted out of being partially self-funded and joined in a State of Minnesota Health Insurance Plan known as Public Employees Insurance Program (PEIP). The City renews on a calendar year basis, which allows for better timing when budgeting subsequent year's premium changes. The City offers employees three plans, including a high-deductible plan, which results in lower overall costs to the City. For 2025, the City had modest premium increases (4.0%) overall to all three plans.

B. Contingent Liabilities

Commitments for current and future capital projects have been assigned in their respective funds as of December 31, 2025. Financial resources are available to fund the total amount of unexpended authorizations.

The City is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the City's results of operations. The City is not currently involved in any suits.

C. Joint Ventures

Cable 3 Television

The City and Independent School District (ISD) 518, Worthington, entered into a joint powers agreement for the purpose of operating Worthington Cable 3 Television Public Access Channel. The City shall remit to the Board all franchise fees and subscriber payments which are collected by two local cable companies pursuant to the franchise agreement between the City and respective cable companies. The amount remitted approximates the amount budgeted by the Board and no material surplus or deficits exists or is anticipated. Audited financial state were not available for Cable 3 television for the year ending December 31, 2025.

Note 8: Other Information (Continued)

Public Transportation

The City and Nobles County entered into a joint powers' agreement for purposes of jointly and cooperatively operating, administering, promoting and managing public transportation within Nobles County, including the City of Worthington. The governing body shall consist of two Council members and the Administrator of the City of Worthington, and two Commissions and the Administrator of Nobles County. In addition, one additional at-large member will be appointed by the aforesaid members. The City retains no equity position in the joint venture. There were no audited financial statement available for the year ended December 31, 2025.

D. Post-Employment Benefits

Several employee groups have signed up for the Health Care Savings Plan through the Minnesota State Retirement System.

The City allows employees to stay on its group health insurance after retirement until they reach Medicare age. The retired employees are responsible for paying 100% of their premiums. The City had one retiree on its plan at the end of 2025. However, the City's carrier indicated the retirees had no impact on the rate for renewal. Therefore, the City does not have any post-employment liability recorded in the financials.

The City does not have any liabilities for health insurance premiums as of December 31, 2025.

Note 9: Tax Abatements

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

TIF District No. 11 was established in 2005 for the purpose of administration and site preparation costs or a twenty-four unit apartment complex. Under the agreement, up to $539,600 of development costs will be reimbursed through tax increment over a 25 year period. During the year ended December 31, 2025, the City generated $29,436 of tax increment revenue and made payments on the pay-as-you-go note of $10,985. The note's balance at year end was $211,685.

TIF District No., 12 was established in 2006 for the purpose of administration and site preparation costs or a twenty-one lot single family housing development. Under the agreement, up to $1,100,000 of development costs will be reimbursed through tax increment over a 25 year period. During the year ended December 31, 2025, the City generated $48,389 of tax increment revenue. The note's balance at year end was $0 .

TIF District No. 14 was established in 2010 for the purpose of constructing a 30 townhome housing project. Under the agreement, up to $600,496 of development costs will be reimbursed through tax increment over a 25 year period. During the year ended December 31, 2025, the City generated $5,026 of tax increment revenue and made payments on the pay-as-you-go note of $4,523. The note's balance at year end was $431,167.

TIF District No. 15 was established in 2012 for the purpose of constructing a 76 unit hotel. Under the agreement, up to $609,438 of development costs will be reimbursed through tax increment over an 8 year period. During the year ended December 31, 2025, the City generated $0 of tax increment revenue and made payments on the pay-as-you-go note of $0. The note's balance at year end was $0.

TIF District No. 16 was established in 2015 to account for the activity related to the redevelopment of the former Northland Mall site and development of a mixed-use project in the City. Under the agreement, up to $8,278,201 of development costs will be reimbursed through tax increment over a 26 year period. During the year ended December 31, 2025, the City generated $197,655 of tax increment revenue and made payments on the pay-as-you-go note of $190,843. The note's balance at year end was $72,077.

Note 9: Tax Abatements (Continued)

TIF District No. 17 was established in 2018 for the purpose of construction approximately 48 units of rental housing in the City of Worthington. Under the agreement, up to $1,371,774 of development costs will be reimbursed through tax increment over a 25 year period. During the year ended December 31, 2025, the City generated $0 of tax increment revenue and made payments on the pay-as-you-go note of $0. The note's balance at year end was $436,250.

TIF District No. 18 was established in 2020 for the purpose of redeveloping and renovating the former Thompson Hotel building for 39 units of rental housing and commercial space in the basement and on the first level. Under the agreement, up to $2,582,662 of development costs will be reimbursed through tax increment over a 25 year period. During the year ended December 31, 2025, the City generated $42,877 of tax increment revenue and made payments on the pay-as-you-go note of $0. The note's balance at year end was $479,223.

TIF District No. 19 was established in 2022 for the purpose of acquiring property to facilitate the redevelopment of the former Cemstone site and assist with development of a commercial/industrial development in the City and to acquire land, demolish buildings and clean-up of a former gas station. Under the agreement, up to $2,681,164 of development costs will be reimbursed through tax increment over a 26 year period. During the year ended December 31, 2025, the City generated $0 of tax increment revenue.

The City also entered in to a tax abatement agreement with Nobles County and Independent School District (ISD) #518, through a program initiated by the Nobles Home Initiative, under Minnesota State Statute 469.1813 Subdivision 8. The program is intended to encourage the construction on new owner occupied and rental residential housing units. Eligible projects are eligible to receive 100% tax abatement of the City's share of the increased real estate taxes resulting from the newly constructed housing unit, for a period of five years. During 2025, taxes abated for thirty eligible projects within the City corporate limits was $43,487. The County and ISD #518 abated $49,658 and $18,252, respectively, for the eligible projects.

The City has several abatement agreements established under Minnesota State Statute 469.1812 as follows:

- A Tax Abatement agreement was awarded by the City Council on May 24, 2010. The abatement is for eligible expenditures related to the redevelopment of 511 10th Street and was awarded in compliance with the guidelines of the City's Tax Abatement Guidelines. The abatement is for $80,000 or 15 years, whichever occurs first. As of December 31, 2025, the entity has been given/awarded $30,283, of which $4,856 was abated in 2025.

Note 10: Adjustments to and Restatements of Beginning Balances

During 2025, changes to or within the financial reporting entity and an error correction resulted in adjustments to and restatements of beginning net position and fund net position, as follows:

	Governmental Funds				Business-Type Funds			Government-Wide	
	Economic Development Authority	Debt Service	Improvement Construction	Nonmajor Governmental	Industrial Wastewater Facility	Storm Water Management	Nonmajor Business-Type	Governmental Activities	Business-type Activities
January 1, 2025, as Previously Reported	$ (3,869,725)	$ -	$ 2,210,396	$ 8,024,130	$ 1,146,107	$ 8,714,725	$ 22,809,353	$100,946,589	$123,526,795
Change from major to nonmajor fund	-	-	-	-	(1,146,107)	-	1,146,107	-	-
Change from nonmajor to major fund	-	2,285,911	-	(2,285,911)	-	-	-	-	-
Error correction	4,569,979	-	86,674	-	-	180,000	180,000	275,774	180,000
January 1, 2025, as Restated	$ 700,254	$ 2,285,911	$ 2,297,070	$ 5,738,219	$ -	$ 8,894,725	$ 24,135,460	$101,222,363	$123,706,795

Note 10: Adjustments to and Restatements of Beginning Balances (Continued)

Correction of an Error in Previously Issued Financial Statements

During 2025, the City received grant revenue relating to 2024, resulting in an error correction totaling $266,674. Also during the current year, the City identified an error in the classification of certain capital assets recorded in prior years totaling $4,569,979. Specifically, certain assets recorded as land and land improvements were determined to meet the definition of land held for resale and, therefore, should not have been classified as capital assets. The effects of the changes within the financial reporting entity are shown in the table above.

Change within Major and Nonmajor Fund Reporting

During fiscal year 2025, the Debt Service Fund was determined to be major. The Industrial Wastewater Facility Fund was determined to be nonmajor. The effects of the changes within the financial reporting entity are shown in the table above.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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

	Budgeted Amounts Original	Budgeted Amounts Final	Budget Amendments	Actual Amounts	Variance with Final Budget
Revenues					
Taxes	$ 3,654,746	$ 3,654,746	$ -	$ 3,665,469	$ 10,723
Special assessments	-	-	-	1,420	1,420
Licenses and permits	227,500	227,500	-	321,262	93,762
Intergovernmental	4,631,076	4,631,076	-	5,113,599	482,523
Charges for services	292,056	427,696	135,640	430,913	3,217
Fines and forfeits	44,800	44,800	-	43,701	(1,099)
Investment income	281,987	281,987	-	1,310,579	1,028,592
Miscellaneous					
Contributions and donations	-	-	-	350	350
Other	30,800	30,800	-	52,633	21,833
Total Revenues	9,162,965	9,298,605	135,640	10,939,926	1,641,321
Expenditures					
Current					
General government	2,831,448	2,935,048	103,600	2,395,314	539,734
Public safety	6,002,953	6,002,953	-	5,682,386	320,567
Public works	1,142,716	1,142,716	-	1,202,196	(59,480)
Culture and recreation	168,478	168,478	-	203,184	(34,706)
Conservation and development	248,066	248,066	-	222,021	26,045
Capital outlay					
General government	-	18,000	18,000	94,928	(76,928)
Public safety	252,000	252,000	-	290,947	(38,947)
Public works	195,000	241,800	46,800	303,357	(61,557)
Culture and recreation	-	-	-	76,366	(76,366)
Total Expenditures	10,840,661	11,009,061	168,400	10,470,699	538,362
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,677,696)	(1,710,456)	(32,760)	469,227	2,179,683
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	275,219	275,219
Transfers in	1,578,603	1,578,603	-	1,583,999	5,396
Transfers out	(48,944)	(48,944)	-	(52,920)	(3,976)
Total Other Financing Sources (Uses)	1,529,659	1,529,659	-	1,806,298	276,639
Net Change in Fund Balances	(148,037)	(180,797)	(32,760)	2,275,525	2,456,322
Fund Balances, January 1	11,959,721	11,959,721	-	11,959,721	-
Fund Balances, December 31	$ 11,811,684	$ 11,778,924	$ (32,760)	$ 14,235,246	$ 2,456,322

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

City of Worthington, Minnesota
Budgetary Comparison Schedule
WRH
For the Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Investment income	$ 203,014	$ 324,395	$ 121,381
Miscellaneous revenues			
Other	-	884	884
Total Revenues	203,014	325,279	122,265
Expenditures			
Current			
General government			
Other services and charges	18,460	18,460	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	184,554	306,819	122,265
Other Financing Sources (Uses)			
Transfers in	24,472	105,882	81,410
Net Change in Fund Balances	209,026	412,701	203,675
Fund Balances, January 1	10,867,529	10,867,529	-
Fund Balances, December 31	$ 11,076,555	$ 11,280,230	$ 203,675

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

City of Worthington, Minnesota
Budgetary Comparison Schedule
Recreation
For the Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	$ 1,619,173	$ 1,619,173	$ -
Intergovernmental			
Federal	-	3,915	3,915
Charges for services	395,000	494,905	99,905
Miscellaneous revenues			
Contributions and donations	5,000	52,363	47,363
Other	2,500	31,894	29,394
Total Revenues	2,021,673	2,202,250	180,577
Expenditures			
Current			
Culture and recreation			
Personal services	744,204	862,787	(118,583)
Supplies	184,300	189,847	(5,547)
Other services and charges	618,048	642,858	(24,810)
Conservation and development			
Personal services	138,850	199,774	(60,924)
Supplies	21,500	9,566	11,934
Other services and charges	23,675	17,110	6,565
Capital outlay			
Culture and recreation	530,000	210,812	319,188
Total Expenditures	2,260,577	2,132,754	127,823
Excess (Deficiency) of Revenues Over (Under) Expenditures	(238,904)	69,496	308,400
Other Financing Sources (Uses)			
Sale of capital assets	-	5,501	5,501
Transfers in	-	3,915	3,915
Total Other Financing Sources (Uses)	-	9,416	9,416
Net Change in Fund Balances	(238,904)	78,912	317,816
Fund Balances, January 1	(2,014,822)	(2,014,822)	-
Fund Balances, December 31	$ (2,253,726)	$ (1,935,910)	$ 317,816

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

City of Worthington, Minnesota
Budgetary Comparison Schedule
Economic Development Authority
For the Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	$ 337,955	$ 337,955	$ -
Intergovernmental			
State	-	21,766	21,766
Charges for services	58,500	57,014	(1,486)
Investment income	8,000	18,051	10,051
Miscellaneous revenues			
Refunds	39,500	68,055	28,555
Other	12,359	-	(12,359)
Total Revenues	456,314	502,841	46,527
Expenditures			
Current			
Economic Development			
Supplies	950	167	783
Other services and charges	365,304	354,376	10,928
Total Expenditures	366,254	354,543	11,711
Excess (Deficiency) of Revenues Over (Under) Expenditures	90,060	148,298	58,238
Other Financing Sources (Uses)			
Transfers out	-	(81,379)	(81,379)
Net Change in Fund Balances	90,060	66,919	(23,141)
Fund Balances, January 1 as Previously Reported	(3,869,725)	(3,869,725)	-
Change within financial reporting entity (Note 10)			
Error Corrections	4,569,979	4,569,979	-
Fund Balances, January 1 as Restated	700,254	700,254	-
Fund Balances, December 31	$ 790,314	$ 767,173	$ (23,141)

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 and Special Revenue funds. The departmental level budgets are adopted on a basis consistent with generally accepted accounting principles. The fund balance reports revenue in the period in which they become measurable and available.

B. Budget Amendments

In accordance with state statutes governing municipal financial management and compliance with GASB Statement No. 103, the City's budget amendments were processed and approved through established legal and procedural frameworks. The City Council exercised its authority as delineated in Minnesota Statutes Section 471.6965, ensuring that all modifications to the budget were deliberated and approved in public meetings, adhering to principles of transparency and accountability. Each amendment or group of amendments were documented and justified based on emergent fiscal requirements or reallocation of resources, following criteria that align with GASB 103 guidelines. This process underscores the City's commitment to maintaining financial integrity and regulatory compliance, providing a clear audit trail for citizens and auditors alike.

C. Summary of Significant Budget Amendments

Significant amendments to the original General fund budget were approved as noted below:

Revenues

- Approved an increase in charges for services related to a correction of a clerical error in the original budget approval.

Expenditures

- Approved an increase in general government expenditures due to carryovers from the 2024 budget.
- Approved an increase in general government capital outlay due to the purchase of an additional vehicle.
- Approved an increase in public works capital outlay due to the purchase of a new snow plow.

No amendments made to the major special revenue funds.

D. Summary of Significant Budget Variances

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

Revenues

- Investment income exceeded final budgeted amounts due to better rate of return on investments as well as gain on investments.
- Intergovernmental revenues exceeded final budgeted amounts due to more police and fire state aid received than anticipated, as well as federal emergency management aid related to a flooding event.

Notes to the Required Supplemental Information - Budgetary Reporting (Continued)

Expenditures

- General government expenditures were under final budgeted amounts due to engineering contracted services being less than budgeted. The Wgtn Rediscovered Program was budgeted for but was not used in 2025.

- Public safety expenditures were under final budgeted amounts due to less salary expenses in 2025 than anticipated.

The WRH fund revenues varied significantly from final budget amounts as noted below:

Revenues

- Investment income exceeded final budgeted amounts due to better rate of return on investments.

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

Revenues

- Charges and services exceeded final budgeted amounts due to Field House rental fees being more than anticipated under a conservative budget approach. In 2025, the City began billing out the contract rental to the Worthington Hockey Association, now the revenue is recognized as billed instead of what they actually paid.

- Contributions and donations exceeded final budgeted amounts due to the City partnering with the Worthington Football Club in 2025, as well as the Veteran's Memorial Park. The amount of contributions and donations is variable each year.

Expenditures

- Culture and recreation personal services exceeded final budgeted amounts due to personnel being allocated throughout many departments while all of the budgeted amounts are in the Recreation Fund.

- Culture and recreation capital outlay were under final budgeted amounts due to the Public Works department budgeting to replace two mowers during 2025 but only replacing one. The Skate Park Project and Centennial Park Restroom Project had less expenditures than anticipated.

The Economic Development Authority fund revenues and expenditures varied significantly from final budget amounts as noted below:

Revenues

- The City takes a conservative approach for sale of residential lots and budget zero as we do not know what will be sold in any given year, this variance is due to these residential lot sales.

Expenditures

- Transfers-out were over the final budget amount due to residential lot sales on Cecilee that need to pay back the WRH Fund, which funded the project.

E. Budgetary Compliance

There were no budgetary compliance violations for the fiscal year ending 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	0.0712 %	$ 2,359,114	$ 56,909	$ 2,416,023	$ 6,447,417	36.6 %	90.8 %
6/30/2024	0.0693	2,561,285	66,230	2,627,515	5,863,661	43.7	89.1
6/30/2023	0.0673	3,763,341	103,809	3,867,150	5,355,398	70.3	83.1
6/30/2022	0.0681	5,393,542	158,130	5,551,672	5,100,639	105.7	76.7
6/30/2021	0.0699	2,985,043	91,113	3,076,156	5,032,226	59.3	87.0
6/30/2020	0.0701	4,202,815	129,489	4,332,304	4,995,971	84.1	79.1
6/30/2019	0.0661	3,654,521	113,495	3,768,016	4,676,883	78.1	80.2
6/30/2018	0.0655	3,633,671	119,282	3,752,953	4,406,374	82.5	79.5
6/30/2017	0.0693	4,424,066	55,627	4,479,693	4,400,521	99.1	75.9
6/30/2016	0.0670	5,440,068	70,971	5,511,039	4,155,123	130.9	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	$ 503,218	$ 503,218	$ -	$ 6,709,576	7.50 %
12/31/2024	460,772	460,772	-	6,143,632	7.50
12/31/2023	419,546	419,546	-	5,593,943	7.50
12/31/2022	387,993	387,993	-	5,173,236	7.50
12/31/2021	381,160	381,160	-	5,082,138	7.50
12/31/2020	376,934	376,934	-	5,025,795	7.50
12/31/2019	364,464	364,464	-	4,859,527	7.50
12/31/2018	340,129	340,129	-	4,535,051	7.50
12/31/2017	323,530	323,530	-	4,313,435	7.50
12/31/2016	330,039	330,039	-	4,400,521	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 Juen 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.

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	0.1593 %	$ 1,866,858	$ 64,715	$ 1,931,573	$ 2,418,169	77.2 %	91.8 %
6/30/2024	0.1549	2,037,888	77,683	2,115,571	2,144,972	95.0	90.2
6/30/2023	0.1532	2,645,565	106,585	2,752,150	2,011,554	131.5	86.5
6/30/2022	0.1600	6,962,568	304,182	7,266,750	1,943,774	358.2	70.5
6/30/2021	0.1609	1,241,977	55,825	1,297,802	1,901,749	65.3	93.7
6/30/2020	0.1598	2,106,335	49,632	2,155,967	1,804,056	116.8	87.2
6/30/2019	0.1733	1,844,954	-	1,844,954	1,827,833	100.9	89.3
6/30/2018	0.1652	1,760,862	-	1,760,862	1,741,482	101.1	88.8
6/30/2017	0.1670	2,254,699	-	2,254,699	1,703,290	131.7	85.4
6/30/2016	0.1660	6,661,869	-	6,661,869	1,598,535	416.7	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	$ 429,966	$ 429,966	$ -	$ 2,429,187	17.70 %
12/31/2024	407,564	407,564	-	2,302,621	17.70
12/31/2023	361,127	361,127	-	2,040,265	17.70
12/31/2022	346,233	346,233	-	1,956,119	17.70
12/31/2021	349,061	349,061	-	1,972,099	17.70
12/31/2020	320,557	320,557	-	1,811,054	17.70
12/31/2019	312,700	312,700	-	1,844,839	16.95
12/31/2018	287,399	287,399	-	1,774,064	16.20
12/31/2017	273,295	273,295	-	1,687,005	16.20
12/31/2016	275,933	275,933	-	1,703,290	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)

<u>Changes in Plan Provisions</u>
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. Join 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.

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

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

	2025 (Fire Relief Report Date 2024)*	2024 (Fire Relief Report Date 2024)	2023 (Fire Relief Report Date 2023)	2022 (Fire Relief Report Date 2022)	2021 (Fire Relief Report Date 2021)
Total Pension Liability					
Service cost	$ 47,825	$ 47,825	$ 40,991	$ 40,991	$ 43,647
Interest	49,528	49,528	48,948	50,992	52,058
Assumption changes	-	-	-	-	828
Changes of benefit terms	-	-	18,304	-	-
Differences between expected and actual experience	-	-	(6,377)	-	23,305
Benefit payments	(35,148)	(35,148)	(159,074)	(106,620)	(170,405)
Net Change in Total Pension Liability	62,205	62,205	(57,208)	(14,637)	(50,567)
Total Pension Liability - January 1	960,306	960,306	1,017,514	1,032,151	1,082,718
Total Pension Liability - December 31 (A)	$ 1,022,511	$ 1,022,511	$ 960,306	$ 1,017,514	$ 1,032,151
Plan Fiduciary Net Position					
Municipal contributions	-	-	-	-	-
Nonemployer contributions	107,242	107,242	95,929	85,540	76,407
Net investment income	73,952	73,952	75,369	(132,582)	87,307
Benefit payments, including refunds of employee contributions	(35,148)	(35,148)	(159,074)	(106,620)	(170,405)
Administrative expenses	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	146,046	146,046	12,224	(153,662)	(6,691)
Plan Fiduciary Net Position - January 1	959,130	959,130	946,906	1,100,568	1,107,259
Plan Fiduciary Net Position - December 31 (B)	$ 1,105,176	$ 1,105,176	$ 959,130	$ 946,906	$ 1,100,568
Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)	$ (82,665)	$ (82,665)	$ 1,176	$ 70,608	$ (68,417)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	108.08%	108.08%	99.88%	93.06%	106.63%
Covered Payroll	N/A	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	N/A

Notes to Schedule:

Benefit changes. None in 2018, 2017 or 2016.

Changes of assumptions . None in 2018, 2017 or 2016.

* The City elected to use the look-back method valuation for the Fire Relief in 2025.

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2020 (Fire Relief Report Date 2020)	2019 (Fire Relief Report Date 2019)	2018 (Fire Relief Report Date 2018)	2017 (Fire Relief Report Date 2017)	2016 (Fire Relief Report Date 2016)
$ 42,763	$ 51,485	$ 51,485	$ 40,709	$ 40,709
58,270	61,583	58,521	56,846	58,681
(2,224)	6,361	(1,787)	(1,135)	34,548
27,733	25,248	-	22,390	-
-	(12,476)	-	57,501	-
(332,924)	(46,560)	(47,388)	(259,774)	(81,516)
(206,382)	85,641	60,831	(83,463)	52,422
1,289,100	1,203,459	1,142,628	1,226,091	1,173,669
$ 1,082,718	$ 1,289,100	$ 1,203,459	$ 1,142,628	$ 1,226,091
-	1,838	698	2,698	5,817
77,866	70,080	68,221	70,095	66,101
64,443	191,331	(58,563)	202,698	107,910
(332,924)	(46,560)	(47,388)	(259,774)	(81,516)
-	(15,796)	(15,845)	(16,587)	(15,577)
(190,615)	200,893	(52,877)	(870)	82,735
1,297,874	1,096,981	1,149,858	1,150,728	1,067,993
$ 1,107,259	$ 1,297,874	$ 1,096,981	$ 1,149,858	$ 1,150,728
$ (24,541)	$ (8,774)	$ 106,478	$ (7,230)	$ 75,363
102.27%	100.68%	91.15%	100.63%	93.85%
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

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Notes to the Required Supplementary Information - Fire Relief Association's Net Pension Liability (Asset)

Changes in Plan Provisions

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.

2022 - The lump sum and monthly benefits have been updated to $2,979 and $361.

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

Changes in Assumptions

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

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

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

2022 - The mortality table used to measure funding liability has been changed from PubS-2010 Mortality with generational improvements projected beginning in 2010 based on SOA Scale MP-2019 to PubS-2010 Mortality with generational improvements projected beginning in 2010 based on SOA Scale MP-2021.

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

	2025	2024	2023	2022
Total OPEB Liability				
Service Costs	$ 94,809	$ 98,336	$ 90,774	$ 94,778
Interest Costs	56,042	66,911	63,803	32,877
Assumption Changes	111,222	(29,152)	127,888	(244,681)
Differences between expected and actual experience	(335,550)	(454,357)	(55,570)	173,628
Benefit Payment	(33,773)	(49,289)	(34,878)	(32,237)
Net Change in Total OPEB Liability	(107,250)	(367,551)	192,017	24,365
Total OPEB Liability - Beginning	1,231,302	1,598,853	1,406,836	1,382,471
Total OPEB Liability - Ending	$ 1,124,052	$ 1,231,302	$ 1,598,853	$ 1,406,836
Covered - Employee Payroll	$ 9,894,315	$ 9,450,331	$ 7,282,584	$ 7,050,121
City's total OPEB liability as a percentage of covered employee payroll	11.36 %	13.03 %	21.95 %	19.95 %

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.

Changes in assumptions:
2025- The discount rate as of the Measurement Date has been updated based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The current full valuation uses a discount rate of 4.83% as of December 31, 2025 and 4.28% as of December 31, 2024. The discount rate will be updated annually to reflect market conditions as of the Measurement Date.

2024 - The discount rate as of the Measurement Date has been updated based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The current full valuation uses a discount rate of 4.28% as of December 31, 2024 and 4.00% as of December 31, 2023. This change caused a decrease in the City's liabilities. The discount rate will be updated annually to reflect market conditions as of the Measurement Date. Salary increase rates have been set to follow the most recent PERA of Minnesota Actuarial Valuations for General Employees and Police as of July 1, 2024. This change caused a slight decrease in liabilities. Retirement rates have been set to follow the most recent PERA of Minnesota Actuarial Valuations for General Employees and Police as of July 1, 2024. This change caused a slight increase in liabilities. Termination rates have been set to follow the most recent PERA of Minnesota Actuarial Valuations for General Employees and Police as of July 1, 2024. This change caused a slight increase in liabilities.

2023 - The discount rate as of the Measurement Date has been updated based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The current full valuation uses a discount rate of 4.31% as of January 1, 2023 and 4.00% as of December 31, 2023. This change caused a significant decrease in the City’s liabilities. The discount rate will be updated annually to reflect market conditions as of the Measurement Date. Termination, disability, retirement, and salary increase rates have been set to follow the most recent PERA of Minnesota Actuarial Valuations for General employees and Police as of July 1, 2022. This change in aggregate caused a slight increase in liabilities. The mortality improvement scale applied to all mortality tables has been updated from MP-2020 to MP-2021. This change caused a slight increase in liabilities. Health care trend rates have been set to an initial rate of 8.0% for fiscal 2023 decreasing by 0.5% annually to an ultimate rate of 4.5%. This changed caused an increase in liabilities.

2022 – The health care trend, termination, disability, retirement, and salary increase rates were updated. The mortality improvement scale was updated. The discount rate was changed from 2.25% to 4.31%.

2021 – The health care trend rates and salary increase rates were updated. The discount rate was changed from 2.12% to 2.25%.

2020 – The health care trend rates, mortality tables, and salary increase rates were updated. The discount rate was changed from 3.26% to 2.12%.

2019 - The discount rate was changed from 4.11% to 3.26%.

2018 - The retirement and turnover tables for all employees were updated. The discount rate changed from 3.44% to 4.11%.

Changes in Plan Provisions:
• None

Changes in benefits:
• None

2021		2020		2019		2018	
$	95,685	$	84,842	$	73,927	$	80,180
	29,733		42,980		48,613		40,360
	(17,347)		111,984		97,096		(75,651)
	(14,727)		(129,160)		(60,001)		-
	(35,158)		(39,526)		(30,379)		(27,871)
	58,186		71,120		129,256		17,018
	1,324,285		1,253,165		1,123,909		1,106,891
$	1,382,471	$	1,324,285	$	1,253,165	$	1,123,909
$	6,641,775	$	6,704,225	$	6,368,314	$	5,928,531
	20.81		19.75 %		19.68		18.96 %

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total
Assets			
Cash and investments	$ 4,630,987	$ 816,110	$ 5,447,097
Receivables			
Accrued interest	33,112	3,291	36,403
Accounts	8,349	-	8,349
Loans (net of allowance)	244,502	-	244,502
Intergovernmental	196,291	-	196,291
Prepaid items	5,120	4	5,124
Total Assets	$ 5,118,361	$ 819,405	$ 5,937,766
Liabilities			
Accounts payable	$ 28,527	$ 146,919	$ 175,446
Due to other funds	134,114	26,257	160,371
Due to other governments	84	-	84
Salaries payable	5,453	-	5,453
Total Liabilities	168,178	173,176	341,354
Fund Balances			
Nonspendable	5,120	4	5,124
Restricted	2,542,103	625,145	3,167,248
Committed	2,564,148	-	2,564,148
Assigned	-	65,707	65,707
Unassigned	(161,188)	(44,627)	(205,815)
Total Fund Balances	4,950,183	646,229	5,596,412
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 5,118,361	$ 819,405	$ 5,937,766

City of Worthington, 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	Formerly Nonmajor Debt Service	Total
Revenues				
Taxes	$ 1,465,113	$ 363,048		$ 1,828,161
Charges for services	58,176	-		58,176
Fines and forfeits	42,329	-		42,329
Investment income	114,140	21,403		135,543
Miscellaneous	106	-		106
Total Revenues	1,679,864	384,451		2,064,315
Expenditures				
Current				
Culture and recreation	370,274	-		370,274
Conservation and development	183,940	-		183,940
Capital outlay				
Culture and recreation	-	156,919		156,919
Conservation and development	-	302,310		302,310
Total Expenditures	554,214	459,229		1,013,443
Excess (Deficiency) of Revenues Over (Under)	1,125,650	(74,778)		1,050,872
Other Financing Sources (Uses)				
Transfers in	-	73,962		73,962
Transfers out	(1,266,641)	-		(1,266,641)
Total Other Financing Sources (Uses)	(1,266,641)	73,962		(1,192,679)
Net Change in Fund Balances	(140,991)	(816)		(141,807)
Fund Balances, January 1 as Previously Reported	5,091,174	647,045	2,285,911	8,024,130
Change within financial reporting entity (Note 10)				
Change from nonmajor to major	-	-	(2,285,911)	(2,285,911)
Fund Balances, January 1 as Restated	5,091,174	647,045		5,738,219
Fund Balances, December 31	$ 4,950,183	$ 646,229		$ 5,596,412

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NONMAJOR SPECIAL REVENUE FUNDS

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

Memorial Auditorium – Established to account for the operation of the City's Memorial Auditorium.

Small Cities Grant – Established to account for revenues and expenditures for the rehabilitation of commercial property located in downtown Worthington and for residential property located northeast of the downtown area.

Police Forfeitures – Established to account for revenues and expenditures for the Police task force.

Sales Tax Revenue – Established to account for sales, use and excise tax revenues and transfers to capital project related to the sales tax referendum projects. These projects include the addition/remodeling of the Memorial Auditorium and the construction of an Event Center.

Event Center – Established to account for the operation and maintenance of the City's Event Center.

Wgtn EDA – Established to account for the operations and maintenance of the City's Economic Development and special programs administered by the community development project.

Private Development Assistance Spending Plan – Established to provide assistance to private development consisting of the development of a variety of housing to address the City's needs, including, but not limited to, market and workforce housing along with a combination of owner occupied and rental housing. As well as providing assistance to projects in they City's downtown which would rehabilitate the buildings of businesses and meet the City's goals of creating a vibrant downtown.

City of Worthington, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2025

	202	204	207	213
	Memorial Auditorium	Small Cities Grant	Police Forfeitures	Sales Tax Revenue
Assets				
Cash and investments	$ -	$ 201,102	$ 49,778	$ 2,073,450
Receivables				
Accrued interest	-	12,166	215	9,101
Accounts	6,990	-	-	-
Loans (net of allowance)	-	-	-	-
Intergovernmental	-	-	-	196,291
Prepaid items	3,470	-	-	-
Total Assets	$ 10,460	$ 213,268	$ 49,993	$ 2,278,842
Liabilities				
Accounts payable	$ 18,766	$ -	$ -	$ -
Due to other funds	20,063	-	-	-
Due to other governments	84	-	-	-
Salaries payable	5,453	-	-	-
Total Liabilities	44,366	-	-	-
Fund Balances				
Nonspendable	3,470	-	-	-
Restricted	-	213,268	49,993	2,278,842
Committed	-	-	-	-
Unassigned	(37,376)	-	-	-
Total Fund Balances	(33,906)	213,268	49,993	2,278,842
Total Liabilities and Fund Balances	$ 10,460	$ 213,268	$ 49,993	$ 2,278,842

214 Event Center	232 Wgtn EDA	233 Private Development Assistance Spending Plan	Total
$ -	$ 1,205,570	$ 1,101,087	$ 4,630,987
-	5,975	5,655	33,112
-	1,359	-	8,349
-	244,502	-	244,502
-	-	-	196,291
1,650	-	-	5,120
$ 1,650	$ 1,457,406	$ 1,106,742	$ 5,118,361
$ 9,761	$ -	$ -	$ 28,527
114,051	-	-	134,114
-	-	-	84
-	-	-	5,453
123,812	-	-	168,178
1,650	-	-	5,120
-	-	-	2,542,103
-	1,457,406	1,106,742	2,564,148
(123,812)	-	-	(161,188)
(122,162)	1,457,406	1,106,742	4,950,183
$ 1,650	$ 1,457,406	$ 1,106,742	$ 5,118,361

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

	202 Memorial Auditorium	204 Small Cities Grant	207 Police Forfeitures	213 Sales Tax Revenue
Revenues				
Taxes				
Property	$ 243,964	$ -	$ -	$ -
City sales tax	-	-	-	1,148,149
Charges for services				
Culture and recreation	58,176	-	-	-
Fines and forfeits	-	-	42,329	-
Investment income	-	7,033	921	50,310
Miscellaneous				
Other	106	-	-	-
Total Revenues	302,246	7,033	43,250	1,198,459
Expenditures				
Current				
Culture and recreation	317,926	-	-	-
Conservation and development	-	-	-	-
Total Expenditures	317,926	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,680)	7,033	43,250	1,198,459
Other Financing Sources (Uses)				
Transfers out	-	-	-	(1,192,679)
Net Change in Fund Balances	(15,680)	7,033	43,250	5,780
Fund Balances, January 1	(18,226)	206,235	6,743	2,273,062
Fund Balances, December 31	$ (33,906)	$ 213,268	$ 49,993	$ 2,278,842

214 Event Center	232 Wgtn EDA	233 Private Development Assistance Spending Plan	Total
$ -	$ 73,000	$ -	$ 316,964
-	-	-	1,148,149
-	-	-	58,176
-	-	-	42,329
-	41,383	14,493	114,140
-	-	-	106
-	114,383	14,493	1,679,864
52,348	-	-	370,274
-	74,990	108,950	183,940
52,348	74,990	108,950	554,214
(52,348)	39,393	(94,457)	1,125,650
-	-	(73,962)	(1,266,641)
(52,348)	39,393	(168,419)	(140,991)
(69,814)	1,418,013	1,275,161	5,091,174
$ (122,162)	$ 1,457,406	$ 1,106,742	$ 4,950,183

City of Worthington, Minnesota
Small Cities Grant
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Investment income	$ 4,500	$ 7,033	$ 2,533
Fund Balances, January 1	206,235	206,235	-
Fund Balances, December 31	$ 210,735	$ 213,268	$ 2,533

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

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	$ 243,964	$ 243,964	$ -
Charges for services	40,000	58,176	18,176
Miscellaneous revenues			
Other	-	106	106
Total Revenues	283,964	302,246	18,282
Expenditures			
Current			
Culture and recreation			
Personal services	131,558	127,709	3,849
Supplies	17,050	9,917	7,133
Other services and charges	135,356	180,300	(44,944)
Capital outlay	48,000	-	48,000
Total Expenditures	331,964	317,926	14,038
Net Change in Fund Balances	(48,000)	(15,680)	32,320
Fund Balances, January 1	(24,496)	(18,226)	-
Fund Balances, December 31	$ (72,496)	$ (33,906)	$ 32,320

City of Worthington, Minnesota
Sales Tax Revenue
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
City sales tax	$ 1,200,000	$ 1,148,149	$ (51,851)
Investment income	25,000	50,310	25,310
Total Revenues	1,225,000	1,198,459	(26,541)
Other Financing Sources (Uses)			
Transfers out	(1,188,468)	(1,192,679)	(4,211)
Net Change in Fund Balances	36,532	5,780	(30,752)
Fund Balances, January 1	2,273,062	2,273,062	-
Fund Balances, December 31	$ 2,309,594	$ 2,278,842	$ (30,752)

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

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Expenditures			
Current			
Culture and recreation			
Supplies	$ 1,000	$ -	$ 1,000
Other services and charges	43,874	52,348	(8,474)
Total Expenditures	44,874	52,348	(7,474)
Net Change in Fund Balances	(44,874)	(52,348)	(7,474)
Fund Balances, January 1	(69,814)	(69,814)	-
Fund Balances, December 31	$ (114,688)	$ (122,162)	$ (7,474)

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

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Taxes	$ 73,000	$ 73,000	$ -
Investment income	30,000	41,383	11,383
Total Revenues	103,000	114,383	11,383
Expenditures			
Current			
Conservation and development			
Other services and charges	103,000	74,990	28,010
Net Change in Fund Balances	-	39,393	39,393
Fund Balances, January 1	1,418,013	1,418,013	-
Fund Balances, December 31	$ 1,418,013	$ 1,457,406	$ 39,393

City of Worthington, Minnesota
Private Development Assistance Spending Plan
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget
Revenues			
Investment income	$ 5,000	$ 14,493	$ 9,493
Expenditures			
Current			
Other services and charges	1,252,971	108,950	1,144,021
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,247,971)	(94,457)	1,153,514
Other Financing Sources (Uses)			
Transfers out	-	(73,962)	(73,962)
Net Change in Fund Balances	(1,247,971)	(168,419)	1,079,552
Fund Balances, January 1	1,275,161	1,275,161	-
Fund Balances, December 31	$ 27,190	$ 1,106,742	$ 1,079,552

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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.

Municipal Buildings – This fund accounts for the improvement and maintenance of City buildings.

TIF Dist #7 Redevelopment Amend 5 – This fund accounts for street, sewer, storm sewer and water main improvements and site preparation costs within Darling's Third Tax Increment District.

C&J Housing Project - This fund accounts for site preparation costs for a 25 unit assisted living senior citizen housing complex.

Okabena Estates - This fund accounts for administration and site preparation costs for a 24 unit apartment complex.

CCSI Redevelopment - This fund accounts for administration and site preparation for a 21 lot single family housing development.

Newcastle Townhomes - This fund accounts for the activity related to the construction of a 30 Townhome housing project.

Aquatic Center Facility – This fund accounts for the activity for the existing aquatic center as well as the construction of the new aquatic center.

Hotel TIF #15 – This fund accounts for the activity related to the Hotel Tax Increment Financing District.

Northland Mall TIF #16 - This fund accounts for the activity related to the redevelopment of the former Northland Mall site and development of a mixed-use project in the City.

Grand Terrace Apt TIF #17 - This fund accounts for the facilitation of the construction of approximately 48 units of rental housing in the City of Worthington.

Thompson Hotel TIF #18 - This fund accounts for the facilitation of the reconditioning and remodeling of the historic Thompson Hotel for rental housing in the City of Worthington.

Cemstone Redevelopment TIF #19 - This fund accounts for the redevelopment of the former Cemstone property.

City of Worthington, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2025

	409 Municipal Buildings	419 TIF Dist #7 Redevelopment Amend 5	424 C&J Housing Project	425 Okabena Estates	426 CCSI Redevelopment	428 Newcastle Townhomes
Assets						
Cash and investments	$ 44,108	$ 440,237	$ 21,270	$ 32,634	$ 81,413	$ 5,280
Receivables						
Accrued interest	222	2,088	107	109	270	17
Prepaid items	-	-	-	4	-	-
Total Assets	$ 44,330	$ 442,325	$ 21,377	$ 32,747	$ 81,683	$ 5,297
Liabilities						
Accounts payable	$ -	$ -	$ -	$ 13,246	$ -	$ 4,523
Due to other funds	-	-	-	-	-	-
Total Liabilities	-	-	-	13,246	-	4,523
Fund Balances						
Nonspendable	-	-	-	4	-	-
Restricted	-	442,325	-	19,497	81,683	774
Assigned	44,330	-	21,377	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	44,330	442,325	21,377	19,501	81,683	774
Total Liabilities and Fund Balances	$ 44,330	$ 442,325	$ 21,377	$ 32,747	$ 81,683	$ 5,297

431 Aquatic Center Facility		433 Hotel TIF #15		434 Northland Mall TIF #16		435 Grand Terrace Apt TIF #17		436 Thompson Hotel TIF #18		437 Cemstone Redevelopment TIF #19		Total
$	-	$	46,094	$	96,399	$	-	$	48,675	$	-	816,110
	18		232		63		38		127		-	3,291
	-		-		-		-		-		-	4
$	18	$	46,326	$	96,462	$	38	$	48,802	$	-	$ 819,405
$	14,175	$	-	$	100,713	$	-	$	14,262	$	-	$ 146,919
	11		-		-		950		-		25,296	26,257
	14,186		-		100,713		950		14,262		25,296	173,176
	-		-		-		-		-		-	4
	-		46,326		-		-		34,540		-	625,145
	-		-		-		-		-		-	65,707
	(14,168)		-		(4,251)		(912)		-		(25,296)	(44,627)
	(14,168)		46,326		(4,251)		(912)		34,540		(25,296)	646,229
$	18	$	46,326	$	96,462	$	38	$	48,802	$	-	$ 819,405

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

	409 Municipal Buildings	**419** TIF Dist #7 Redevelopment Amend 5	**424** C&J Housing Project	**425** Okabena Estates	**426** CCSI Redevelopment	**428** Newcastle Townhomes
Revenues						
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -
Tax increment	-	-	-	29,436	48,389	5,026
Investment income	1,350	14,249	659	650	1,328	86
Total Revenues	1,350	14,249	659	30,086	49,717	5,112
Expenditures						
Capital outlay						
Culture and recreation	-	-	-	-	-	-
Conservation and development	-	25,434	733	30,343	3,345	6,137
Total Expenditures	-	25,434	733	30,343	3,345	6,137
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,350	(11,185)	(74)	(257)	46,372	(1,025)
Other Financing Sources (Uses)						
Transfers in	-	73,962	-	-	-	-
Net Change in Fund Balances	1,350	62,777	(74)	(257)	46,372	(1,025)
Fund Balances, January 1	42,980	379,548	21,451	19,758	35,311	1,799
Fund Balances, December 31	$ 44,330	$ 442,325	$ 21,377	$ 19,501	$ 81,683	$ 774

431 Aquatic Center Facility	433 Hotel TIF #15	434 Northland Mall TIF #16	435 Grand Terrace Apt TIF #17	436 Thompson Hotel TIF #18	437 Cemstone Redevelopment TIF #19	Total
$ 39,665	$ -	$ -	$ -	$ -	$ -	$ 39,665
-	-	197,655	-	42,877	-	323,383
401	1,421	280	166	813	-	21,403
40,066	1,421	197,935	166	43,690	-	384,451
156,919	-	-	-	-	-	156,919
-	883	198,389	883	35,232	931	302,310
156,919	883	198,389	883	35,232	931	459,229
(116,853)	538	(454)	(717)	8,458	(931)	(74,778)
-	-	-	-	-	-	73,962
(116,853)	538	(454)	(717)	8,458	(931)	(816)
102,685	45,788	(3,797)	(195)	26,082	(24,365)	647,045
$ (14,168)	$ 46,326	$ (4,251)	$ (912)	$ 34,540	$ (25,296)	$ 646,229

City of Worthington, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2025

	335 G.O. Sales Tax Revenue Bonds 2020A	336 G.O. Sales Tax Revenue Bonds 2023A	347 PIR Series 2010A	348 PIR Series 2012A
Assets				
Cash and investments	$ 569	$ -	$ -	$ 36,560
Receivables				
Accrued interest	10	-	-	86
Deferred special assessments	-	-	11,278	11,762
Intergovernmental	-	-	-	-
Total Assets	$ 579	$ -	$ 11,278	$ 48,408
Liabilities				
Accounts payable	$ -	$ -	$ -	$ -
Due to other funds	-	-	12,029	-
Total Liabilities	-	-	12,029	-
Deferred Inflows of Resources				
Unavailable revenue				
Special assessments	-	-	11,278	11,762
Fund Balances				
Restricted				
Debt service	579	-	(12,029)	36,646
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 579	$ -	$ 11,278	$ 48,408

	350	351	352	353	
	PIR Series 2016A	G.O. Series 2019A	G.O. Series 2023B	Future G.O. 2024A	Total
	$ 479,252	$ 1,372,421	$ -	$ 102,464	$ 1,991,266
	1,730	4,230	-	396	6,452
	247,980	542,777	331,660	432,841	1,578,298
	-	140	-	-	140
	$ 728,962	$ 1,919,568	$ 331,660	$ 535,701	$ 3,576,156
	$ -	$ 1,700	$ -	$ -	$ 1,700
	-	-	86,783	-	98,812
	-	1,700	86,783	-	100,512
	247,980	542,777	331,660	432,841	1,578,298
	480,982	1,375,091	(86,783)	102,860	1,897,346
	$ 728,962	$ 1,919,568	$ 331,660	$ 535,701	$ 3,576,156

City of Worthington, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2025

	335 G.O. Sales Tax Revenue Bonds 2020A	**336** G.O. Sales Tax Revenue Bonds 2023A	**347** PIR Series 2010A	**348** PIR Series 2012A
Revenues				
Taxes				
Property taxes	$ -	$ -	$ 34,202	$ 22,418
Special assessments	-	-	13,610	5,162
Investment income	65	-	-	447
Total Revenues	65	-	47,812	28,027
Expenditures				
Debt service				
Principal retirement	535,000	315,000	60,000	20,000
Interest and fiscal charges	99,329	239,486	4,236	2,786
Total Expenditures	634,329	554,486	64,236	22,786
Excess (Deficiency) of Revenues Over (Under) Expenditures	(634,264)	(554,486)	(16,424)	5,241
Other Financing Sources (Uses)				
Transfers in	638,193	554,486	-	-
Net Change in Fund Balances	3,929	-	(16,424)	5,241
Fund Balances, January 1	(3,350)	-	4,395	31,405
Fund Balances, December 31	$ 579	$ -	$ (12,029)	$ 36,646

350	351	352	353	
PIR Series 2016A	G.O. Series 2019A	G.O. Series 2023B	Future G.O. 2024A	Total
$ 145,198	$ 597,681	$ 247,790	$ -	$ 1,047,289
32,156	133,623	45,366	58,170	288,087
9,860	23,354	-	1,708	35,434
187,214	754,658	293,156	59,878	1,370,810
210,000	775,000	305,000	-	2,220,000
42,599	155,132	188,486	-	732,054
252,599	930,132	493,486	-	2,952,054
(65,385)	(175,474)	(200,330)	59,878	(1,581,244)
-	-	-	-	1,192,679
(65,385)	(175,474)	(200,330)	59,878	(388,565)
546,367	1,550,565	113,547	42,982	2,285,911
$ 480,982	$ 1,375,091	$ (86,783)	$ 102,860	$ 1,897,346

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NONMAJOR PROPRIETARY FUNDS

Industrial Wastewater – This fund was established to account for the operations of the sewer lagoon.

Storm Water Management – This fund was established to account for the operation of the storm drains and storm lift stations.

Street Lighting – This fund was established to account for the operations of the municipal street lighting.

Liquor – This fund was established to account for activities related to the operation of the municipal owned liquor store.

Airport – This fund was established to account for activities related to the operation of an airport.

Cable Television – This fund was established to account for the franchise fees, subscriber fees and legal negotiations with the local cable television companies.

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

	Formerly Major 605 Industrial Wastewater Facility	606 Storm Water Management	607 Street Lighting	609 Liquor	612 Airport	872 Cable Television	Total
Assets							
Current Assets							
Cash and investments	$ 1,109,498	$ 3,524,033	$ 635,282	$ 962,108	$ 409,774	$ 1,500	$ 6,642,195
Receivables							
Accrued interest	5,761	17,233	3,680	5,052	2,749	-	34,475
Accounts	-	94,116	20,526	373	5,231	13,418	133,664
Intergovernmental	-	-	-	-	449,385	-	449,385
Inventories	-	-	-	705,313	-	-	705,313
Prepaid items	-	2,473	-	6,015	8,600	-	17,088
Total Current Assets	1,115,259	3,637,855	659,488	1,678,861	875,739	14,918	7,982,120
Noncurrent Assets							
Capital assets at cost							
Land	-	652,114	-	431,300	88,765	-	1,172,179
Construction in progress	-	770,126	-	-	997,211	-	1,767,337
Buildings and other improvements	-	7,249,548	-	3,139,850	25,081,564	-	35,470,962
Machinery and equipment	-	509,841	-	232,778	638,152	-	1,380,771
Vehicles	-	29,208	-	-	53,826	-	83,034
Less accumulated depreciation	-	(2,082,544)	-	(1,130,237)	(17,705,822)	-	(20,918,603)
Total Capital Assets	-	7,128,293	-	2,673,691	9,153,696	-	18,955,680
Total Noncurrent Assets	-	7,128,293	-	2,673,691	9,153,696	-	18,955,680
Total Assets	1,115,259	10,766,148	659,488	4,352,552	10,029,435	14,918	26,937,800
Deferred Outflows of Resources							
Deferred pension resources	-	11,079	-	38,170	1,419	-	50,668
Deferred other postemployment benefit resources	-	-	-	15,534	-	-	15,534
Total Deferred Outflows of Resources	-	11,079	-	53,704	1,419	-	66,202
Liabilities							
Current Liabilities							
Accounts payable	1,089,847	42,380	6,460	93,560	122,855	13,418	1,368,520
Contracts payable	-	8,671	-	-	2,770	-	11,441
Advances from other funds - current portion	-	74,311	-	167,702	-	-	242,013
Due to other governments	-	-	-	56,859	113,126	-	169,985
Accrued interest payable	-	10,438	-	-	-	-	10,438
Salaries payable	-	1,995	-	21,296	1,058	-	24,349
Unearned revenue	-	-	-	8,633	11,330	-	19,963
G.O. revenue bonds payable	-	75,000	-	-	-	-	75,000
Other postemployment benefits obligation	-	-	-	1,907	-	-	1,907
Total Current Liabilities	1,089,847	212,795	6,460	349,957	251,139	13,418	1,923,616
Noncurrent Liabilities							
G.O. revenue bonds payable	-	675,000	-	-	-	-	675,000
Other postemployment benefits obligation	-	-	-	49,341	-	-	49,341
Advances from other funds	-	520,173	-	-	-	-	520,173
Net pension liability	-	38,542	-	132,879	4,942	-	176,363
Total Noncurrent Liabilities	-	1,233,715	-	182,220	4,942	-	1,420,877
Total Liabilities	1,089,847	1,446,510	6,460	532,177	256,081	13,418	3,344,493
Deferred Inflows of Resources							
Deferred pension resources	-	24,400	-	84,132	3,129	-	111,661
Deferred other postemployment benefit resources	-	-	-	42,895	-	-	42,895
Total Deferred Inflows of Resources	-	24,400	-	127,027	3,129	-	154,556
Net Position							
Net investment in capital assets	-	6,369,622	-	2,673,691	9,150,926	-	18,194,239
Unrestricted	25,412	2,936,695	653,028	1,073,361	620,718	1,500	5,310,714
Total Net Position	$ 25,412	$ 9,306,317	$ 653,028	$ 3,747,052	$ 9,771,644	$ 1,500	$ 23,504,953

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

	Formerly Major 605 Industrial Wastewater Facility	606 Storm Water Management	607 Street Lighting	609 Liquor	612 Airport	872 Cable Television	Total
Operating Revenues							
Charges for services	$ -	$ 1,050,631	$ 268,172	$ 5,060,131	$ 160,350	$ 69,568	$ 6,608,852
Cost of goods sold	-	-	-	(3,736,244)	-	-	(3,736,244)
Total Operating Revenues	-	1,050,631	268,172	1,323,887	160,350	69,568	2,872,608
Operating Expenses							
Personal services	-	140,610	-	352,910	19,711	-	513,231
Employee benefits	-	59,741	-	82,415	1,268	-	143,424
Supplies	63,240	43,429	-	33,393	11,230	-	151,292
Professional services	1,093,099	203,765	51,561	256,918	217,275	81,738	1,904,356
Depreciation	-	268,194	-	111,868	611,435	-	991,497
Total Operating Expenses	1,156,339	715,739	51,561	837,504	860,919	81,738	3,703,800
Operating Income (Loss)	(1,156,339)	334,892	216,611	486,383	(700,569)	(12,170)	(831,192)
Nonoperating Revenues (Expenses)							
Intergovernmental							
State grants	-	-	-	-	160,725	-	160,725
Investment income	35,644	101,488	21,430	30,491	18,071	-	207,124
Miscellaneous	-	470	3,000	2,500	-	-	5,970
Interest and fiscal charges	-	(25,258)	-	(6,643)	-	-	(31,901)
Total Nonoperating Revenues (Expenses)	35,644	76,700	24,430	26,348	178,796	-	341,918
Income (Loss) Before Contributions and Transfers	(1,120,695)	411,592	241,041	512,731	(521,773)	(12,170)	(489,274)
Capital Grants and Contributions	-	-	-	-	413,767	-	413,767
Transfers Out	-	-	(180,000)	(375,000)	-	-	(555,000)
Change in Net Position	(1,120,695)	411,592	61,041	137,731	(108,006)	(12,170)	(630,507)
Net Position, January 1 as Previously Reported	-	8,714,725	591,987	3,609,321	9,879,650	13,670	22,809,353
Change within financial reporting entity (Note 10)							
Change from major to nonmajor fund	1,146,107	-	-	-	-	-	1,146,107
Error Correction	-	180,000	-	-	-	-	180,000
Net Position, January 1 as Restated	1,146,107	8,894,725	591,987	3,609,321	9,879,650	13,670	24,135,460
Net Position, December 31	$ 25,412	$ 9,306,317	$ 653,028	$ 3,747,052	$ 9,771,644	$ 1,500	$ 23,504,953

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

	Formerly Major 605 Industrial Wastewater Facility	606 Storm Water Management	607 Street Lighting	609 Liquor	612 Airport	872 Cable Television	Total
Cash Flows From Operating Activities							
Receipts from customers and users	$ 265,791	$ 1,030,339	$ 275,215	$ 1,324,782	$ 163,204	$ 83,365	$ 3,142,696
Payments to vendors and suppliers	(146,967)	(247,869)	(50,241)	(450,002)	(150,996)	(77,437)	(1,123,512)
Payments to and on behalf of employees	-	(198,700)	-	(467,488)	(24,301)	-	(690,489)
Other receipts	-	470	3,000	2,500	-	-	5,970
Net Cash Provided (Used) by Operating Activities	118,824	584,240	227,974	409,792	(12,093)	5,928	1,334,665
Cash Flows From Noncapital Financing Activities							
Grants received	-	180,000	-	-	160,725	-	340,725
Payments received (paid) to other funds	-	-	-	-	-	(4,428)	(4,428)
Payments received (paid) on advances to/from other funds	-	(74,311)	-	-	-	-	(74,311)
Transfers to other funds	-	-	(180,000)	(375,000)	-	-	(555,000)
Net Cash Provided (Used) by Noncapital Financing Activities	-	105,689	(180,000)	(375,000)	160,725	(4,428)	(293,014)
Cash Flows From Capital and Related Financing Activities							
Payments received (paid) on advances to/from other funds	-	-	-	(164,413)	-	-	(164,413)
Capital grants received and contributions received	-	-	-	-	31,909	-	31,909
Principal paid on bonds	-	(70,000)	-	-	-	-	(70,000)
Interest and fiscal charges paid on bonds	-	(26,232)	-	(6,643)	-	-	(32,875)
Payments for acquisition and construction of capital assets	-	(120,999)	-	(14,903)	(399,020)	-	(534,922)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(217,231)	-	(185,959)	(367,111)	-	(770,301)
Cash Flows From Investing Activities							
Interest receipts	34,521	99,680	21,039	29,744	18,116	-	203,100
Net Increase (Decrease) in Cash and Cash Equivalents	153,345	572,378	69,013	(121,423)	(200,363)	1,500	474,450
Cash and Cash Equivalents, January 1, as Previously Reported	-	2,951,655	566,269	1,083,531	610,137	-	5,211,592
Change to the Financial Reporting Entity (Note 10)							
Change from major to nonmajor fund	956,153	-	-	-	-	-	956,153
Cash and Cash Equivalents, January 1, as Restated	956,153	2,951,655	566,269	1,083,531	610,137	-	6,167,745
Cash and Cash Equivalents, December 31	$ 1,109,498	$ 3,524,033	$ 635,282	$ 962,108	$ 409,774	$ 1,500	$ 6,642,195
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities							
Operating income (loss)	$ (1,156,339)	$ 334,892	$ 216,611	$ 486,383	$ (700,569)	$ (12,170)	$ (831,192)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities							
Other income related to operations	-	470	3,000	2,500	-	-	5,970
Depreciation	-	268,194	-	111,868	611,435	-	991,497
(Increase) decrease in assets							
Accounts receivable	265,791	(20,292)	7,043	228	2,854	13,797	269,421
Inventories	-	-	-	(17,497)	-	-	(17,497)
Prepaid items	1,452	1,145	-	954	(141)	-	3,410
(Increase) decrease in deferred outflows of resources							
Deferred pension resources	-	(4,930)	-	(6,473)	76	-	(11,327)
Deferred other postemployment benefit resources	-	-	-	(2,832)	-	-	(2,832)
Increase (decrease) in liabilities							
Accounts payable	1,007,920	(1,820)	1,320	(135,799)	88,690	4,301	964,612
Due to other governments	-	-	-	(7,349)	(11,040)	-	(18,389)
Salaries payable	-	(7,647)	-	1,904	377	-	(5,366)
Other postemployment benefits obligation	-	-	-	(1,349)	-	-	(1,349)
Net pension liability	-	9,431	-	(17,195)	(2,137)	-	(9,901)
Unearned revenue	-	-	-	667	-	-	667
Increase (decrease) in deferred inflows of resources							
Deferred pension resources	-	4,797	-	(16,925)	(1,638)	-	(13,766)
Deferred other postemployment benefit resources	-	-	-	10,707	-	-	10,707
Net Cash Provided (Used) by Operating Activities	$ 118,824	$ 584,240	$ 227,974	$ 409,792	$ (12,093)	$ 5,928	$ 1,334,665
Schedule of Noncash Financing and Investing Activities							
Capital assets acquired on account	$ -	$ 8,671	$ -	$ -	$ -	$ -	$ 8,671

GENERAL FUND

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund.

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City of Worthington, 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	Budgeted Amounts Final	Budget Amendments	Actual Amounts	Variance with Final Budget
Revenues					
Taxes					
Property taxes	$ 3,492,246	$ 3,492,246	$ -	$ 3,471,611	$ (20,635)
Franchise taxes	160,000	160,000	-	184,614	24,614
Other taxes	2,500	2,500	-	9,244	6,744
Total taxes	3,654,746	3,654,746	-	3,665,469	10,723
Special assessments	-	-	-	1,420	1,420
Licenses and permits					
Business	56,000	56,000	-	58,759	2,759
Nonbusiness	171,500	171,500	-	262,503	91,003
Total licenses and permits	227,500	227,500	-	321,262	93,762
Intergovernmental					
Federal					
Highway safety grant	46,000	46,000	-	52,449	6,449
American Rescue Plan Act	-	-	-	87,912	87,912
Emergency management aid	-	-	-	119,046	119,046
Other	-	-	-	2,400	2,400
Total Federal	46,000	46,000	-	261,807	215,807
State					
Local government aid	4,123,510	4,123,510	-	4,123,510	-
Property tax credits	-	-	-	597	597
Police aid	200,000	200,000	-	371,870	171,870
Fire aid	49,566	49,566	-	123,689	74,123
Other	182,000	182,000	-	194,821	12,821
Total state	4,555,076	4,555,076	-	4,814,487	259,411
County					
Other County aids	30,000	30,000	-	35,194	5,194
Local					
Other local aid	-	-	-	2,111	2,111
Total intergovernmental	4,631,076	4,631,076	-	5,113,599	482,523
Charges for services					
General government	151,846	287,486	135,640	288,771	1,285
Public safety	38,500	38,500	-	44,257	5,757
Public works	14,500	14,500	-	12,069	(2,431)
Culture and recreation	4,000	4,000	-	5,760	1,760
Conservation and development	81,500	81,500	-	78,346	(3,154)
Rents	1,710	1,710	-	1,710	-
Total charges for services	292,056	427,696	135,640	430,913	3,217
Fines and forfeits	44,800	44,800	-	43,701	(1,099)
Investment income	281,987	281,987	-	1,310,579	1,028,592
Miscellaneous					
Contributions and donations	-	-	-	350	350
Other	30,800	30,800	-	52,633	21,833
Total miscellaneous	30,800	30,800	-	52,983	22,183
Total Revenues	9,162,965	9,298,605	135,640	10,939,926	1,641,321

City of Worthington, 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		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Expenditures					
Current					
General government					
Mayor and council					
Personal services	$ 95,695	$ 95,695	$ -	$ 85,058	$ 10,637
Supplies	225	225	-	14	211
Other services and charges	13,985	13,985	-	11,007	2,978
Total mayor and council	109,905	109,905	-	96,079	13,826
Administration					
Personal services	332,796	332,796	-	341,826	(9,030)
Supplies	2,500	2,500	-	492	2,008
Other services and charges	51,525	76,525	25,000	24,069	52,456
Total administration	386,821	411,821	25,000	366,387	45,434
Clerk's office and election					
Personal services	228,318	228,318	-	219,064	9,254
Supplies	8,400	8,400	-	4,422	3,978
Other services and charges	24,550	24,550	-	17,323	7,227
Total clerk's office and election	261,268	261,268	-	240,809	20,459
Finance					
Personal services	211,848	211,848	-	218,657	(6,809)
Supplies	3,200	3,200	-	1,398	1,802
Other services and charges	188,711	188,711	-	181,824	6,887
Total finance	403,759	403,759	-	401,879	1,880
Legal					
Other services and charges	50,000	50,000	-	16,005	33,995
Engineering administration					
Personal services	360,199	360,199	-	398,082	(37,883)
Supplies	28,250	28,250	-	14,484	13,766
Other services and charges	168,300	168,300	-	64,266	104,034
Total engineering administration	556,749	556,749	-	476,832	79,917
General government (continued)					
Community and economic development					
Personal services	582,845	582,845	-	490,999	91,846
Supplies	9,000	9,000	-	9,274	(274)
Other services and charges	232,176	310,776	78,600	87,833	222,943
Total community and economic development	824,021	902,621	78,600	588,106	314,515
General government buildings					
Supplies	3,800	3,800	-	1,929	1,871
Other services and charges	107,150	107,150	-	98,579	8,571
Total general government buildings	110,950	110,950	-	100,508	10,442
Other general government					
Supplies	50	50	-	301	(251)
Other services and charges	127,925	127,925	-	108,408	19,517
Total other general government	127,975	127,975	-	108,709	19,266
Total general government	2,831,448	2,935,048	103,600	2,395,314	539,734

City of Worthington, 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		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Expenditures (Continued)					
Current (continued)					
Public safety					
Police					
Personal services	$ 4,221,529	$ 4,221,529	$ -	$ 3,936,841	$ 284,688
Supplies	146,550	146,550	-	151,574	(5,024)
Other services and charges	1,032,565	1,032,565	-	1,062,490	(29,925)
Total police	5,400,644	5,400,644	-	5,150,905	249,739
Fire					
Personal services	247,655	247,655	-	250,940	(3,285)
Supplies	25,700	25,700	-	4,161	21,539
Other services and charges	109,525	109,525	-	68,498	41,027
Total fire	382,880	382,880	-	323,599	59,281
Civil defense					
Other services and charges	1,300	1,300	-	11	1,289
Animal control					
Personal services	23,747	23,747	-	23,682	65
Supplies	3,000	3,000	-	2,405	595
Other services and charges	3,950	3,950	-	3,299	651
Total animal control	30,697	30,697	-	29,386	1,311
Code enforcement					
Personal services	174,262	174,262	-	167,146	7,116
Supplies	2,950	2,950	-	2,227	723
Other services and charges	10,220	10,220	-	9,112	1,108
Total code enforcement	187,432	187,432	-	178,485	8,947
Total public safety	6,002,953	6,002,953	-	5,682,386	320,567
Public works					
Streets					
Personal services	260,539	260,539	-	337,966	(77,427)
Supplies	92,200	92,200	-	95,267	(3,067)
Other services and charges	119,025	119,025	-	108,950	10,075
Total streets	471,764	471,764	-	542,183	(70,419)
Street maintenance					
Personal services	244,469	244,469	-	322,020	(77,551)
Other services and charges	-	-	-	25,000	(25,000)
Total street maintenance	244,469	244,469	-	347,020	(102,551)
Ice and Snow Removal					
Personal services	141,823	141,823	-	95,486	46,337
Supplies	85,000	85,000	-	87,878	(2,878)
Other services and charges	70,850	70,850	-	17,183	53,667
Total ice and snow removal	297,673	297,673	-	200,547	97,126
Signs and signals					
Personal services	15,587	15,587	-	7,079	8,508
Supplies	25,500	25,500	-	16,736	8,764
Other services and charges	15,200	15,200	-	24,960	(9,760)
Total signs and signals	56,287	56,287	-	48,775	7,512

City of Worthington, 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		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Expenditures (Continued)					
Current (continued)					
Sanitation					
Composting					
Personal services	$ 14,523	$ 14,523	$ -	$ 16,889	$ (2,366)
Supplies	2,000	2,000	-	-	2,000
Other services and charges	56,000	56,000	-	46,782	9,218
Total composting	72,523	72,523	-	63,671	8,852
Total public works	1,142,716	1,142,716	-	1,202,196	(59,480)
Public Arts/Band					
Supplies	1,000	1,000	-	30	970
Other services and charges	9,500	9,500	-	7,069	2,431
Total public arts/band	10,500	10,500	-	7,099	3,401
Center for Active Living					
Personal services	91,133	91,133	-	93,512	(2,379)
Supplies	12,700	12,700	-	15,016	(2,316)
Other services and charges	54,145	54,145	-	87,557	(33,412)
Total Center for Active Living	157,978	157,978	-	196,085	(38,107)
Total culture and recreation	168,478	168,478	-	203,184	(34,706)
Conservation and Development					
Clean water partnership project					
Other services and charges	15,000	15,000	-	-	15,000
Lake improvement					
Personal services	10,662	10,662	-	4,151	6,511
Supplies	4,100	4,100	-	857	3,243
Other services and charges	7,800	7,800	-	1,629	6,171
Total lake improvement	22,562	22,562	-	6,637	15,925
Promotional Services					
Other services and charges	21,000	21,000	-	13,702	7,298
Lodging Tax/Tourism					
Other services and charges	160,000	160,000	-	184,787	(24,787)
ADI Development					
Other services and charges	902	902	-	980	(78)
Special Days and Events					
Personal services	15,502	15,502	-	12,357	3,145
Supplies	12,000	12,000	-	3,518	8,482
Other services and charges	1,100	1,100	-	40	1,060
Total special days and events	28,602	28,602	-	15,915	12,687
Total Conservation and Development	248,066	248,066	-	222,021	26,045
Total current	10,393,661	10,497,261	103,600	9,705,101	792,160

City of Worthington, 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		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Capital outlay					
General government	$ -	$ 18,000	$ 18,000	$ 94,928	$ (76,928)
Public safety - police	242,000	242,000	-	260,417	(18,417)
Public safety - fire	10,000	10,000	-	30,530	(20,530)
Public works	195,000	241,800	46,800	303,357	(61,557)
Culture and recreation	-	-	-	76,366	(76,366)
Total capital outlay	447,000	511,800	64,800	765,598	(253,798)
Total Expenditures	10,840,661	11,009,061	168,400	10,470,699	538,362
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,677,696)	(1,710,456)	(32,760)	469,227	2,179,683
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	275,219	275,219
Transfers in	1,578,603	1,578,603	-	1,583,999	5,396
Transfers out	(48,944)	(48,944)	-	(52,920)	(3,976)
Total Other Financing Sources (Uses)	1,529,659	1,529,659	-	1,806,298	276,639
Net Change in Fund Balances	(148,037)	(180,797)	(32,760)	2,275,525	2,456,322
Fund Balances, January 1	11,959,721	11,959,721	-	11,959,721	-
Fund Balances, December 31	$ 11,811,684	$ 11,778,924	$ (32,760)	$ 14,235,246	$ 2,456,322

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INTERNAL SERVICE FUNDS

Internal Service funds are used to account for the financing of goods of services provided by one department or agency to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

Data Processing - This fund is used to account for the data processing activities of the City which are charged to the various operating funds of the City.

Safety Promotion/Loss Control - This fund is used to account for and finance the City's uninsured risk of loss.

Vacation and Sick Accrual - This fund is used to account for funding compensated absences payable of governmental funds.

City of Worthington, Minnesota
Internal Service Funds
Combining Statement of Net Position
December 31, 2025

	702 Data Processing	**703** Safety Promotion Loss Control	**704** Vacation and Sick Accrual	Total
Assets				
Current Assets				
Cash and investments	$ 258,098	$ 647,172	$ 1,572,450	$ 2,477,720
Receivables				
Accrued interest	1,266	3,310	-	4,576
Prepaid items	19,419	-	-	19,419
Total Current Assets	278,783	650,482	1,572,450	2,501,715
Capital Assets				
Machinery and equipment	155,168	-	-	155,168
Less accumulated depreciation	(131,413)	-	-	(131,413)
Net Capital Assets	23,755	-	-	23,755
Total Assets	302,538	650,482	1,572,450	2,525,470
Deferred Outflows of Resources				
Deferred pension resources	29,982	-	-	29,982
Deferred other postemployment benefit resources	15,650	-	-	15,650
Total Deferred Outflows of Resources	45,632	-	-	45,632
Liabilities				
Current Liabilities				
Accounts payable	51,543	675	-	52,218
Salaries payable	15,803	-	-	15,803
Compensated absences payable	-	-	878,896	878,896
Other postemployment benefits obligation	1,921	-	-	1,921
Total Current Liabilities	69,267	675	878,896	948,838
Noncurrent Liabilities				
Compensated absences payable	-	-	693,554	693,554
Net pension liability	104,365	-	-	104,365
Other postemployment benefits obligation	49,710	-	-	49,710
Total Noncurrent Liabilities	154,075	-	693,554	847,629
Total Liabilities	223,342	675	1,572,450	1,796,467
Deferred Inflows of Resources				
Deferred pension resources	66,077	-	-	66,077
Deferred other postemployment benefit resources	43,215	-	-	43,215
Total Deferred Inflows of Resources	109,292	-	-	109,292
Net Position				
Investment in capital assets	23,755	-	-	23,755
Unrestricted	(8,219)	649,807	-	641,588
Total Net Position	$ 15,536	$ 649,807	$ -	$ 665,343

City of Worthington, Minnesota
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2025

	702 Data Processing	**703** Safety Promotion Loss Control	**704** Vacation and Sick Accrual	Total
Operating Revenues				
Charges for services	$ 506,930	$ 192,000	$ -	$ 698,930
Miscellaneous	15	130,059	-	130,074
Total Operating Revenues	506,945	322,059	-	829,004
Operating Expenses				
Personal services	274,489	-	-	274,489
Employee benefits	73,355	-	-	73,355
Supplies	30,668	-	-	30,668
Professional services	65,597	27,833	-	93,430
Depreciation	11,457	-	-	11,457
Total Operating Expenses	455,566	27,833	-	483,399
Operating Income (Loss)	51,379	294,226	-	345,605
Nonoperating Revenues (Expenses)				
Investment income	7,498	20,427	-	27,925
Income (Loss) Before Transfers	58,877	314,653	-	373,530
Transfers Out	-	(450,000)	-	(450,000)
Change in Net Position	58,877	(135,347)	-	(76,470)
Net Position, January 1	(43,341)	785,154	-	741,813
Net Position, December 31	$ 15,536	$ 649,807	$ -	$ 665,343

City of Worthington, Minnesota
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	702 Data Processing	**703** Safety Promotion Loss Control	**704** Vacation and Sick Accrual	Total
Cash Flows from Operating Activities				
Receipts from interfund services provided	$ 506,930	$ 192,000	$ 144,895	$ 843,825
Payments to vendors and suppliers	(85,014)	(52,655)	-	(137,669)
Payments to and on behalf of employees	(369,369)	-	-	(369,369)
Other receipts	15	130,059	-	130,074
Net Cash Provided (Used) by Operating Activities	52,562	269,404	144,895	466,861
Cash Flows from Noncapital Financing Activities				
Transfers to other funds	-	(450,000)	-	(450,000)
Cash Flows from Capital and Related Financing Activities				
Payments for acquisition and construction of capital assets	(11,713)	-	-	(11,713)
Cash Flows From Investing Activities				
Interest receipts	7,183	20,070	-	27,253
Net Increase (Decrease) in Cash and Cash Equivalents	48,032	(160,526)	144,895	32,401
Cash and Cash Equivalents, January 1	210,066	807,698	1,427,555	2,445,319
Cash and Cash Equivalents, December 31	$ 258,098	$ 647,172	$ 1,572,450	$ 2,477,720
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	$ 51,379	$ 294,226	$ -	$ 345,605
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	11,457	-	-	11,457
(Increase) decrease in assets				
Prepaid items	(397)	-	-	(397)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(6,324)	-	-	(6,324)
Deferred other postemployment benefit resources	(1,540)	-	-	(1,540)
Increase (decrease) in liabilities				
Accounts payable	11,648	(24,822)	-	(13,174)
Salaries payable	2,678	-	-	2,678
Compensated absences payable	-	-	144,895	144,895
Net pension liability	(7,648)	-	-	(7,648)
Other postemployment benefits obligation	(6,798)	-	-	(6,798)
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(9,350)	-	-	(9,350)
Deferred other postemployment benefit resources	7,457	-	-	7,457
Net Cash Provided (Used) by Operating Activities	$ 52,562	$ 269,404	$ 144,895	$ 466,861

CUSTODIAL 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.

Olson Water - This fund is used to improve lake quality in the area.

Garbage Collection - This fund is used to account for the collection of garbage, paid to Schaap Sanitation.

Waste Management Collection - This fund is used to account for the landfill fee, paid to Nobles County.

City of Worthington, Minnesota
Combining Statement of Fiduciary Net Position
Custodial Funds
December 31, 2025

	801 Olson Water	873 Garbage Collection	878 Waste Management Collection	Total
Assets				
Current Assets				
Cash and temporary investments	$ 21,497	$ 119,300	$ -	$ 140,797
Receivables				
Accounts	-	82,432	50,697	133,129
Total Assets	21,497	201,732	50,697	273,926
Liabilities				
Current Liabilities				
Accounts payable	-	108,994	65,806	174,800
Due to other governments	-	8,673	-	8,673
Deposits payable	-	15,093	-	15,093
Total Current Liabilities	-	132,760	65,806	198,566
Net Position				
Restricted				
Individuals, Organizations, Endowments and Other Governments	$ 21,497	$ 68,972	$ (15,109)	$ 75,360

City of Worthington, Minnesota
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2025

	801 Olson Water	873 Garbage Collection	878 Waste Management Collection	Total
Additions				
Charges for services	$ -	$ 1,312,470	$ 105,580	$ 1,418,050
Miscellaneous	11,000	-	-	11,000
Total Additions	11,000	1,312,470	105,580	1,429,050
Deductions				
Other services and charges	-	1,309,921	105,822	1,415,743
Net Increase (Decrease) in Fiduciary Net Position	11,000	2,549	(242)	13,307
Net Position, January 1	10,497	66,423	(14,867)	62,053
Net Position, December 31	$ 21,497	$ 68,972	$ (15,109)	$ 75,360

Worthington Public Utilities
City of Worthington, Minnesota
Electric
Statement of Net Position
December 31, 2025
(With Comparative Amounts for December 31, 2024)

	2025	2024
Assets		
Current Assets		
Cash and investments	$ 18,423,837	$ 17,585,985
Accrued interest	88,966	80,782
Utilities receivable	2,030,681	1,659,496
Accounts receivable	43,770	51,489
Prepaid items	47,967	43,584
Total Current Assets	20,635,221	19,421,336
Noncurrent Assets		
Capital assets at cost		
Land	300,717	300,717
Buildings and structures	6,770,071	6,770,071
Improvements		
Production	473,370	473,370
Transmission	3,538,098	3,512,978
Distribution	25,776,235	24,538,842
General	381,921	381,921
Machinery and equipment	7,742,860	7,724,468
Furniture and fixtures	252,592	165,618
Intangibles	279,266	279,266
Less accumulated depreciation	(22,512,654)	(21,102,709)
Total Noncurrent Assets	23,002,476	23,044,542
Total Assets	43,637,697	42,465,878
Deferred Outflows of Resources		
Deferred pension resources	112,971	84,745
Deferred other postemployment benefit resources	46,019	38,156
Total Deferred Outflows of Resources	158,990	122,901
Liabilities		
Current Liabilities		
Accounts payable	1,743,239	1,503,274
Due to other governments	76,105	61,530
Salaries payable	75,955	65,881
Deposits payable	154,111	162,118
Unearned revenue	29,881	24,812
Other postemployment benefits obligation	5,649	4,647
Total Current Liabilities	2,084,940	1,822,262
Noncurrent Liabilities		
Net pension liability	393,203	401,237
Other postemployment benefits obligation	146,168	153,350
Total Noncurrent Liabilities	539,371	554,587
Total Liabilities	2,624,311	2,376,849
Deferred Inflows of Resources		
Deferred pension resources	248,948	270,187
Deferred other postemployment benefit resources	127,071	96,691
Total Deferred Inflows of Resources	376,019	366,878
Net Position		
Net investment in capital assets	23,002,476	23,044,542
Unrestricted	17,793,881	16,800,510
Total Net Position	$ 40,796,357	$ 39,845,052

Worthington Public Utilities
City of Worthington, Minnesota
Electric
Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2025
(With Comparative Amounts for December 31, 2024)

	2025	2024
Operating Revenues		
Utility sales revenues		
Residential	$ 4,449,077	$ 4,230,233
Commercial	8,378,648	8,351,477
Industrial	8,954,815	8,579,603
Public street & highway lighting	51,742	49,562
Sales for resale	524,566	448,599
Interdepartmental (station power)	47,462	44,317
Other operating revenue	231,056	170,721
Miscellaneous utility operations	1,237,627	1,215,225
Total Operating Revenues	23,874,993	23,089,737
Operating Expenses		
Purchased power		
Western Area Power Association	1,715,569	1,598,007
Missouri Basin Municipal Power Agency	10,986,788	10,280,994
Transmission by others	6,404,412	6,647,445
Production:		
Operations	105,748	157,032
Maintenance	80,289	84,907
Transmission:		
Operations	11,126	7,086
Distribution:		
Operations	583,591	532,383
Maintenance	342,384	241,991
Administrative and general	666,682	580,076
Customer accounts	446,316	440,415
Customer service and information	101,949	108,958
Operating expenses before depreciation	21,444,854	20,679,294
Depreciation	1,480,108	1,257,305
Total Operating Expenses	22,924,962	21,936,599
Operating Income	950,031	1,153,138
Nonoperating Revenues (Expenses)		
Investment income	543,931	349,846
Sale of scrap and surplus	16,608	21,500
Other nonoperating	4,382	20,839
Loss on disposal of assets	17,800	(15,302)
Interest and fiscal charges	(2,448)	(9,055)
Total Nonoperating Revenues (Expenses)	580,273	367,828
Income (Loss) Before Transfers	1,530,304	1,520,966
Transfers In	180,000	180,000
Transfers Out	(758,999)	(743,632)
Change in Net Position	951,305	957,334
Net Position, January 1	39,845,052	38,887,718
Net Position, December 31	$ 40,796,357	$ 39,845,052

Worthington Public Utilities
City of Worthington, Minnesota
Schedule of Property, Plant and Equipment
For the Year Ended December 31, 2025

	Cost			
	Balance January 1, 2025	Increases	Decreases	Balance December 31, 2025
Electric Utility				
Production System				
Building and Structures	$ 5,306,612	$ -	$ -	$ 5,306,612
Improvements	473,370	-	-	473,370
Machinery and Equipment	481,360	-	-	481,360
Total Production System	6,261,342	-	-	6,261,342
Transmission System				
Intangibles	58,266	-	-	58,266
Improvements	3,512,978	25,120	-	3,538,098
Total Transmission System	3,571,244	25,120	-	3,596,364
Distribution System				
Land	280,872	-	-	280,872
Intangibles	221,000	-	-	221,000
Construction in Progress	-	-	-	-
Building and Structures	1,463,459	-	-	1,463,459
Improvements	24,538,842	1,237,393	-	25,776,235
Machinery and Equipment	5,952,131	22,215	(3,104)	5,971,242
Total Distribution System	32,456,304	1,259,608	(3,104)	33,712,808
General Plant				
Land	19,845	-	-	19,845
Construction in Progress	-	-	-	-
Improvements	381,921	-	-	381,921
Machinery and Equipment	1,290,977	66,344	(67,063)	1,290,258
Furniture and Fixtures	165,618	86,974	-	252,592
Total Production System	1,858,361	153,318	(67,063)	1,944,616
Total Electric Utility	44,147,251	1,438,046	(70,167)	45,515,130
Water Utility				
Land	101,065	-	-	101,065
Intangibles	3,071,544	-	-	3,071,544
Construction in Progress	4,749,526	1,286,013	-	6,035,539
Building and Structures	9,751,714	-	-	9,751,714
Improvements	21,536,044	2,810	-	21,538,854
Machinery and Equipment	799,965	136,760	(53,371)	883,354
Furniture and Fixtures	3,781	-	-	3,781
Total Production System	40,013,639	1,425,583	(53,371)	41,385,851
Municipal Wastewater				
Land	75,702	-	-	75,702
Construction in Progress	28,553,138	600,996	-	29,154,134
Building and Structures	12,455,854	-	-	12,455,854
Improvements	12,694,371	-	-	12,694,371
Machinery and Equipment	959,121	413,329	(383,642)	988,808
Furniture and Fixtures	16,891	-	-	16,891
Total Production System	54,755,077	1,014,325	(383,642)	55,385,760
Totals	$ 138,915,967	$ 3,877,954	$ (507,180)	$ 142,286,741

Accumulated Depreciation				
Balance January 1, 2025	Increases	Decreases	Balance December 31, 2025	Net Book Value
$ (2,999,583)	$ (132,666)	$ -	$ (3,132,249)	$ 2,174,363
(366,306)	(15,779)	-	(382,085)	91,285
(215,169)	(32,183)	-	(247,352)	234,008
(3,581,058)	(180,628)	-	(3,761,686)	2,499,656
-	-	-	-	58,266
(1,524,263)	(117,518)	-	(1,641,781)	1,896,317
(1,524,263)	(117,518)	-	(1,641,781)	1,954,583
-	-	-	-	280,872
-	-	-	-	221,000
-	-	-	-	-
(378,325)	(51,350)	-	(429,675)	1,033,784
(13,614,049)	(620,092)	-	(14,234,141)	11,542,094
(530,412)	(385,843)	3,104	(913,151)	5,058,091
(14,522,786)	(1,057,285)	3,104	(15,576,967)	18,135,841
-	-	-	-	19,845
-	-	-	-	-
(90,061)	(12,731)	-	(102,792)	279,129
(1,272,104)	(90,268)	67,063	(1,295,309)	(5,051)
(112,437)	(21,682)	-	(134,119)	118,473
(1,474,602)	(124,681)	67,063	(1,532,220)	412,396
(21,102,709)	(1,480,112)	70,167	(22,512,654)	23,002,476
-	-	-	-	101,065
-	-	-	-	3,071,544
-	-	-	-	6,035,539
(5,352,043)	(269,896)	-	(5,621,939)	4,129,775
(8,968,827)	(673,454)	-	(9,642,281)	11,896,573
(701,402)	(38,070)	53,371	(686,101)	197,253
(3,781)	-	-	(3,781)	-
(15,026,053)	(981,420)	53,371	(15,954,102)	25,431,749
-	-	-	-	75,702
-	-	-	-	29,154,134
(10,605,938)	(113,724)	-	(10,719,662)	1,736,192
(7,496,762)	(298,363)	-	(7,795,125)	4,899,246
(911,201)	(47,421)	383,642	(574,980)	413,828
(16,891)	-	-	(16,891)	-
(19,030,792)	(459,508)	383,642	(19,106,658)	36,279,102
$ (55,159,554)	$ (2,921,040)	$ 507,180	$ (57,573,414)	$ 84,713,327

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STATISTICAL SECTION (UNAUDITED)

CITY OF WORTHINGTON
WORTHINGTON, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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STATISTICAL SECTION (UNAUDITED)

This part of the City of Worthington'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 Worthington, Minnesota
Net Position By Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2025	2024	2023	2022	2021
Governmental Activities					
Net investment in capital assets	$ 79,300,890	$ 76,702,598	$ 72,835,229	$ 72,343,180	$ 63,978,934
Restricted	8,083,966	7,563,301	7,050,000	6,141,383	2,107,112
Unrestricted	18,808,387	16,680,690	17,949,945	10,156,881	21,825,837
Total Governmental Activities Net Position	$ 106,193,243	$ 100,946,589	$ 97,835,174	$ 88,641,444	$ 87,911,883
Business-type Activities					
Net investment in capital assets	$ 79,557,175	$ 77,786,503	$ 78,515,236	$ 71,174,206	$ 69,154,954
Restricted	-	-	-	-	19,273,795
Unrestricted	48,490,446	45,740,292	45,992,064	49,871,382	30,734,708
Total Business-type Activities Net Position	$ 128,047,621	$ 123,526,795	$ 124,507,300	$ 121,045,588	$ 119,163,457
Primary Government					
Net investment in capital assets	$ 158,858,065	$ 154,489,101	$ 151,350,465	$ 143,517,386	$ 133,133,888
Restricted	8,083,966	7,563,301	7,050,000	6,141,383	21,380,907
Unrestricted	67,298,833	62,420,982	63,942,009	60,028,263	52,560,545
Total Primary Government Net Position	$ 234,240,864	$ 224,473,384	$ 222,342,474	$ 209,687,032	$ 207,075,340

Table 1

Fiscal Year				
2020	2019	2018	2017	2016
$ 53,739,879	$ 51,947,851	$ 53,325,463	$ 50,860,906	$ 48,666,336
1,734,331	1,306,039	1,338,780	1,011,716	837,812
30,393,078	29,413,218	25,663,143	31,168,137	28,621,645
$ 85,867,288	$ 82,667,108	$ 80,327,386	$ 83,040,759	$ 78,125,793
$ 70,090,450	$ 67,178,537	$ 66,823,983	$ 61,335,680	$ 60,565,819
18,826,853	17,656,257	18,059,220	17,467,132	17,112,566
27,656,689	26,832,627	23,332,449	24,153,301	20,459,563
$ 116,573,992	$ 111,667,421	$ 108,215,652	$ 102,956,113	$ 98,137,948
$ 123,830,329	$ 119,126,388	$ 120,149,446	$ 112,196,586	$ 109,232,155
20,561,184	18,962,296	19,398,000	18,478,848	17,950,378
58,049,767	56,245,845	48,995,592	55,321,438	49,081,208
$ 202,441,280	$ 194,334,529	$ 188,543,038	$ 185,996,872	$ 176,263,741

City of Worthington, Minnesota
Changes in Net Position (Continued on the Following Pages)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2025	2024	2023	2022	2021
Expenses					
Governmental Activities					
General government	$ 2,333,003	$ 2,637,519	$ 2,496,317	$ 1,857,980	$ 1,687,668
Public safety	5,940,905	5,630,990	5,497,914	5,133,978	5,180,463
Public works	3,739,734	3,571,699	1,829,704	3,722,567	2,883,974
Culture and recreation	3,215,766	3,559,652	2,806,041	2,637,543	2,279,248
Conservation and development	1,107,879	1,450,082	2,567,181	1,046,934	899,717
Interest and fiscal charges	590,737	691,847	565,417	392,592	879,625
Total Governmental Activities Expenses	16,928,024	17,541,789	15,762,574	14,791,594	13,810,695
Business-Type Activities					
Water	3,227,857	3,289,843	3,106,979	3,017,013	2,746,360
Municipal wastewater	2,409,555	2,424,690	2,196,132	2,210,040	1,788,150
Electric	22,862,929	21,948,387	21,365,083	20,273,915	19,944,174
Industrial wastewater facility	1,155,060	3,613,750	2,931,840	2,497,235	2,056,566
Storm water management	737,437	587,982	646,830	553,928	450,122
Street lighting	51,561	49,954	47,182	46,664	48,387
Liquor	4,564,648	4,694,686	4,763,475	4,802,620	4,613,057
Airport	847,939	874,571	747,205	918,470	844,685
Cable television	81,738	90,836	107,531	125,045	122,410
Total Business-type Activities Expenses	35,938,724	37,574,699	35,912,257	34,444,930	32,613,911
Total Primary Government Expenses	$ 52,866,748	$ 55,116,488	$ 51,674,831	$ 49,236,524	$ 46,424,606
Program Revenue					
Governmental Activities					
Charges for services					
General government	$ 663,071	$ 654,063	$ 624,562	$ 417,300	$ 646,020
Public safety	116,051	109,139	87,970	53,837	92,115
Public works	86,665	98,445	95,283	87,655	82,687
Culture and recreation	558,619	492,746	418,403	367,852	179,323
Conservation and development	125,069	354,209	238,592	179,979	-
Operating grants and contributions	3,291,408	1,541,640	5,747,035	1,041,377	531,349
Capital grants and contributions	338,743	1,299,612	2,874,551	1,011,161	742,257
Total Governmental Activities Program Revenues	5,179,626	4,549,854	10,086,396	3,159,161	2,273,751
Business-type Activities					
Charges for services					
Water	4,461,640	4,499,541	4,352,350	4,201,679	4,010,810
Municipal wastewater	4,249,163	3,615,224	3,164,191	2,717,506	2,552,051
Electric	23,895,983	23,113,337	21,369,215	22,234,476	21,275,396
Industrial wastewater facility	-	2,280,564	2,710,302	2,324,897	1,849,590
Storm water management	1,051,101	851,278	797,161	728,140	707,151
Street lighting	271,172	270,412	270,048	269,268	265,831
Liquor	5,062,631	5,237,078	5,230,767	5,221,880	5,161,533
Airport	160,350	160,683	158,939	175,263	165,970
Cable television	69,568	103,101	110,831	121,650	122,410
Operating grants and contributions	169,768	267,252	247,823	100,046	(12,202)
Capital grants and contributions	413,767	138,884	242,647	241,821	135,850
Total Business-type Activities Program Revenues	39,805,143	40,537,354	38,654,274	38,336,626	36,234,390
Total Primary Government Program Revenues	$ 44,984,769	$ 45,087,208	$ 48,740,670	$ 41,495,787	$ 38,508,141
Net (Expense) Revenue					
Governmental Activities	$ (11,748,398)	$ (12,991,935)	$ (5,676,178)	$ (11,632,433)	$ (11,536,944)
Business-type Activities	3,866,419	2,962,655	2,742,017	3,891,696	3,620,479
Total Primary Government Net Expense	$ (7,881,979)	$ (10,029,280)	$ (2,934,161)	$ (7,740,737)	$ (7,916,465)

Table 2

Fiscal Year				
2020	2019	2018	2017	2016
$ 2,487,531	$ 1,556,521	$ 1,567,638	$ 1,774,849	$ 2,015,986
5,112,660	4,792,198	4,827,514	3,904,169	5,324,523
2,804,802	2,814,259	2,500,047	2,514,522	2,399,382
1,910,435	1,452,770	1,471,973	1,570,691	1,675,764
3,126,641	674,845	530,297	472,180	682,774
740,278	472,552	368,554	389,415	366,482
16,182,347	11,763,145	11,266,023	10,625,826	12,464,911
2,671,871	2,635,308	2,828,102	2,642,004	2,699,733
1,657,939	1,780,122	1,777,982	1,516,610	1,700,461
18,451,483	18,786,279	19,177,873	18,662,026	19,025,873
1,996,310	1,776,696	1,748,704	1,713,977	1,654,849
332,841	337,918	331,170	273,000	313,449
49,610	50,984	55,762	84,648	123,443
4,530,341	4,097,626	3,869,019	3,303,920	3,282,401
859,492	768,503	745,099	735,318	712,703
124,256	127,788	127,788	131,680	143,274
30,674,143	30,361,224	30,661,499	29,063,183	29,656,186
$ 46,856,490	$ 42,124,369	$ 41,927,522	$ 39,689,009	$ 42,121,097
$ 523,736	$ 829,590	$ 772,544	$ 844,482	$ 483,600
103,883	277,956	284,190	247,223	257,870
87,720	106,914	96,370	90,791	92,722
97,720	176,876	167,454	162,831	169,374
-	-	-	-	-
772,295	757,745	689,018	723,096	881,775
1,037,897	398,790	50,000	1,881,962	1,352,727
2,623,251	2,547,871	2,059,576	3,950,385	3,238,068
3,839,553	3,575,846	3,855,574	3,840,879	3,762,729
2,342,440	2,325,513	2,247,113	2,210,851	2,103,485
20,477,193	20,397,941	20,613,652	21,264,674	20,779,517
1,809,292	1,822,341	1,723,607	1,595,874	1,638,371
701,926	664,978	628,386	592,605	577,718
264,791	263,641	285,611	285,245	284,610
5,035,805	4,403,405	4,135,970	3,774,433	3,735,141
137,464	141,030	177,333	220,049	187,189
124,256	127,788	127,788	131,680	143,274
86,802	73,231	83,967	84,459	74,352
599,583	843,518	2,508,904	273,973	810,215
35,419,105	34,639,232	36,387,905	34,274,722	34,096,601
$ 38,042,356	$ 37,187,103	$ 38,447,481	$ 38,225,107	$ 37,334,669
$ (13,559,096)	$ (9,215,274)	$ (9,206,447)	$ (6,675,441)	$ (9,226,843)
4,744,962	4,278,008	5,726,406	5,211,539	4,440,415
$ (8,814,134)	$ (4,937,266)	$ (3,480,041)	$ (1,463,902)	$ (4,786,428)

City of Worthington, Minnesota
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year				
	2025	2024	2023	2022	2021
General Revenues and Other Changes in Net Position					
Governmental Activities					
Taxes					
Property taxes	$ 7,634,908	$ 6,995,920	$ 6,544,565	$ 5,651,252	$ 5,022,276
Property taxes, levied for specific purposes	316,964	298,898	272,054	198,031	-
Tax increments	323,383	281,283	356,008	394,471	302,268
Hotel-motel taxes	184,614	185,976	174,251	182,333	182,508
Other taxes	1,157,393	1,240,641	1,359,394	1,349,550	1,196,188
Grants and contributions not restricted to specific programs	4,109,365	4,262,009	3,937,083	4,077,199	4,236,780
Unrestricted investment earnings (loss)	1,863,157	2,155,085	931,907	(160,928)	(258,262)
Other revenues	19,997	26,018	98,564	84,237	514,290
Gain on sale of capital assets	-	65,005	25,651	40,850	184,435
Transfers	1,109,497	992,498	974,149	1,000,165	1,822,575
Total Governmental Activities	16,719,278	16,503,333	14,673,626	12,817,160	13,203,058
Business-type Activities					
Property taxes, levied for specific purposes	-	-	-	-	-
Unrestricted investment earnings (loss)	1,546,204	995,801	1,693,844	(1,009,400)	300,623
Other revenues	-	-	-	-	517,968
Gain on sale of capital assets	37,700	12,696	-	-	13,251
Special item - loss on sale of capital assets	-	(3,959,159)	-	-	-
Transfers	(1,109,497)	(992,498)	(974,149)	(1,000,165)	(1,822,575)
Total Business-type Activities	474,407	(3,943,160)	719,695	(2,009,565)	(990,733)
Total Primary Government	$ 17,193,685	$ 12,560,173	$ 15,393,321	$ 10,807,595	$ 12,212,325
Changes in Net Position					
Governmental Activities	$ 4,970,880	$ 3,511,398	$ 8,997,448	$ 1,184,727	$ 1,666,114
Business-type Activities	4,340,826	(980,505)	3,461,712	1,882,131	2,629,746
Total Primary Government	$ 9,311,706	$ 2,530,893	$ 12,459,160	$ 3,066,858	$ 4,295,860

Table 2 (Continued)

Fiscal Year				
2020	2019	2018	2017	2016
$ 4,829,770	$ 4,180,869	$ 3,912,661	$ 3,645,694	$ 3,428,878
-	-	-	-	-
303,021	201,416	256,150	181,911	182,963
134,869	-	-	-	-
911,471	195,915	863,361	1,552,175	894,485
4,462,425	3,295,262	3,290,319	3,194,810	3,187,772
789,971	1,322,748	451,958	269,240	196,140
3,517,964	771,931	658,272	555,006	839,489
44,269	46,345	21,486	-	27,125
1,199,384	1,328,276	861,246	842,172	824,585
16,193,144	11,342,762	10,315,453	10,241,008	9,581,437
-	5	3	9	31
409,254	694,667	575,122	408,528	256,303
1,059,646	92,282	34,298	75,970	99,877
30,804	7,954	22,943	31,943	-
-	-	-	-	-
(1,199,384)	(1,328,276)	(861,246)	(842,172)	(824,585)
300,320	(533,368)	(228,880)	(325,722)	(468,374)
$ 16,493,464	$ 10,809,394	$ 10,086,573	$ 9,915,286	$ 9,113,063
$ 2,634,048	$ 2,127,488	$ 1,109,006	$ 3,565,567	$ 354,594
5,045,282	3,744,640	5,497,526	4,885,817	3,972,041
$ 7,679,330	$ 5,872,128	$ 6,606,532	$ 8,451,384	$ 4,326,635

City of Worthington, Minnesota
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2025	2024	2023	2022	2021
General Fund					
Nonspendable	$ 357,552	$ 503,998	$ 701,036	$ 884,245	$ 462,925
Restricted	202,187	404,375	606,562	-	1,281
Committed	3,701,868	3,404,009	4,100,265	3,330,903	3,104,743
Assigned	735,198	1,091,897	660,008	1,046,893	1,208,544
Unassigned	9,238,441	6,555,442	3,980,412	3,712,911	4,923,242
Total General Fund	$ 14,235,246	$ 11,959,721	$ 10,048,283	$ 8,974,952	$ 9,700,735
All Other Governmental Funds					
Nonspendable	$ 35,060	$ 36,742	$ 41,200	$ 27,787	$ 25,994
Restricted	6,508,561	5,676,765	5,099,778	5,742,121	2,415,831
Committed	14,399,567	14,096,719	14,766,939	14,558,361	2,718,471
Assigned	81,891	2,270,232	4,940,749	2,182,702	20,578,369
Unassigned	(7,095,115)	(6,862,950)	(7,004,750)	(11,373,791)	(7,177,724)
Total All Other Governmental Funds	$ 13,929,964	$ 15,217,508	$ 17,843,916	$ 11,137,180	$ 18,560,941

Table 3

	Fiscal Year			
2020	2019	2018	2017	2016
$ 392,543	$ 362,765	$ 403,597	$ 360,405	$ 362,813
1,281	1,281	1,281	1,281	1,281
3,353,893	3,213,621	3,046,572	3,104,734	3,248,058
700,815	905,310	798,871	735,741	890,151
4,922,865	4,702,472	2,437,683	3,934,230	4,048,626
$ 9,371,397	$ 9,185,449	$ 6,688,004	$ 8,136,391	$ 8,550,929
$ 24,608	$ 25,785	$ 28,613	$ 26,632	$ 27,338
2,208,050	2,149,548	2,323,730	2,129,623	2,122,518
2,675,253	2,766,513	11,727,740	11,749,137	11,110,591
27,119,551	22,812,632	11,466,143	11,960,606	12,763,471
(4,466,924)	(1,687,320)	(436,526)	(346,370)	(1,682,546)
$ 27,560,538	$ 26,067,158	$ 25,109,700	$ 25,519,628	$ 24,341,372

City of Worthington, Minnesota
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2025	2024	2023	2022	2021
Revenues					
Taxes	$ 9,591,136	$ 8,944,371	$ 8,460,973	$ 7,556,534	$ 6,766,258
Special assessments	421,694	340,828	538,938	271,450	250,206
Intergovernmental revenue	5,611,967	5,857,851	11,816,300	5,751,554	43,182
Licenses and permits	321,262	307,366	281,358	212,657	489,415
Charges for services	1,041,008	984,222	887,384	713,251	467,548
Fines and forfeits	86,030	63,912	47,309	46,212	5,489,834
Interest income (loss)	1,841,975	2,146,179	943,855	(160,928)	273,334
Miscellaneous	206,285	719,523	528,597	314,659	(346,841)
Total Revenues	19,121,357	19,364,252	23,504,714	14,705,389	13,432,936
Expenditures					
General government	2,413,774	2,563,860	2,437,287	1,955,318	1,947,520
Public safety	5,682,386	5,450,672	4,906,817	4,709,515	4,807,846
Public works	1,202,196	1,218,024	1,169,241	1,093,049	1,517,365
Culture and recreation	2,268,950	2,323,605	2,104,734	1,883,157	6,515,560
Conservation and development	986,954	1,130,536	1,195,458	785,732	2,485,531
Capital outlay	9,123,932	6,082,646	12,779,275	11,170,048	5,641,802
Debt service					
Principal	2,220,000	1,550,000	1,660,000	1,515,000	935,000
Interest and fiscal charges	732,054	648,702	592,906	444,520	465,976
Bond issuance costs	-	-	-	-	475
Total Expenditures	24,630,246	20,968,045	26,845,718	23,556,339	24,317,075
Excess of Revenues Over (Under) Expenditures	(5,508,889)	(1,603,793)	(3,341,004)	(8,850,950)	(10,884,139)
Other Financing Sources (Uses)					
Sale of capital assets	280,720	46,308	25,651	217,752	141,301
Transfers in	2,960,437	3,219,426	4,262,376	4,433,315	4,076,126
Bonds issued	-	-	9,015,000	-	-
Refunding bond proceeds	-	-	-	-	-
Premium on bonds issued	-	-	656,271	-	-
Transfers out	(1,400,940)	(1,976,928)	(2,838,227)	(3,183,150)	(2,003,551)
Total Other Financing Sources (Uses)	1,840,217	1,288,806	11,121,071	1,467,917	2,213,876
Net Change in Fund Balance	$ (3,668,672)	$ (314,987)	$ 7,780,067	$ (7,383,033)	$ (8,670,263)
Debt service as a percentage of noncapital expenditures	19.38%	14.74%	15.94%	15.17%	12.11%
Debt service as a percentage of total expenditures	11.99%	10.49%	8.39%	8.32%	5.76%

Table 4

	Fiscal Year				
	2020	2019	2018	2017	2016
	$ 6,223,878	$ 4,609,505	$ 5,070,490	$ 5,409,886	$ 4,538,765
	421,719	303,957	241,077	289,298	271,807
	43,015	62,108	85,569	53,111	77,955
	475,214	772,980	721,628	818,300	709,419
	294,830	556,248	513,361	473,916	213,401
	6,252,168	4,423,687	3,999,802	5,783,951	5,395,518
	350,997	556,686	501,425	432,255	404,748
	3,501,421	1,212,302	359,492	94,032	356,314
	17,563,242	12,497,473	11,492,844	13,354,749	11,967,927
	2,230,508	2,311,236	1,966,170	1,822,013	1,817,413
	5,259,453	5,056,465	4,649,502	4,703,445	4,118,678
	1,020,645	3,607,953	2,411,618	1,167,872	952,890
	4,921,484	2,754,210	1,890,014	1,299,260	2,518,827
	6,372,852	3,468,328	515,691	555,003	603,643
	4,680,166	2,028,627	1,618,884	2,801,912	3,251,562
	720,000	2,380,000	1,240,000	1,190,000	1,275,000
	308,197	170,646	190,646	206,886	211,565
	68,700	83,380	-	-	41,598
	25,582,005	21,860,845	14,482,525	13,746,391	14,791,176
	(8,018,763)	(9,363,372)	(2,989,681)	(391,642)	(2,823,249)
	83,176	62,861	19,486	63,188	-
	2,458,194	4,646,473	2,071,111	2,891,875	1,740,142
	7,970,000	8,815,258	-	-	3,150,000
	207,855	1,039,969	-	-	-
	-	-	-	-	46,609
	(1,021,134)	(3,068,197)	(959,231)	(1,799,703)	(715,557)
	9,698,091	11,496,364	1,131,366	1,155,360	4,221,194
	$ 1,679,328	$ 2,132,992	$ (1,858,315)	$ 763,718	$ 1,397,945
	7.88%	19.77%	13.81%	14.08%	14.74%
	4.02%	11.67%	9.88%	10.16%	10.05%

City of Worthington, Minnesota
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 5

	Property Taxes							
Fiscal Year	Levied for General Purposes	Levied for Specific Purposes	Levied for Debt Service	Tax Increments	Franchise Tax	Hotel-Motel Tax	Other Tax	Total
2025	$ 6,587,619	$ 316,964	$ 1,047,289	$ 323,383	$ -	$ 184,614	$ 1,157,393	$ 9,617,262
2024	5,995,698	298,898	1,000,222	281,283	-	185,976	1,240,641	9,002,718
2023	5,562,118	272,054	982,447	356,008	-	174,251	1,359,394	8,706,272
2022	4,551,708	198,031	1,099,544	394,471	-	182,333	1,349,550	7,775,637
2021	3,924,656	-	1,097,620	302,268	-	182,508	1,196,188	6,703,240
2020	3,733,099	-	1,096,671	303,021	-	134,869	911,471	6,179,131
2019	3,609,282	-	571,587	201,416	-	193,635	2,280	4,578,200
2018	3,246,941	-	665,720	256,150	-	-	863,361	5,032,172
2017	3,026,006	-	619,688	181,911	-	-	1,552,175	5,379,780
2016	2,730,465	-	698,413	182,963	-	-	894,485	4,506,326

City of Worthington, Minnesota
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 6

Fiscal Year	Property Tax	Tax Increments	Hotel-Motel Tax	Other Tax	Total
2025	$ 9,073,895	$ 323,383	$ 184,614	$ 9,244	$ 9,591,136
2024	8,466,969	281,283	185,976	10,143	8,944,371
2023	8,007,273	274,693	174,251	4,756	8,460,973
2022	7,050,923	318,458	182,333	4,820	7,556,534
2021	5,085,294	302,268	182,508	1,196,188	6,766,258
2020	4,874,517	303,021	134,869	911,471	6,223,878
2019	4,212,174	201,416	193,635	2,280	4,609,505
2018	3,950,979	256,150	-	863,361	5,070,490
2017	3,675,800	181,911	-	1,552,175	5,409,886
2016	3,461,317	182,963	-	894,485	4,538,765

City of Worthington, Minnesota
Net Tax Capacity and Estimated Market Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended December 31	Class of Property				
	Residential Property	Commercial/ Industrial Property	Public Utility Property	Agricultural Property	Less Tax Exempt Real Property
2025	$ 809,378,896	$ 220,057,600	$ 104,323,500	$ 6,107,899	$ 68,733,305
2024	784,604,431	196,706,600	96,440,700	7,127,866	68,573,503
2023	802,323,475	187,240,500	77,460,500	6,735,863	43,756,562
2022	656,620,511	193,963,000	72,149,000	7,321,774	53,069,315
2021	510,052,699	170,568,400	50,036,300	6,497,552	60,725,049
2020	488,654,346	166,644,100	43,028,900	7,729,356	61,545,698
2019	485,106,522	161,136,100	41,552,200	7,570,293	61,890,685
2018	477,576,927	149,793,700	37,036,000	7,200,082	61,180,391
2017	439,251,897	135,373,800	34,745,800	5,905,981	63,942,922
2016	430,625,274	130,329,200	32,299,600	5,098,578	63,794,600

Source: Department of Assessor, Nobles County

Note: Property in Nobles County is reassessed every year on average. The county assesses property at approximately 100 percent of actual value for commercial, industrial and agricultural property and 93 percent for residential property. Estimated actual value is calculated by dividing assessed value by those percentages.

[1]Includes tax-exempt property.

Table 7

Total Real Estate Tax Capacity	Total Net Tax Capacity	Total Direct Tax Rate	Fully Taxable Market Value	Tax Capacity[1] as a Percentage of Fully Market Value
$ 1,071,134,590	$ 1,071,134,590	59.294	$ 1,232,731,600	92.47 %
1,016,306,094	1,016,306,094	58.809	1,180,006,300	91.94
1,030,003,776	1,030,003,776	55.225	1,139,860,900	94.20
876,984,970	876,984,970	55.854	1,006,049,900	92.45
676,429,902	676,429,902	61.222	819,002,600	90.01
644,511,004	644,511,004	56.634	789,173,900	89.47
633,474,430	633,474,430	55.612	778,090,400	89.37
610,426,318	610,426,318	50.628	745,240,800	90.12
551,334,556	551,334,556	52.378	694,980,300	88.53
534,558,052	534,558,052	55.494	676,091,000	88.50

City of Worthington, Minnesota
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

	City of Worthington			Overlapping Rates[1] Nobles County			
Fiscal Year	Basic Rate	General Obligation Debt Service	Total Direct Rate	Basic Rate	General Obligation Debt Service	Disparity Aid Reduction	Total County Direct Rate
2025	51.978 %	7.316 %	59.294 %	30.043 %	0.583 %	(0.114) %	30.512 %
2024	51.058	7.751	58.809	26.863	0.554	(0.105)	27.312
2023	47.720	7.505	55.225	25.226	0.547	(0.087)	25.686
2022	47.544	8.310	55.854	32.904	0.683	(0.118)	33.469
2021	49.373	11.849	61.222	35.653	0.847	(0.135)	36.365
2020	44.331	12.303	56.634	33.530	2.110	(0.138)	35.502
2019	43.058	12.554	55.612	33.549	2.136	(0.140)	35.545
2018	43.743	6.885	50.628	32.294	2.489	(0.751)	34.032
2017	43.579	8.799	52.378	31.779	3.149	(0.821)	34.107
2016	44.285	11.209	55.494	32.230	3.251	(1.010)	34.471

Source: Department of Assessor, Nobles County

[1]Overlapping rates are those of local and county governments that apply to property owners within the City of Worthington. Not all overlapping rates apply to all City of Worthington property owners (e.g., the rates for special districts apply only to the proportion of the City's property owners whose property is located within the geographic boundaries of the special district.

Table 8

Independent School District #518					
Basic Rate	General Obligation Debt Service	Disparity Aid Reduction	Total School Direct Rate	Special Districts	Total Direct & Overlapping Rates
11.630 %	7.517 %	(0.148) %	18.999 %	3.305 %	112.110
10.682	7.170	(0.140)	17.712	3.326	107.159
10.154	6.036	(0.133)	16.057	3.192	100.160
21.003	4.700	(1.567)	24.136	3.441	116.900
14.373	13.091	(0.241)	27.223	4.139	128.949
12.806	13.539	(0.242)	26.103	4.231	122.470
16.027	13.518	(0.242)	29.303	4.242	124.702
10.305	8.169	(0.943)	17.531	4.247	106.438
7.170	10.080	(1.030)	16.220	4.534	107.239
9.483	10.104	(1.265)	18.322	4.240	112.527

City of Worthington, Minnesota
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 9

	2025			2016		
Taxpayer	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity	Net Tax Capacity	Rank	Percentage of Total Net Tax Capacity
Swift & Company	$ 939,746	1	6.9 %	$ 279,184	2	4.4 %
Avera Mckennan	373,890	2	2.8	308,500	1	4.8
Bedford Industries	275,164	3	2.0	94,726	6	1.5
Internet INC	214,968	4	1.6	83,528	8	1.3
WCDJR Dealer Properties LLC	186,333	5	1.4	-		-
Kwik Trip Inc	172,390	6	1.3	-		-
Minnesota Energy*	138,049	7	1.0	71,211	10	1.1
Wal-Mart Real Estate	122,150	8	0.9	145,098	3	2.3
Meadows of Worthington, LLC	117,356	9	0.9	95,475	5	1.5
Newport Laboratories Inc	116,828	10	0.9	-		-
Hurd Worthington LLC	-		-	98,348	4	1.5
Prairie Holdings Group	-		-	86,689	7	1.4
Worthington Hotel Group, LLC	-		-	80,974	9	1.3
	$ 2,656,874		19.7 %	$ 1,343,733		21.1 %
Total All Property	$ 1,133,034,590			$ 534,558,052		

Source: Department of Assessor, Nobles County
*Formerly named Utilicorp United, Inc.

City of Worthington, Minnesota
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 10

Fiscal Year Ended December 31,	Total Net 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	$ 7,946,381	$ 7,824,700	98.5 %	$ -	$ 7,824,700	98.5 %
2024	7,256,629	7,149,670	98.5	106,959	7,256,629	100.0
2023	6,558,607	6,499,295	99.1	59,312	6,558,607	100.0
2022	5,681,256	5,617,667	98.9	63,589	5,681,256	100.0
2021	5,052,541	5,009,651	99.2	42,890	5,052,541	100.0
2020	4,858,144	4,795,126	98.7	63,018	4,858,144	100.0
2019	4,198,687	4,156,548	99.0	42,139	4,198,687	100.0
2018	3,965,721	3,931,808	99.1	33,913	3,965,721	100.0
2017	3,675,697	3,662,597	99.6	13,100	3,675,697	100.0
2016	3,441,568	3,424,132	99.5	17,436	3,441,568	100.0

SOURCE: Finance Department, City of Worthington

[1]Total Tax Levy - does not include (HACA) Homestead and Agricultural Credit Aid or Residential and Agricultural Market Value Credit.

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City of Worthington, Minnesota
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years

Table 11

	Governmental Activities			Business-Type Activities				
Fiscal Year	General Obligation Bonds	General Obligation Tax Increment	Sales Tax Revenue Bonds	Revenue Bonds	General Obligation Revenue Note	Total Primary Government	Percentage of Personal Income[2]	Bonded Debt Per Capita[2]
2025	$ 12,302,599	$ -	$ 10,986,522	$ 750,000	$ 23,632,756	$ 47,671,877	* %	$ 3,668
2024	13,719,036	-	11,903,017	820,000	25,079,954	51,522,007	3.83	3,788
2023	14,783,426	-	12,480,810	890,000	24,407,064	52,561,300	4.19	3,748
2022	11,614,147	-	7,675,129	955,000	20,506,482	40,750,758	3.31	2,899
2021	12,675,341	-	8,163,120	1,020,000	4,647,249	26,505,710	2.21	1,957
2020	13,631,535	-	8,176,111	1,085,000	1,350,000	24,242,646	2.10	1,790
2019	14,372,729	-	-	1,140,000	1,520,000	17,032,729	1.74	1,260
2018	6,355,862	-	551,993	1,140,000	1,685,000	9,732,855	1.02	721
2017	7,060,793	-	1,094,167	-	1,840,000	9,994,960	1.07	742
2016	7,725,724	-	1,626,340	-	1,990,000	11,342,064	1.27	863

Sources: Department of Assessor, Nobles County[2] and the Finance Department, City of Worthington.

[1]Includes general obligation, general obligation revenue, general obligation grant anticipation, sales tax revenue bonds and revenue bonds supported by enterprise funds.

[2]See Table 16 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

* Information not available

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

City of Worthington, Minnesota
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

	Governmental Activities		Business-type Activities		
Fiscal Year	General Obligation Bonds	General Obligation Sales Tax Revenue	General Obligation Revenue Bonds	Total General Obligation Debt	Less: Amounts Paid from Proprietary Revenue
2025	$ 12,302,599	$ 10,986,522	$ 23,632,756	$ 46,921,877	$ 23,632,756
2024	13,719,036	11,903,017	25,079,954	50,702,007	25,079,954
2023	14,783,426	12,480,810	24,407,064	51,671,300	24,407,064
2022	11,614,147	7,675,129	20,506,482	39,795,758	20,506,482
2021	12,675,341	8,163,120	4,647,249	25,485,710	4,647,249
2020	13,631,535	8,176,111	1,350,000	23,157,646	1,350,000
2019	14,372,729	-	1,520,000	15,892,729	1,520,000
2018	6,355,862	551,993	1,685,000	8,592,855	1,685,000
2017	7,060,793	1,094,167	1,840,000	9,994,960	1,840,000
2016	7,725,724	1,626,340	1,990,000	11,342,064	1,990,000

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 12

Less: Amounts Available in Debt Service Fund	Total	Percentage of Fully Taxable Market Value	Per Capita
$ 3,504,968	$ 19,784,153	1.60 %	$ 1,403
3,768,072	21,853,981	1.85	1,555
3,728,117	23,536,119	2.06	1,730
3,374,193	15,915,083	1.58	1,132
2,105,831	18,732,630	2.29	1,343
2,208,174	19,599,472	2.48	1,447
1,304,758	13,067,971	1.68	966
1,337,499	5,570,356	0.75	413
1,010,435	7,144,525	1.03	530
836,531	8,515,533	1.26	648

City of Worthington, Minnesota
Direct and Overlapping Governmental Activities Debt
December 31, 2025

Table 13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable[1]	Estimated Share of Overlapping Debt
Direct Debt[2]			
City of Worthington	$ 23,289,121	100.00 %	$ 23,289,121
Overlapping Debt			
Independent School District #518	51,455,000	41.58	21,394,989
Nobles County	27,030,000	20.57	5,560,071
Total Overlapping Debt	78,485,000		26,955,060
Total Direct and Overlapping Debt	$ 101,774,121		$ 50,244,181

[1]For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value. This approach was also used for other debt.

[2]Excludes debt payable form enterprise revenue.

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 Worthington. This process recognizes that, when considering the city'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.

Source: Auditor's Department, Nobles County and Independent School District #518

City of Worthington, Minnesota
Legal Debt Margin Information
Last Ten Fiscal Years

Table 14

Fiscal Year	Debt Limit	Net Debt Applicable to Limit	Legal Debt Margin	Amount of Debt Applicable to Debt Limit
2025	$ 36,981,948	$ 12,059,049	$ 24,922,899	32.61 %
2024	35,400,189	13,139,702	22,260,487	37.12
2023	34,195,827	13,740,299	20,455,528	40.18
2022	30,181,497	8,163,423	22,018,074	27.05
2021	24,570,078	8,693,802	15,876,276	35.38
2020	23,675,217	8,749,181	14,926,036	36.96
2019	23,342,712	3,260,000	20,082,712	13.97
2018	22,357,224	-	22,357,224	-
2017	20,849,409	-	20,849,409	-
2016	20,282,730	-	20,282,730	-

Sources: Springsted Inc. and Office of the State Auditor.

Legal Debt Margin Calculation for Fiscal Year 2025

Market Value	$ 1,232,731,600
Debt Limit (3% of Market Value)	36,981,948
Debt Applicable to Limit	
General obligation bonds	23,289,121
Less amount set aside for repayment of general obligation debt	11,230,072
Total Net Debt Applicable to Limit	12,059,049
Legal Debt Margin	$ 24,922,899

Note: Under State Finance law, the City's outstanding general obligation debt should not exceed 15 percent of the total assessed property value. However, the City has established a more conservative internal limit that matches Minnesota Statutes. Per Minnesota Statute 475.53, the debt limit is 3%. This means that the total amount of bonds, notes or any other type of general obligation issued or outstanding will not be greater than the three percent limit mentioned above. The following types of obligations are not considered in determining the debt limitation: certain revenue bonds, tax increment bonds and permanent improvement bonds. As seen in the above calculation, the City's applicable bonded debt is well below the required debt limit.

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City of Worthington, Minnesota
Pledged-Revenue Coverage
Last Ten Fiscal Years

Table 15

Water Revenue Bonds

Fiscal Year	Operating Revenue	Operating Expenses[(1)]	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2025	$ 4,457,808	$ 2,253,417	$ 2,204,391	$ 220,000	$ 26,411	$ 246,411	8.95
2024	4,445,877	2,292,443	2,153,434	210,000	37,327	247,327	8.71
2023	4,315,962	2,166,913	2,149,049	200,000	46,743	246,743	8.71
2022	4,194,577	2,100,366	2,094,211	190,000	54,667	244,667	8.56
2021	4,010,810	1,846,790	2,164,020	180,000	63,216	243,216	8.90
2020	3,839,553	1,782,735	2,056,818	170,000	71,356	241,356	8.52
2019	3,575,846	1,775,280	1,800,566	165,000	79,250	244,250	7.37
2018	3,855,574	2,074,303	1,781,271	155,000	86,676	241,676	7.37
2017	3,840,879	1,901,001	1,939,878	150,000	93,745	243,745	7.96
2016	3,762,729	1,988,540	1,774,189	140,000	100,472	240,472	7.38

Municipal Wastewater Revenue Bonds

Fiscal Year	Operating Revenues	Operating Expenses[(1)]	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2025	$ 4,248,941	$ 1,755,732	$ 2,493,209	$ 1,452,000	$ 244,630	$ 1,696,630	1.47
2024	3,547,841	1,756,697	1,791,144	1,438,000	239,225	1,677,225	1.07
2023	3,155,868	1,658,092	1,497,776	1,423,000	196,483	1,619,483	0.92
2022	2,714,972	1,715,261	999,711	701,821	47,424	749,245	1.33
2021	2,552,051	1,454,138	1,097,913	-	-	-	N/A
2020	2,342,440	1,301,933	1,040,507	-	-	-	N/A
2019	2,325,513	1,407,346	918,167	-	-	-	N/A
2018	2,247,113	1,449,346	797,767	-	-	-	N/A
2017	2,210,851	1,165,309	1,045,542	-	-	-	N/A
2016	2,103,485	1,356,722	746,763	-	-	-	N/A

Electric Revenue Bonds

Fiscal Year	Operating Revenues	Operating Expenses[(1)]	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2025	$ 23,874,993	$ 21,444,854	$ 2,430,139	$ -	$ -	$ -	-
2024	23,089,737	20,679,294	2,410,443	-	-	-	-
2023	21,316,264	19,162,141	2,154,123	-	-	-	-
2022	22,230,452	19,261,082	2,969,370	-	-	-	-
2021	21,275,396	18,965,504	2,309,892	-	-	-	-
2020	20,477,193	17,484,214	2,992,979	-	-	-	-
2019	20,397,941	17,915,673	2,482,268	-	-	-	-
2018	20,613,652	18,384,490	2,229,162	-	-	-	-
2017	21,264,674	17,772,035	3,492,639	-	-	-	-
2016	20,779,517	18,132,243	2,647,274	230,000	6,900	236,900	11.17

Industrial Wastewater Revenue Bonds

Fiscal Year	Operating Revenues[(2)]	Operating Expenses[(1)]	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2025	$ -	$ 1,156,339	$ (1,156,339)	$ -	$ -	$ -	N/A
2024	2,280,564	3,485,066	(1,204,502)	-	-	-	N/A
2023	2,710,302	2,725,419	(15,117)	-	-	-	N/A
2022	2,324,897	2,240,888	84,009	-	-	-	N/A
2021	1,849,590	1,805,735	43,855	-	-	-	N/A
2020	1,809,292	1,742,924	66,368	-	-	-	N/A
2019	1,822,341	1,522,929	299,412	-	-	-	N/A
2018	1,723,607	1,497,103	226,504	-	-	-	N/A
2017	1,595,874	1,459,503	136,371	-	-	-	N/A
2016	1,638,371	1,402,139	236,232	-	-	-	N/A

(1) Operating expenses do not include depreciation.

(2) The Industrial Wastewater fund did not have any revenues in 2025 due to the sale of the facility in 2024.

Source: City Administrative Business Department.

City of Worthington, Minnesota
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	(1) Population	(2) Personal Income	(3) Per Capita Personal Income	(4) Graduation Rates	(5) School Enrollment
2025	14,103	$ - *	$ - *	74.7 %	4,049
2024	14,055	1,344,571,000	61,203	63.5	3,478
2023	13,604	1,254,575,000	57,743	76.8	3,295
2022	14,055	1,231,465,000	56,111	79.1	3,329
2021	13,947	1,198,038,000	55,816	79.1	3,361
2020	13,546	1,155,582,000	53,549	78.7	3,241
2019	13,522	980,503,000	49,682	84.7	3,409
2018	13,497	954,815,000	49,682	90.2	3,269
2017	13,478	931,075,000	48,888	87.5	3,209
2016	13,145	891,410,000	48,427	87.9	3,133

(1) 2010 Census and estimates by Community & Economic Development Department, City of Worthington
(2) Nobles County. Source: Regional Economic Information System, Bureau of Economic Analysis
(3) Nobles County. Source: Regional Economic Information System, Bureau of Economic Analysis
(4) Independent School District #518, Worthington Senior High. Source: Minnesota Department of Education
(5) Independent School District #518
(6) Nobles County. Source: Minnesota Employment and Economic Development, Local Area Unemployment Statistics (LAUS)

* Information not available.

Table 16

(6) Local Unemployment Rate	(6) Minnesota Unemployment Rate	(6) United States Unemployment Rate
3.50 %	3.91 %	4.29 %
2.72	2.60	3.80
2.74	2.82	3.63
2.25	2.52	3.65
3.01	3.41	5.36
3.98	6.18	8.10
3.05	3.24	3.67
2.63	2.91	3.90
3.35	3.46	4.35
3.80	3.94	4.87

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City of Worthington, Minnesota
Principal Employers
Current Year and Nine Years Ago

Table 17

	2025			2016		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
JBS	2,000	1	20.42 %	2,200	1	20.13 %
Independent School District #518	470	2	4.80	545	2	4.99
Sanford Health	320	3	3.27	475	3	4.35
Bedford Industries Inc.	270	4	2.76	262	5	2.40
Wal-Mart Super Center	250	5	2.55	220	7	2.01
Highland Manufacturing	150	6	1.53	180	8	1.65
Bedford Technology	140	7	1.43	-		-
Cambridge Technologies	130	8	1.33	-		-
Avera Medical Group	120	9	1.23	-		-
MN West Comm. & Tech College	110	10	1.12	-		-
Hy-Vee Food Stores	-		-	301	4	2.75
Prairie Holdings	-		-	250	6	2.29
Nobles County	-		-	157	9	1.44
Client Community Services, Inc	-		-	135	10	1.24
Total	3,960		40.44 %	4,725		43.25 %
Total City Employment	9,792			10,931		

*These figures include employees from other counties. Payroll is centralized in Worthington and are therefore included in the total.

Sources: Minnesota Department of Employment and Economic Development, Worthington Regional Economic Development Corporation & Worthington Area Chamber of Commerce.

City of Worthington, Minnesota
Full-Time Equivalent City Government Employees By Function/Program
Last Ten Fiscal Years

	Full-Time Equivalent Employees as of December 31				
Function/Program	2025	2024	2023	2022	2021
Governmental Activities					
General Government					
Executive	4	4	4	3	3
City Clerk	2	3	2	2	2
Financial administration	5	5	5	4	4
Community development	10	10	8	8	10
Public Safety					
Police	37	37	37	35	35
Fire	2	3	3	2	2
Animal Control	1	-	-	1	1
Code enforcement	1	1	1	1	2
Public works					
Streets	10	10	9	8	8
Culture and recreation					
Recreation	8	8	7	5	2
Parks	10	10	10	8	8
Business-type Activities					
Water	7	7	7	7	7
Municipal Wastewater	8	8	8	8	8
Electric	15	15	16	16	14
Liquor	7	7	7	7	7
Total	127	128	124	115	113

Source: Finance Department, City of Worthington

Note: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

Table 18

Full-Time Equivalent Employees as of December 31				
2020	2019	2018	2017	2016
3	3	3	3	3
3	3	3	2	3
4	4	4	4	4
11	10	9	10	10
34	36	35	36	38
2	2	2	1	1
-	-	1	1	1
2	2	1	1	1
8	8	8	8	6
1	2	2	2	2
8	8	8	7	8
7	7	7	7	7
8	8	8	8	9
14	13	13	14	14
7	7	7	6	6
112	113	111	110	113

City of Worthington, Minnesota
Operating Indicators By Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year 2025	2024	2023	2022	2021
General government					
Business licenses issued	78	78	81	79	66
Building permits issued	450	825	862	530	460
Estimated value of building permits issued	$27,586,312	$18,704,145	$16,595,928	$12,555,680	$21,749,259
Other permits issued (sanitary sewer, excavation, plumbing, etc.)	505	412	226	241	236
Public safety					
Physical arrests	390	447	521	507	302
Citations (parking, etc.)	1,241	1,395	1,622	1,282	1,008
Alarms requiring response	165	196	212	218	196
Street value of drugs seized in searches	$111,669	$105,276	$576,470	$304,673	$990,922
Ambulance calls	536	510	536	519	513
911 calls	1,345	1,295	1,571	1,468	1,488
Fire calls	53	51	42	37	35
Animals impounded	169	158	153	83	72
Animals adopted out or returned to owners	167	158	153	12	49
City nuisance code violations investigated[2]	568	421	203	285	349
Junked/abandoned vehicles removed[2]	211	172	124	172	78.00
Notices served for weed/grass complaints[2]	79	80	48	67	208
Hours spent monitoring parking	480	480	520	520	141
Public works					
Sidewalk repaired at city cost (feet)	300	200	200	575	100
Asphalt hot patch (tons)	750	700	652	602	400
Concrete patch materials (yards)	62	70	68	75	55
Snowfall received (inches)	25.3	26.4	46.5	81.0	28.2
Cost of snow removal (per inch)	$6,753	$6,284	$5,652	$4,323	$9,788
Personnel hours spent plowing/sanding	1,815	1,378	3,202	4,333	1,729
Faded stop/yield signs replaced	19	13	9	10	12
Personnel hours (full-time/part-time) for city-wide clean-up	362/0	361/135	335/194	250/150	251/76
Appliances hauled away at city-wide clean-up[1]	168	178	177	179	176
Culture and recreation					
Auditorium rental (days)	124	122	118	114	20
Days utilized	324	322	298	294	32
Annual audience	31,968	30,843	29,468	28,365	2,500
Number of registrants in various recreation programs	1,596	1,512	490	275	322
Paid golf memberships	N/A	N/A	N/A	N/A	N/A
Shelter house reservations at parks	138	135	143	147	129
Camping units served at Olson Park Campground	2,121	2,209	2,136	2,196	2,001
Conservation and development					
Trees planted					
Street boulevards	60	64	62	143	67
Parks	20	16	18	21	43
Trees removed					
Street boulevards	140	257	72	211	163
Parks	135	88	103	14	20

Table 19

Fiscal Year				
2020	2019	2018	2017	2016
64	78	81	83	85
559	480	464	567	599
$72,396,380	$33,361,303	$19,084,512	$28,618,611	$20,751,921
206	254	177	204	161
214	409	374	321	362
1,028	1,236	1,477	1,320	1,518
219	219	247	184	181
$869,827	$803,591	$2,781,330	$1,304,362	$379,596
773	528	548	608	608
1,589	1,487	1,360	1,422	1,420
28	26	31	39	36
30	124	94	58	84
29	116	93	58	84
8,831	8,551	8,422	8,329	8,301
N/A	N/A	N/A	N/A	N/A
938	908	953	893	771
265	280	205	220	210
100	110	100	100	150
400	400	400	400	400
50	50	45	40	45
38.20	77.5	79.6	26.6	41.4
$4,117	$3,021	$2,709	$3,610	$2,483
1,556	2,838	2,816	958	1,623
11	9	10	7	8
296/27	275/24	244/40	193/173	283/0
276	450	512	581	577
29	128	114	74	53
39	344	330	224	209
3,000	35,440	32,350	27,400	25,530
181	401	411	418	377
N/A	N/A	N/A	N/A	N/A
98	102	107	124	133
1,378	2,051	2,157	2,307	2,224
60	11.00	N/A	39	45
10	47	19	11	10.00
207	55	65	40	42
38	39	20	25	13

City of Worthington, Minnesota
Operating Indicators By Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year 2025	2024	2023	2022	2021
Business-type activities:					
Water					
Average daily consumption (gallons)					
Commercial	412,922	429,523	442,407	443,499	447,347
Residential	695,661	649,228	658,445	637,299	653,191
Industrial	1,750,091	1,771,239	1,722,008	1,699,549	1,761,366
Municipal Wastewater					
Average sewage treated (million gallons per day)	1.54	1.99	1.75	1.70	1.68
Electric					
Average daily consumption (KWH)					
Residential	100,532	95,925	99,283	99,955	99,075
Commercial	231,242	229,311	173,938	174,136	168,394
Industrial	308,055	301,640	336,178	332,980	338,819
Industrial Wastewater Facility					
Average gallons treated (million gallons per day)	0.00	1.80	1.85	1.89	1.63
Storm Water Management[3]					
Debris/leaves collected sweeping (yards)	N/A	N/A	N/A	N/A	N/A
Average cost per lane mile of street sweeping	N/A	N/A	N/A	N/A	N/A
Liquor					
Customers served	161,760	164,841	167,193	168,111	170,213
Average daily sales	$14,363	$14,459	$14,489	$14,648	$14,342
Airport					
Hangars rented	20	18	18	18	10
Fuel pumped (gallons)	48,054	41,558	53,275	44,282	42,002

Sources: Various city departments

[1]The City of Worthington provided this service starting in 2005 with no additional charge, whereas in previous years this was arranged by the Worthington Chamber of Commerce for a nominal fee. Starting in 2011, the City charged a nominal fee.

[2]Starting in 2010 the code enforcement (community service officer) activity is accounted for under the public safety program.

[3]Starting in 2017 the debris from sweeping is no longer tracked. The debris is dumped and disposed of by a private party.

Not Indicators are not available for the cable television function.

Table 19 (Continued)

Fiscal Year				
2020	2019	2018	2017	2016
438,397	428,000	441,769	458,067	463,953
679,547	656,525	652,050	640,869	647,466
1,693,694	1,689,939	1,639,416	1,635,422	1,624,405
2.01	2.62	2.36	1.94	2.25
100,938	99,969	101,231	92,965	99,490
168,236	183,581	186,033	178,255	182,360
322,575	322,703	309,338	312,230	308,575
1.63	2.00	1.77	1.70	1.74
N/A	N/A	N/A	N/A	1,785
N/A	N/A	N/A	N/A	$30.99
170,577	166,694	162,456	151,051	151,337
$14,027	$12,265	$11,650	$11,472	$12,088
18	19	19	19	20
43,070	36,712	60,303	70,826	70,252

City of Worthington, Minnesota
Capital Asset Statistics By Function/Program
Last Ten Fiscal Years

Function/Program	2025	2024	2023	2022	2021
	Fiscal Year				
General government					
Engineering/Community development					
Vehicles	3	5	4	4	4
Public safety					
Police					
Buildings[1]	1	1	1	1	1
Square footage of holding/booking area[1]	12,000	12,000	12,000	12,000	12,000
Capacity of jail cells (individuals)[1]	104	104	104	104	104
Patrol units	12	12	12	12	12
Other vehicles	16	15	15	11	12
Fire					
Stations	1	1	1	1	1
Fire vehicles	8	8	8	8	9
Animal control vehicles	1	1	1	1	1
Public works					
Streets (miles)	75.5	75.5	75.5	75.5	75.5
Highway (miles)	7.8	7.8	7.8	7.8	7.8
Traffic signals	3	3	3	3	3
Stop signs	262	262	262	262	256
Snow removal equipment (plows, haulers)	14	14	14	14	14
Culture and recreation					
Memorial Auditorium					
Number of stages	1	1	2	2	2
Facility seating	657	657	657	657	657
Parks and recreation					
Acreage	167	167	167	167	167
Playgrounds with play structures	18	18	18	18	18
Softball diamonds	2	2	2	2	2
Soccer fields	3	3	3	3	3
Tennis courts	3	3	3	3	3
Beaches	3	3	3	3	3
Boat landings	4	4	4	4	4
Public docks	14	14	10	10	9
Bandshells for public performances	1	1	1	1	1
Campgrounds	1	1	1	1	1
Conservation and development					
Lakes	1	1	1	1	1
City maintained lake shoreline (miles)	4.5	4.5	4.5	4.5	4.5

Table 20

Fiscal Year				
2020	2019	2018	2017	2016
4	4	4	4	4
1	1	1	1	1
12,000	12,000	12,000	12,000	12,000
104	104	104	104	104
12	11	12	12	12
11	11	9	10	10
1	1	1	1	1
9	8	9	9	8
1	1	1	1	1
74.6	74.6	74.6	74.6	68.2
7.8	7.8	7.8	7.8	7.8
4	4	3	3	3
256	252	244	240	235
14	14	14	14	13
2	2	2	2	2
657	657	707	735	735
167	167	167	167	167
18	18	18	18	18
2	2	2	2	2
3	3	3	3	3
3	3	3	3	3
3	3	3	3	3
4	4	4	4	4
9	9	8	8	8
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
4.5	4.5	4.5	4.5	4.5

City of Worthington, Minnesota
Capital Asset Statistics By Function/Program
Last Ten Fiscal Years

Function/Program	2025	2024	2023	2022	2021
Business-type activities:					
Water					
Water mains (miles)	90.3	91.6	91.6	91.6	82.9
Number of connections (residential, commercial, industrial & seasonal)	4,255	4,221	4,221	4,221	4,214
Fire hydrants	678	674	674	674	670
Storage capacity					
Ground level (thousands of gallons)	2,200	2,200	2,200	2,200	2,200
Elevated (thousands of gallons)	2,200	2,000	2,000	2,000	2,300
Municipal Wastewater					
Sanitary sewers (miles)	57.0	57.0	57.0	57.0	57.0
Average treatment capacity (million of gallons per day)	2.78	2.78	2.78	2.78	2.78
Maximum daily treatment capacity (million gallons per day)	4.0	4.0	4.0	4.0	4.0
Electric					
Number of distribution stations	3	3	3	3	2
Service lines-primary (miles)	136	135	135	130	120
Service line-secondary (miles)	191	189	189	185	185
Streetlights	2,235	2,208	2,261	2,082	2,045
Storm Water Management					
Storm sewers (miles)	52.7	52.7	52.7	52.7	52.7
Liquor					
Buildings	1	1	1	1	1
Square footage (feet)	1,240	1,240	1,240	1,240	1,240
Number of coolers	3	3	3	3	3
Parking Systems[2]					
Parking lots	5	5	5	5	5
Airport					
Acreage	512	512	512	512	512
Terminals	1	1	1	1	1
Individual hangars	22	22	22	22	22
Commercial hangars	2	2	2	2	2
Runways	2	2	2	2	2
Runway approaches	4	4	4	4	4

Sources: Various city departments
[1]This facility and its components are shared with Nobles County and the city rents space from the county.
[2]Starting in 2007 the parking systems activity is accounted for in the general fund.
Note: Indicators are not available for the industrial wastewater facility and cable television functions.

Table 20 (Continued)

Fiscal Year				
2020	2019	2018	2017	2016
81.2	81.1	80.8	79.9	79.9
4,203	4,193	4,164	4,157	4,155
649	639	635	625	625
2,200	2,200	2,200	2,200	2,200
2,300	2,300	2,300	2,300	2,300
56.2	56.2	55.9	55.1	55.1
2.75	2.75	2.75	2.74	2.25
4.0	4.0	4.0	4.0	4.0
2	2	2	2	2
120	119	115	115	130
185	182	143	143	175
2,045	2,014	1,957	1,957	1,958
52.7	52.7	52.7	52.7	52.7
1	1	1	1	1
1,240	1,240	1,240	6,750	6,750
3	3	3	2	2
5	5	5	5	5
512	512	512	512	512
1	1	1	1	1
22	22	22	22	22
2	2	2	2	2
2	2	2	2	2
4	4	4	4	4

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OTHER REQUIRED REPORTS

CITY OF WORTHINGTON
WORTHINGTON, 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 Worthington, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Worthington, 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 25, 2026.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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.

Abdo

Abdo
Mankato, Minnesota
June 25, 2026

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of Worthington, 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, each major fund and the aggregate remaining fund information of the City of Worthington, 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 25, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Response to Findings

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

Purpose of this Report

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

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Mankato, Minnesota
June 25, 2026

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Finding	Description
2025-001	**Material Audit Adjustments**
Condition:	During our audit, material audit adjustments, related to error corrections were needed to properly reflect grant revenues received in 2025 and relating to 2024 and to move land to land held for resale.
Criteria:	The financial statements are the responsibility of the City's management; therefore, the City must be able to prevent or detect a material misstatement in the financial statements including footnote disclosures.
Cause:	The City did not have processes in place to ensure reports were reviewed by someone other than the preparer.
Effect:	This indicates that a misstatement has occurred and was not detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
Recommendation:	We recommend that management review the final audit work paper and related journal entries, obtain an understanding of why the entries were necessary and modify current procedures to ensure that future corrections are not needed.

Management Response:

There is no disagreement with this finding. The City will review all adjusting journal entries and work on making necessary adjustments in the future to prevent material misstatements from occurring.