

PRELIMINARY OFFICIAL STATEMENT DATED JULY 7, 2026

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

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

New Issue

Rating Application Made: S&P Global Ratings

CITY OF NEW PRAGUE, MINNESOTA (Scott and Le Sueur Counties)

\$16,955,000* ELECTRIC REVENUE BONDS, SERIES 2026A

PROPOSAL OPENING: July 15, 2026, 10:00 A.M., C.T.

CONSIDERATION: Not later than 11:59 P.M., C.T. on July 15, 2026 (PRICING COMMITTEE)

PURPOSE/AUTHORITY/SECURITY: The \$16,955,000* Electric Revenue Bonds, Series 2026A (the "Bonds") are being issued pursuant to the Charter of the City and Minnesota Statutes, Chapter 453, by the City of New Prague, Minnesota (the "City"), to provide funds for the public purpose of financing improvements and extensions to the City's Electric Utility (the "Electric Utility"). **THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE PAYABLE ONLY FROM NET REVENUES TO BE DERIVED FROM THE OPERATION OF THE ELECTRIC UTILITY.** Delivery is subject to receipt of an approving legal opinion of Kutak Rock LLP, Minneapolis, Minnesota.

DATE OF BONDS: August 6, 2026

MATURITY: December 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2028	\$525,000	2035	\$670,000	2042	\$885,000
2029	545,000	2036	695,000	2043	925,000
2030	560,000	2037	725,000	2044	970,000
2031	580,000	2038	755,000	2045	1,015,000
2032	600,000	2039	785,000	2046	1,060,000
2033	625,000	2040	815,000	2047	2,725,000
2034	645,000	2041	850,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: June 1, 2027 and semiannually thereafter.

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

MINIMUM PROPOSAL: \$16,785,450.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$339,100 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Zions Bancorporation, National Association.

BOND COUNSEL: Kutak Rock LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

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



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REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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CITY OF NEW PRAGUE CITY COUNCIL

		<u>Term Expires</u>
Charles Nickolay	Mayor	January 2027
Rik Seiler	Vice President	January 2027
Maggie Bass	Council Member	January 2027
Shawn Ryan	Council Member	January 2029
Bruce Wolf	Council Member	January 2029

CITY ADMINISTRATION

Robin Pikal, Finance Director
Joshua Tetzlaff, City Administrator

NEW PRAGUE UTILITIES COMMISSION

		<u>Term Expires</u>
Dan Bishop	President	May 2029
Charles Nickolay	Vice President	May 2028
Paul Busch	Commissioner	May 2027
Tom Ewert	Commissioner	May 2030
Bruce Wolf	Commissioner	January 2029

UTILITIES ADMINISTRATION

Bruce Reimers, General Manager

PROFESSIONAL SERVICES

Kennedy & Graven, Chartered, City Attorney, Minneapolis, Minnesota

Kutak Rock LLP, Bond Counsel, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of New Prague, Minnesota (the "City"), the New Prague Utilities Commission (the "PUC" or the "Commission") and the issuance of the City's \$16,955,000* Electric Revenue Bonds, Series 2026A (the "Bonds"). **The PUC's Board of Commissioners adopted a resolution on May 26, 2026 (the "Parameters Resolution"), which authorized the General Manager of the Commission, the Vice President of the Commission and the Finance Director of the City, or their designees (collectively, the "Pricing Committee") to review bids and accept a bid for the Bonds if the parameters and conditions set forth in the Parameters Resolution are satisfied. If the parameters and conditions set forth in the Parameters Resolution are not met through the competitive bids received on July 15, 2026, the Pricing Committee may reject the bids.**

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of August 6, 2026. The Bonds will mature on December 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on June 1 and December 1 of each year, commencing June 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

The City has selected Zions Bancorporation, National Association, Chicago, Illinois, to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after December 1, 2036 shall be subject to optional redemption prior to maturity on December 1, 2035 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to the Charter of the City and Minnesota Statutes, Chapter 453, by the City, to provide funds for the public purpose of financing improvements and extensions (the "Project") to the City's Electric Utility (the "Electric Utility"), including the construction and operation of an expanded and new electric generation facility and construction of one or more reciprocating engine generating units thereon (the "Project").

ESTIMATED SOURCES AND USES*

Sources

Par Amount of Bonds	<u>\$16,955,000</u>	
Total Sources		\$16,955,000

Uses

Total Underwriter's Discount (1.000%)	\$169,550	
Costs of Issuance	169,000	
Deposit to Reserve Account	1,611,814	
Deposit to Electric Utility Fund	15,000,000	
Rounding Amount	<u>4,636</u>	
Total Uses		\$16,955,000

*Preliminary, subject to change.

SECURITY

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

Source of Payment: THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY but are payable solely from the Net Revenues of the Electric Utility. The term "Net Revenues" means Gross Revenues of the Electric Utility, less Operating Expenses of the Electric Utility. The term "Gross Revenues" means all revenues and receipts derived from the operation of the Electric System and investment income thereof. The term "Operating Expenses" means the current expenses of the Electric Utility, and are defined as the reasonable and necessary costs of operation, maintenance and insurance of the Electric Utility, salaries, wages, costs of materials and supplies, necessary legal, engineering, and auditing services, and all other items which by generally accepted accounting principles, constitute normal, reasonable and current costs of operation and maintenance, but excluding any allowance for depreciation, extraordinary repairs, transfers to other City funds, and payments into the Sinking and Interest Account established under the Parameters Resolution. The City will pledge a first lien on the net revenues of the Electric Utility for payment of principal of and interest on the Bonds after payment of operation and maintenance expenses.

Rate Covenant: The City will establish, maintain and collect such charges and rates as will produce revenues sufficient to pay the reasonable cost of operation and maintenance of the Electric Utility and to produce annually net revenues equal to one hundred fifty percent (150%) of the maximum annual principal and interest requirements on the Bonds and any Additional Bonds (hereinafter defined) to be issued payable from the Sinking and Interest Account. Rates and charges will be increased from time to time whenever necessary to carry out the obligations provided for in the Parameters Resolution.

Additional Bonds Test: The City reserves the right and privilege to issue additional revenue bonds (the "Additional Bonds"), from time to time, payable from Net Revenues of the Electric Utility ranking on a parity of lien with the Bonds. Before such Additional Bonds are issued, the City must demonstrate that the average annual Net Revenues of the Electric Utility for the two (2) fiscal years immediately preceding the issuance of such Additional Bonds, adjusted for any additional Net Revenues from rate increases that become effective prior to the issuance of the Additional Bonds, shall not have been less than one hundred twenty-five percent (125%) of the average of the unpaid annual debt service requirements on the outstanding bonds (including the Additional Bonds to be issued). To the extent the conditions provided above are not met, Additional Bonds that are not parity bonds may be issued only if their lien and pledge is junior and subordinate to the Bonds and any other Additional Bonds previously issued and outstanding that are parity bonds. The City and Commission also reserve the right to issue Additional Bonds if and to the extent needed to refund maturing Bonds previously issued payable from the Sinking and Interest Account in case the moneys in the Sinking and Interest Account are insufficient to pay the same at maturity, which refunding obligations may be on a parity with the Bonds as to interest payments, but may mature subsequent to all obligations which are payable from the revenues of the Sinking and Interest Account and which are still outstanding upon completion of such refunding.

Debt Service Reserve Account: The City will maintain a debt service reserve account ("Reserve Account") equal to the least of (a) ten percent (10%) of the original principal amount of the Bonds (or issue price of the Bonds if the Bonds have more than a de minimis amount of original issue discount or premium); (b) the maximum annual debt service on the Bonds; or (c) one hundred twenty-five percent (125%) of the average annual debt service on the Bonds, consistent with the size limitation for reasonable required reserve or replacement funds under Treasury regulations, Section 1.148-2(f)(2). The amount of the Reserve Account necessary for this issue is estimated to be \$1,611,814.15.

Electric Utility Fund and Flow of Funds under the Parameters Resolution

Electric Utility Fund. Pursuant to the Parameters Resolution, for the convenient and proper administration of the Electric Utility, including the revenues thereof and proceeds of the Bonds and any Additional Bonds to be issued, and to make adequate and specific security to the purchasers and holders of the Bonds from time to time, the City, acting through the Commission, agrees that there shall continue to be maintained on the books and records of the City so long as any Bonds are outstanding a separate bookkeeping account designated the Electric Utility Fund. Within the Electric Utility Fund there shall be continued and maintained as separate permanent accounts (the "Accounts") of the Commission until all bonds authorized in the Parameters Resolution or similarly authorized and issued are paid and retired or, if the Bonds are refunded, adequate funds are placed in escrow to retire the Bonds when due and to pay all interest to the date when the Bonds are due or are called for payment, and all income and receipts from the operation of the municipal Electric Utility, including all additions thereto and extensions thereof, will be credited to the proper account as follows:

(a) A Capital Expenditure Account to be used only to pay costs and expenses that under generally accepted accounting principles constitute capital costs necessarily incurred for the acquisition and betterment of Electric Utility properties, including but not limited to land, easements, buildings, structures, machinery, and equipment, and the costs of architectural, engineering, legal and other professional services, printing and publication and other costs reasonably necessary and incidental thereto in connection with the Project to be financed with the proceeds of the Bonds or any future project to be financed with proceeds of any Additional Bonds. Upon completion of the construction and installation of the Project and a determination by the Commission that all costs thereof have been paid, any balance remaining in the Capital Expenditure Account shall be transferred to the Sinking and Interest Account. There is also appropriated to the Capital Expenditure Account any amount over the minimum purchase price of the Bonds paid by the Underwriter, to the extent designated for deposit in the Capital Expenditure Account. Upon delivery of the Bonds, the Commission shall credit to the Capital Expenditure Account proceeds of the Bonds, less accrued interest and any premium or unused discount, if any, for payment the costs of issuance of the Bonds and the costs of constructing the Project. To the Capital Expenditure Account shall also be credited the proceeds of any Additional Bonds or other funds appropriated thereto for financing future projects and improvements to the Electric Utility. Any balance remaining in the Capital Expenditure Account after the Project (or additional improvements to the Electric Utility financed with proceeds of Additional Bonds) is completed and the costs thereof have been paid shall be deposited in the Sinking and Interest Account.

(b) An Operation and Maintenance Account into which will be paid all Gross Revenues as received. From the Operation and Maintenance Account there will be paid all, but only, current Operating Expenses of the Electric Utility. All money remaining in the Operation and Maintenance Account after paying or providing for the foregoing items will constitute and are referred to herein as "Net Revenues." The term "Net Revenues" means Gross Revenues of the Electric Utility, less Operating Expenses of the Electric Utility. The term "Gross Revenues" means all revenues and receipts derived from the operation of the Electric System and investment income thereof. The term "Operating Expenses" means the current expenses of the Electric Utility, and are defined as the reasonable and necessary costs of operation, maintenance and insurance of the Electric Utility, salaries, wages, costs of materials and supplies, necessary legal, engineering and auditing services, and all other items which by generally accepted accounting principles, constitute normal, reasonable and current costs of operation and maintenance, but excluding any allowance for depreciation, extraordinary repairs, transfers to other City funds, and payments into the Sinking and Interest Account established under the Parameters Resolution.

(c) A Sinking and Interest Account for payment of principal of and interest on the Bonds. There will be deposited to the Sinking and Interest Account accrued interest received from purchasers of the Bonds, if any, and any premium or unused discount with respect to the Bonds. There will also be created and there is hereby irrevocably pledged to the Sinking and Interest Account (i) capitalized interest financed by the Bonds, if any; (ii) amounts over the minimum purchase price of the Bonds paid by the Underwriter, to the extent designated for deposit in the Sinking and Interest Account in accordance with the Parameters Resolution (or another resolution with respect to Additional Bonds); and (iii) from the Net Revenues on hand in the Sinking and Interest Account an amount equal to not less than one sixth (1/6) of the interest due within the next six (6) months on all outstanding Bonds and one twelfth (1/12) of the principal due within the next twelve (12) months on all outstanding Bonds; provided that no payments need be made to the Sinking and Interest Account when the moneys held in the Sinking and Interest Account are sufficient for the payment of all principal due on the Bonds on or before the next principal payment date and all interest due on the Bonds, payable from the Sinking and Interest Account on the next interest payment date. No money may be paid out of the Sinking and Interest Account except to pay principal and interest on the Bonds. The payments due pursuant to this paragraph must be adjusted to ensure that sufficient funds are on hand in the Sinking and Interest Account to make the initial principal and interest payments on the Bonds.

(d) A Reserve Account to be used only when and if money in the Sinking and Interest Account is insufficient to pay principal of and interest on the outstanding Bonds; provided, however, that any amounts in the Reserve Account in excess of the maximum amount of principal and interest due in any succeeding fiscal year on then outstanding Bonds may be used to purchase and retire any of the outstanding Bonds at a price not to exceed par and accrued interest or to call and redeem such outstanding Bonds as may then be subject to redemption prior to maturity. There will be credited and appropriated to the Reserve Account at the time of delivery of the Bonds from funds available to the Commission, which may include proceeds of the Bonds and/or City cash or other sources, an amount (1) that is determined to be a reasonably required reserve or replacement for the Bonds; and (2) of sale proceeds of the Bonds not in excess of ten percent (10%) of the stated principal amount of the Bonds (or issue price of the Bonds if the Bonds have more than a de minimis amount of original issue discount or premium). The amount in the Reserve Account (the "Reserve Requirement") will always be the least of (i) ten percent (10%) of the original principal amount of the Bonds (or issue price of the Bonds if the Bonds have more than a de minimis amount of original issue discount or premium); (ii) the maximum annual debt service on the Bonds; or (iii) one hundred twenty-five percent (125%) of the average annual debt service on the Bonds, consistent with the size limitation for reasonably required reserve or replacement funds under Treasury Regulations, Section 1.148-2(f)(2). The Reserve Requirement for the Bonds is estimated to be \$1,611,814.15. The Reserve Account will be maintained in that amount until all Bonds have been paid and retired; provided, however, that at any time when the amount on deposit in the Reserve Account is sufficient to pay in full the principal of all Bonds then outstanding and all interest accrued or to accrue on all Bonds then outstanding to the date of maturity or earlier redemption, it may be used for such purpose. When the Reserve Account is used to pay principal and interest, the Reserve Account must be restored from the next available Net Revenues in the Operation and Maintenance Account. Investments made with funds on hand in the Reserve Account will be valued at cost.

(e) A Surplus Account, into which Net Revenues in excess of those to be maintained in the foregoing Accounts shall be deposited and which may be used for such other purpose and at such times as may be permitted by law.

(f) Moneys on deposit in the Sinking and Interest Account and the Reserve Account may be invested in any securities described in Minnesota Statutes, Chapter 118, as amended. The investments may be liquidated at any time and the proceeds thereof applied for the purpose or purposes for which the respective account was created. Income derived from the investments constitute Net Revenues of the Electric Utility and must be deposited in the Electric Utility Fund.

(g) The money in the Electric Utility Fund must be paid to the various Accounts and continued in the order in which those accounts are listed on a cumulative basis, and if in any month the money in the Electric Utility Fund is insufficient to place the required amount in any Account, the deficiency must be made up in the following month or months after payment to all other Accounts having a prior claim on the Net Revenues has been made in full.

(h) All money held in any of the Accounts must be kept separate and apart from all other municipal funds and accounts and must be deposited in any bank or banks selected by the Commission, subject to provisions of applicable law.

RISK FACTORS

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

Risks Associated with the PUC

System Revenues: Should rates set be inadequate to cover expenses, an unusual number of delinquencies occur, or a major breakdown or other disaster cause the Electric Utility System to be inoperable, a shortfall of revenues could result in a delay of debt payments.

Larger Users: Should larger users increase or decrease usage of the electric service currently provided, the revenues of the Electric Utility System will be affected proportionately.

Additional Subordinate Lien Bonds

Notwithstanding the above provisions, nothing contained in the Parameters Resolution or in the Bonds shall be construed to preclude the City from issuing Additional Bonds when necessary for the enlargement, improvement or extension of the Electric Utility; provided such Additional Bonds, whether constituting a general obligation of the City or payable solely from revenues of the Electric Utility, are expressly made a charge on and are payable only from the Surplus Account, and are not superior to or on a parity with Bonds payable from the Sinking and Interest Account. For additional information regarding the issuance of Additional Bonds, see the "SECURITY" section of the Preliminary Official Statement.

The Electric Utility Industry Generally

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

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

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

Energy Policy Act of 1992

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

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

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

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

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

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

Energy Policy Act of 2005

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

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

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

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

Retail Electric Service Territories

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

State Regulatory Initiatives

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

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

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

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

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

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

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

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

- (1) 2030: 60 percent for electric utilities (other than public utilities)
- (2) 2035: 90 percent for all electric utilities

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

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

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

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

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

Environmental Matters

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

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

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

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

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

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

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

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

Risks Associated with the Bonds

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

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Parameters Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

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

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

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

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

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

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

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

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "AA"/Stable outlook by S&P Global Ratings ("S&P"). The City does not currently have any outstanding revenue debt or a rating for revenue debt.

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

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

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

CONTINUING DISCLOSURE

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

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

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

Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements and operating data would be filed "as soon as available." Although the City did not provide financial statements "as soon as available", the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Except to the extent the foregoing deficiencies are deemed to be material, the City believes they have complied in all material respects with prior disclosure undertakings under the Rule in the last five years. The PUC has not had any disclosure filing obligations in the past five years. The City and the PUC have reviewed their continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City and the PUC.

LEGAL MATTERS

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

Bond Counsel has not assumed responsibility for this Official Statement or participated in its preparation (except with respect to the section entitled "TAX MATTERS" in this Official Statement and the Form of Legal Opinion found in APPENDIX B) and has not performed any investigation as to its accuracy, completeness, or sufficiency. Bond Counsel has not examined or verified, nor attempted to examine or verify, any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto.

TAX MATTERS

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

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

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

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

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

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

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

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

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

Backup Withholding

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

Changes in Federal and State Tax Law

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

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

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

FUTURE FINANCING

The City plans to issue their \$1,635,000 General Obligation Bonds, Series 2026B for its 2026 street and utility projects and the acquisition of equipment, which is expected to sell on July 20, 2026 and anticipated to close on August 6, 2026. Aside from the preceding, the City expects to issue approximately \$2,000,000 general obligation debt for street and utility projects in 2027, although the exact timing and scope of such borrowing is not yet determined.

ELECTRIC REVENUE DEBT OUTSTANDING

The schedule on the next page presents the outstanding electric revenue debt.

HISTORIC ELECTRIC UTILITY REVENUES AND EXPENSES

The Exhibit on Page 18 presents the historic revenues and expenses of the Electric Utility.

City of New Prague, Minnesota
Schedule of Bonded Indebtedness
Revenue Debt Secured by Electric Revenues
(As of 08/06/2026)

Electric Revenue Bonds Series 2026A									Net Revenue Available for Debt Service**	
Dated	08/06/2026									
Amount	\$16,955,000*									
Maturity	12/01									
Calendar Year Ending	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending	Coverage**	
2027	0	949,921	0	949,921	949,921	16,955,000	.00%	2027	2.50	
2028	525,000	719,940	525,000	719,940	1,244,940	16,430,000	3.10%	2028	1.91	
2029	545,000	702,615	545,000	702,615	1,247,615	15,885,000	6.31%	2029	1.91	
2030	560,000	684,358	560,000	684,358	1,244,358	15,325,000	9.61%	2030	1.91	
2031	580,000	665,038	580,000	665,038	1,245,038	14,745,000	13.03%	2031	1.91	
2032	600,000	644,448	600,000	644,448	1,244,448	14,145,000	16.57%	2032	1.91	
2033	625,000	622,848	625,000	622,848	1,247,848	13,520,000	20.26%	2033	1.91	
2034	645,000	599,723	645,000	599,723	1,244,723	12,875,000	24.06%	2034	1.91	
2035	670,000	575,535	670,000	575,535	1,245,535	12,205,000	28.02%	2035	1.91	
2036	695,000	550,075	695,000	550,075	1,245,075	11,510,000	32.11%	2036	1.91	
2037	725,000	522,970	725,000	522,970	1,247,970	10,785,000	36.39%	2037	1.91	
2038	755,000	494,333	755,000	494,333	1,249,333	10,030,000	40.84%	2038	1.90	
2039	785,000	463,378	785,000	463,378	1,248,378	9,245,000	45.47%	2039	1.91	
2040	815,000	430,800	815,000	430,800	1,245,800	8,430,000	50.28%	2040	1.91	
2041	850,000	396,163	850,000	396,163	1,246,163	7,580,000	55.29%	2041	1.91	
2042	885,000	359,188	885,000	359,188	1,244,188	6,695,000	60.51%	2042	1.91	
2043	925,000	320,248	925,000	320,248	1,245,248	5,770,000	65.97%	2043	1.91	
2044	970,000	278,623	970,000	278,623	1,248,623	4,800,000	71.69%	2044	1.90	
2045	1,015,000	234,003	1,015,000	234,003	1,249,003	3,785,000	77.68%	2045	1.90	
2046	1,060,000	186,298	1,060,000	186,298	1,246,298	2,725,000	83.93%	2046	1.91	
2047	2,725,000	134,888	2,725,000	134,888	2,859,888	0	100.00%	2047	1.91	
	16,955,000	10,535,386	16,955,000	10,535,386	27,490,386					

* Preliminary, subject to change.

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

HISTORIC REVENUES AND EXPENSES

The following table sets forth the historic comparison of Net revenues and debt service secured by Net revenues of the Electric Utility for the three-year period ending December 31, 2025.

	2023	2024	2025
	Audited	Audited	Audited
Operating Revenues			
Charges for services	\$10,150,856	\$10,667,220	\$11,007,763
Total Operating Revenues	\$10,150,856	\$10,667,220	\$11,007,763
Operating Expenses			
Purchases and generation	\$7,130,071	\$7,244,488	\$7,305,737
Transmission and distribution	180,945	93,997	195,290
Administration and general	1,395,282	1,629,790	1,472,634
Depreciation	695,512	750,696	745,782
Total Operating Expenses	\$9,401,810	\$9,718,971	\$9,719,443
Operating Income	\$749,046	\$948,249	\$1,288,320
Plus: Depreciation	695,512	750,696	745,782
Investment income	218,175	222,950	215,162
Miscellaneous income	193,027	101,263	129,128
Net Revenues Available for Debt Service	\$1,855,760	\$2,023,158	\$2,378,392
Average Annual Debt Service (Actual Existing)	-	-	-
New Issue Maximum Debt Service	1,249,003	1,249,003	1,249,003
Total Projected Debt Service	1,249,003	1,249,003	1,249,003
Demonstrated Debt Service Coverage	149%	162%	190%
Additional Net Revenues*	1,426,517	1,426,517	1,426,517
Adjusted Net Revenues Available for Debt Service*	3,282,277	3,449,675	3,804,909
Estimated Debt Service Coverage*	263%	276%	305%

* The City entered into a Quick-Start Capacity and Energy Purchase Agreement with Southern Minnesota Municipal Power Agency (SMMPA) dated October 21, 2025 whereby SMMPA has contracted to make monthly capacity charge payments for a term of no less than 20 years starting upon commercial operation of the improvements to the Electric Utility funded by the Bonds.

NEW PRAGUE UTILITIES COMMISSION

GOVERNANCE AND MANAGEMENT

The City owns its electric, water, and sewer utilities. In accordance with the City Charter, the management and operation of the utilities is under the direction of the Commission. The five-member Board of Commissioners of the Commission is appointed by the City Council and serve four-year overlapping terms. The PUC has complete authority to establish rates and charges for the Electric Utility, subject to right of the City Council to veto any proposed charge and rate by a four-fifths vote. PUC operations are directed by the General Manager.

PUC EMPLOYEES; PENSIONS; UNIONS

The PUC currently has 29 full-time employees. All full-time employees of the PUC are covered by the City's defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

There has never been a strike in the history of PUC. The union contract covers 29 employees.

DESCRIPTION OF THE ELECTRIC UTILITY

The PUC was established in the late 1800s and tasked with the responsibility of providing electric distribution and generation to the City. For the first 70 plus years, the PUC provided its own steam and diesel-powered generation. In 1977, the City was one of the founding members of Southern Minnesota Municipal Power Agency ("SMMPA"), a 17-member joint action agency that has built a diversified generation and transmission fleet with 700 million in total assets.

The PUC provides services for 4,000 electric customers. The PUC also provides electric distribution from two 24 MVA substations with a peak load of 17 MW. The PUC's distribution system is nearly 100% underground and is served by two 69KV transmission circuits. Currently, the PUC has 17.5 MW of diesel and natural gas fueled generation that can provide 100% backup generation to the community and is currently under life of unit contract with SMMPA to provide peaking capacity to the agency.

In 2025, the PUC entered into a Quick-Start Capacity and Energy Purchase Agreement with SMMPA to expand local generation in order to provide more peaking generation to meet load growth and Midcontinent Independent System Operator capacity requirements. The anticipated 11.3 MW of added capacity from the Project will provide backup generation for the community and help meet SMMPA's capacity requirements. Under the terms of the contract, SMMPA will provide capacity payments to the PUC upon placing the Project in service which is anticipated in 2028.

History of Electric Sales (Excluding Sales for Resale)

Year	Number of Customers	Total kWh (000's)	Total Billings
2021	3,746	72,086,211	\$6,580,428
2022	3,773	72,403,121	6,155,337
2023	3,757	72,260,959	6,423,005
2024	3,726	70,729,666	6,837,395
2025	3,766	72,880,975	7,246,007

History of Electric Meter Connections by Customer Type

	2021	2022	2023	2024	2025
Residential	-	-	3,324	3,534	3,641
Commercial	-	-	259	268	285
Industrial	-	-	98	103	116
Public Authority	<u>-</u>	<u>-</u>	<u>61</u>	<u>61</u>	<u>63</u>
Total	3,467	3,712	3,742	3,966	4,105

History of Electricity Purchased and Cost

Year	kWh Purchased (000's)	Cost of kWh Purchased	Fuel Adjustment Cost
2021	72,086,211	\$5,427,726.95	N/A
2022	72,403,121	5,649,470.73	N/A
2023	72,260,959	6,221,565.52	\$34,950.26
2024	70,729,666	6,297,476.62	229,077.38
2025	72,880,975	6,244,431.69	119,236.46

History of Peak Demand

Year	Peak Demand (kW)
2021	16,947
2022	17,202
2023	17,340
2024	17,048
2025	16,431

2025 Larger Electric Customers

The top ten users of the Electric Utility represent sales of 24,653,309 kilowatt hours (kWh) of use, which is 34% of the total kWh sales in 2025. The top three users account for approximately 16,034,108 kWh of use, which is 22% of the total kWh sales in 2025.

Customer	kWh Sold	Total Billings
Customer 1	5,957,715	\$770,217
Customer 2	3,070,167	340,684
Customer 3	7,006,226	864,617
Customer 4	1,948,000	188,475
Customer 5	1,993,061	241,775
Customer 6	1,285,200	169,301
Customer 7	1,312,240	150,264
Customer 8	773,040	95,669
Customer 9	607,800	431,491
Customer 10	699,860	86,021

Electric Rates

The City is required to establish rates and charges for service which, after deducting all operating expenses, will provide net revenues (cash flow) sufficient to cover annual principal and interest on these and on any other utility revenue bonds outstanding on a parity of lien by no less than 150%. The Electric Utility's rates and charges are established by the PUC.

The 2026 electric rates are shown below:

	<u>Residential</u>	<u>Commercial</u>	<u>Small Industrial</u>	<u>Industrial</u>	<u>Large Industrial</u>
Single phase					
Customer charge per month	\$17.16	\$33.52	\$69.40	\$122.40	\$142.80
Demand charge per kWh per month			\$14.0532	\$14.4228	\$17.5400
Energy charge per kWh	\$0.1396		\$0.0768	\$0.0768	\$0.0768
Off Peak Summer kWh metered per kWh	\$0.0856				
Off Peak Winter kWh metered per kWh	\$0.0724				
Off Peak non-metered credit per month	\$5.00				
Car charging (10pm-8am) per kWh	\$0.0838				
Car charging (8am-10pm) per kWh	\$0.2557				
All kWh per kWh		\$0.1330			

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

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

GENERAL INFORMATION OF THE CITY

CITY GOVERNMENT

The City was organized as a municipality in 1891. The City operates under a home rule charter form of government consisting of a five-member City Council of which the Mayor is/is not a voting member. The City Administrator and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 58 full-time, 1 part-time, and 19 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Unit

Bargaining Unit	Expiration Date of Current Contract
Law Enforcement Labor Services Inc.	December 31, 2026

POST EMPLOYMENT BENEFITS

The City has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The City's most recent Audited Financial Statements (Audit) shows a total OPEB liability of \$179,775 as of December 31, 2025. The City has been funding these obligations on a pay-as-you-go basis.

Source: The City's most recent Audit.

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

LOCATION

The City, with a 2020 U.S. Census population of 8,162, and a 2024 population estimate of 8,325, and comprising an area of 3.80 square miles, is located approximately 55 miles southwest of St. Paul, Minnesota.

LARGER EMPLOYERS¹

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 721 (New Prague)	Elementary and secondary education	711
Chart Industries, Inc.	Machine shop	486
Mayo Clinic Health Systems	Hospital	280
Electromed	Healthcare product designer and manufacturer	180
Mala Strana Health Care Center	Nursing home	125-150
Coborns	Superstore	100
Kwik Trip	Convenience store	100 ²
Scott Equipment Company	Feed and food processing equipment	100
The City	Municipal government and services	87
Hy-Vee	Superstore	75

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

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

² Total number of employees includes two locations within the City.

BUILDING PERMITS (as of June 2, 2026)

	2022	2023	2024	2025	2026
<u>New Single Family Homes</u>					
No. of building permits	14	11	10	3	2
Valuation	\$2,470,384	\$2,234,252	\$2,920,983	\$727,937	\$439,684
<u>New Multiple Family Buildings</u>					
No. of building permits	0	0	0	1	0
Valuation	\$0	\$0	\$0	\$8,695,510	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	46	42	56	34	12
Valuation	\$5,064,005	\$6,155,308	\$9,137,548	\$8,638,770	\$3,232,981
<u>All Building Permits</u> (including additions and remodelings)					
No. of building permits	60	53	66	174	51
Valuation	\$7,534,389	\$8,389,560	\$12,058,531	\$8,492,566	\$991,742

Source: The City.

U.S. CENSUS DATA

Population Trend: The City	
2010 U.S. Census population	7,321
2020 U.S. Census population	8,162
Percent of Change 2010 - 2020	11.49%
2024 State Demographer Population Estimate	8,325

Income and Age Statistics

	The City	Scott County	State of Minnesota	United States
2024 per capita income	\$48,950	\$54,014	\$48,237	\$44,673
2024 median household income	\$94,539	\$119,314	\$89,062	\$80,734
2024 median family income	\$119,556	\$139,860	\$113,993	\$99,999
2024 median gross rent	\$1,389	\$1,568	\$1,280	\$1,413
2024 median value owner occupied units	\$350,500	\$419,400	\$329,300	\$332,700
2024 median age	36.2 yrs.	37.8 yrs.	38.8 yrs.	38.9 yrs.

	State of Minnesota	United States
City % of 2024 per capita income	101.48%	109.57%
City % of 2024 median family income	104.88%	119.56%

Housing Statistics

	<u>The City</u>		Percent of Change
	2020	2024	
All Housing Units	3,027	3,139	3.70%

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

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Scott County	Scott County	Scott County	State of Minnesota
2022	86,752		2.0%	2.5%
2023	87,689		2.4%	2.8%
2024	87,784		2.8%	3.1%
2025	88,226		3.4%	3.9%
2026, April	86,986		3.5%	4.0%

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

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

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

ANNUAL FINANCIAL REPORT

CITY OF NEW PRAGUE
NEW PRAGUE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of New Prague, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF NEW PRAGUE
NEW PRAGUE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of New Prague, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2025

Elected Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Charles Nickolay	Mayor	12/31/2026
Bruce Wolf	VP	12/31/2028
Maggie Bass	Council	12/31/2026
Rik Seiler	Council	12/31/2026
Shawn Ryan	Council	12/31/2028

Appointed Officials

Joshua Tetzlaff	City Administrator
Scott Joint Prosecution Assoc.	Criminal Attorney
Scott Riggs	Civil Attorney

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FINANCIAL SECTION
CITY OF NEW PRAGUE
NEW PRAGUE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of New Prague
New Prague, Minnesota

Report on the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, 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 thereof, for the year then ended in conformity 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 design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, **considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.**

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from **material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.**

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedule of Changes in the City's Total OPEB Liability and Related Ratios, and the budgetary comparison schedule and related note disclosures starting on page 86 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency **with management's responses to our inquiries, the basic financial statements, and other knowledge we** obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 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
Mankato, Minnesota
May 5, 2026



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Management's Discussion and Analysis

As management of the City of New Prague, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2025.

Overview of the Financial Statements

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

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

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

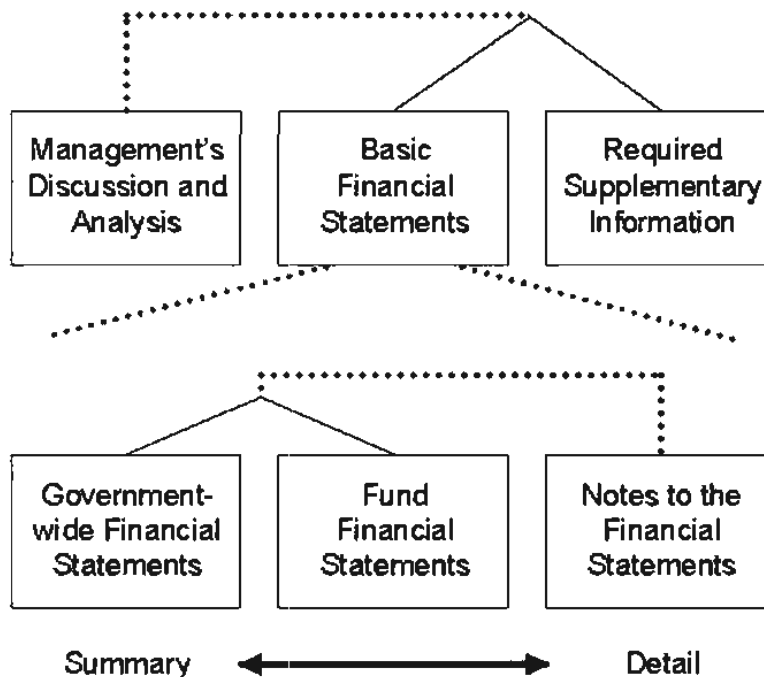


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and highways, culture and recreation, economic development and miscellaneous. The business-type activities of the City include water utility, sewer utility, electric utility, storm water utility, golf and ambulance.

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

The government-wide financial statements can be found starting on page 33 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains numerous individual governmental funds, many of which are Debt Service funds, which are reported as one major fund for the government-wide financial statements. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service funds, CIP 2025, and Police Facility funds, 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 or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund and several special revenue funds. A budgetary comparison statement has been provided for these to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 38 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *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 utility, sewer utility, electric utility, storm water utility, golf and ambulance operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 42 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 45 of this report.

Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of New Prague's **share of net pension liabilities** (assets) for defined benefit plans, schedules of contributions, progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees. Required supplementary information can be found starting on page 86 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules can be found starting on page 100 of this report.

Government-wide Financial Analysis

As noted earlier, net position **may serve over time as a useful indicator of a government's financial position**. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by 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, infrastructure, machinery and equipment and vehicles), less any related debt used to acquire those assets that is 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 New Prague's Summary of Net Position

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

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

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Assets						
Current and other assets	\$ 30,416,748	\$ 20,405,521	\$ 10,011,227	\$ 26,873,189	\$ 25,817,068	\$ 1,056,121
Capital assets	31,563,979	25,378,301	6,185,678	52,856,912	51,723,256	1,133,656
Total Assets	61,980,727	45,783,822	16,196,905	79,730,101	77,540,324	2,189,777
Deferred Outflows of Resources	1,712,908	2,036,347	(323,439)	244,834	236,741	8,093
Liabilities						
Long-term liabilities outstanding	26,812,059	13,852,968	12,959,091	32,497,925	33,584,755	(1,086,830)
Other liabilities	2,601,942	1,005,139	1,596,803	2,161,630	2,005,994	155,636
Total Liabilities	29,414,001	14,858,107	14,555,894	34,659,555	35,590,749	(931,194)
Deferred Inflows of Resources	2,235,962	2,488,388	(252,426)	679,467	749,525	(70,058)
Net Position						
Net investment in capital assets	14,489,633	14,172,513	317,120	21,734,075	19,563,910	2,170,165
Restricted	24,163,805	9,355,715	14,808,090	-	-	-
Unrestricted	(6,609,766)	6,945,446	(13,555,212)	22,901,838	21,872,881	1,028,957
Total Net Position	\$ 32,043,672	\$ 30,473,674	\$ 1,569,998	\$ 44,635,913	\$ 41,436,791	\$ 3,199,122
Net Position as a Percent of Total						
Net investment in capital assets	45.2 %	46.5 %		48.7 %	47.2 %	
Restricted	75.4	30.7		-	-	
Unrestricted	(20.6)	22.8		51.3	52.8	
	100.0 %	100.0 %		100.0 %	100.0 %	

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. The following sections of the MD&A analyze the finances of the governmental activities and business activities separately.

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

City of New Prague's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 791,326	\$ 1,008,539	\$ (217,213)	\$ 18,836,813	\$ 18,027,368	\$ 809,445
Operating grants and contributions	880,725	442,195	438,530	-	-	-
Capital grants and contributions	1,079,624	1,175,108	(95,484)	1,262,614	858,558	404,056
General Revenues						
Property taxes/tax increments	5,373,305	4,869,599	503,706	-	-	-
Franchise taxes	84,284	87,942	(3,658)	-	-	-
Grants and contributions not restricted to specific programs	1,183,298	1,486,861	(303,563)	195,506	184,918	10,588
Investment earnings	962,423	682,500	279,923	665,182	774,383	(109,201)
Other	128,449	25,297	103,152	-	-	-
Gain on sale of capital assets	33,807	12,403	21,404	52,561	150,252	(97,691)
Total Revenues	10,517,241	9,790,444	726,797	21,012,676	19,995,479	1,017,197
Expenses						
General government	1,377,374	1,407,774	(30,400)	-	-	-
Public safety	3,136,447	2,777,697	358,750	-	-	-
Public works	2,296,723	2,294,041	2,682	-	-	-
Culture and recreation	990,199	1,028,846	(38,647)	-	-	-
Economic development	118,907	109,490	9,417	-	-	-
Miscellaneous	201,720	403,933	(202,213)	-	-	-
Interest on long-term debt	1,043,621	347,582	696,039	-	-	-
Water utility	-	-	-	1,605,139	1,530,665	74,474
Sewer utility	-	-	-	4,094,078	4,112,317	(18,239)
Storm water utility	-	-	-	473,715	447,801	25,914
Electric utility	-	-	-	9,722,552	9,727,959	(5,407)
Golf	-	-	-	1,688,223	1,485,352	202,871
Ambulance	-	-	-	12,099	13,984	(1,885)
Total Expenses	9,164,991	8,369,363	795,628	17,595,806	17,318,078	277,728
Increase (Decrease) in Net Position Before Transfers	1,352,250	1,421,081	(68,831)	3,416,870	2,677,401	739,469
Transfers	217,748	(1,946)	219,694	(217,748)	1,946	(219,694)
Change in Net Position	1,569,998	1,419,135	150,863	3,199,122	2,679,347	519,775
Net Position - January 1	30,473,674	29,054,539	1,419,135	41,436,791	38,757,444	2,679,347
Net Position - December 31	\$ 32,043,672	\$ 30,473,674	\$ 1,569,998	\$ 44,635,913	\$ 41,436,791	\$ 3,199,122

Key elements of this increase are as follows:

- Increases in property taxes/tax increments
- Increase in investment earnings
- Increased licenses and permits

Increase in property taxes/tax increments

Increase in taxes and tax increments due to increased tax rates.

Increase revenue in investment earnings

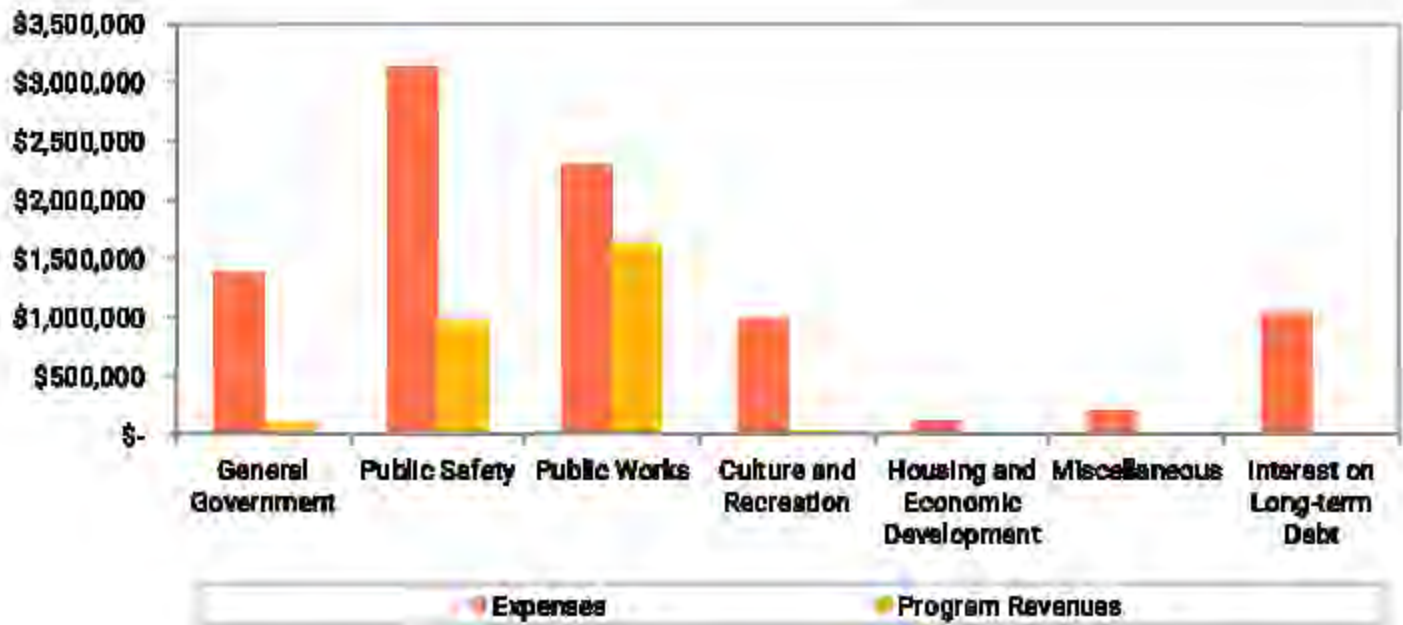
Increase in interest earnings due to increased cash balances along with slight increases in interest rates.

Increase license and permits

Increase in license and permits due to the new addition of the Bohemia Flats (54 units).

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

Expenses and Program Revenues - Governmental Activities



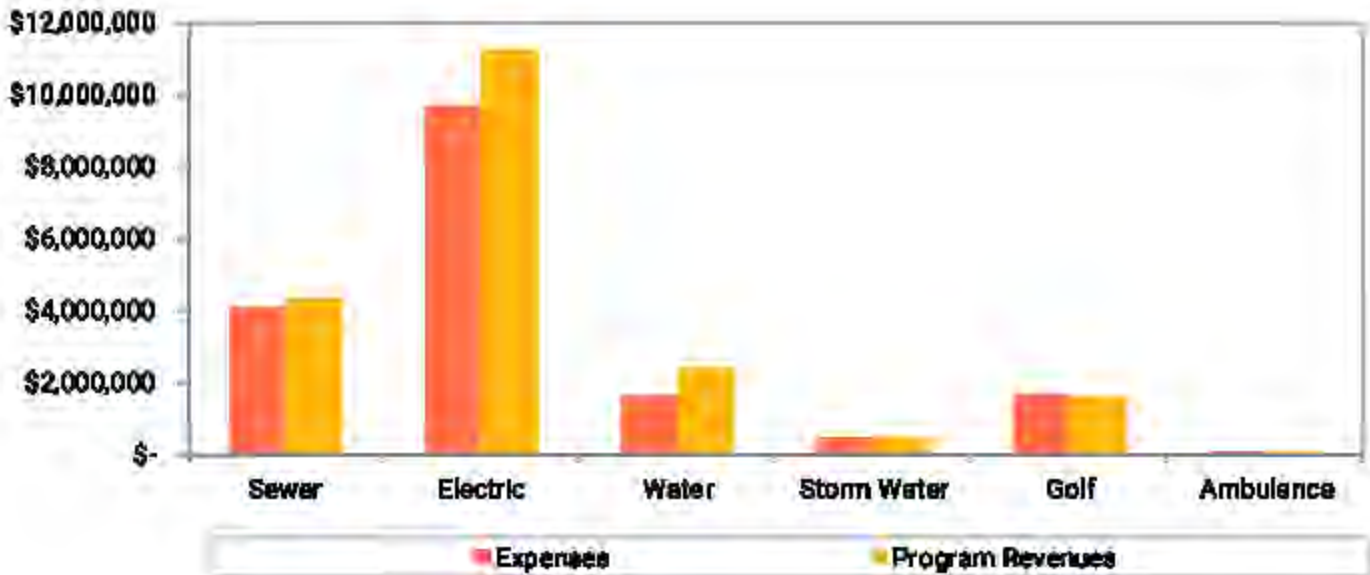
Revenues by Source - Governmental Activities



Business-type Activities. Business-type activities increased the City's net position as shown in the changes in net position table in the pages above. Key factors for the increase are as follows:

- Charges for services for business-type activities increased due to increases in rates and usage during the year.
- Large amount of capital grants and contributions caused by a capital project assessment roll
- Total expenses for business-type activities only increased 0.7% despite rising cost of materials

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	Debt Service	CIP 2025	Police Facility	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances								
Nonspendable	\$ 16,003	\$ -	\$ -	\$ -	\$ -	\$ 16,003	\$ 10,841	\$ 5,162
Restricted	44,163	5,326,562	2,317,484	4,836,919	1,104,541	13,629,669	6,677,886	6,951,783
Committed	243,987	-	-	-	70,451	314,438	813,469	(499,031)
Assigned	3,002,648	-	-	-	3,403,833	6,406,481	5,024,860	1,381,621
Unassigned	3,709,097	-	-	-	(14,285)	3,694,812	2,766,890	927,922
	<u>\$ 7,015,898</u>	<u>\$ 5,326,562</u>	<u>\$ 2,317,484</u>	<u>\$ 4,836,919</u>	<u>\$ 4,564,540</u>	<u>\$ 24,061,403</u>	<u>\$ 15,293,946</u>	<u>\$ 8,767,457</u>

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 1 starting on page 52 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	\$ 16,003	\$ 10,841	\$ 5,162
Restricted	44,163	145,615	(101,452)
Committed	243,987	743,987	(500,000)
Assigned	3,002,648	1,709,329	1,293,319
Unassigned	3,709,097	3,512,553	196,544
	<u>\$ 7,015,898</u>	<u>\$ 6,122,325</u>	<u>\$ 893,573</u>
General Fund expenditures	\$ 6,835,866	\$ 6,563,757	
Unassigned as a percent of expenditures	54.3%	53.5%	
Total Fund Balance as a percent of expenditures	102.6%	93.3%	

The fund balance of the City's General Fund increased during the current fiscal year as shown in the table above. The increase was due to increased interest earnings and property taxes.

Other major governmental analysis is shown below:

	December 31, 2025	December 31, 2024	Increase (Decrease)
Debt Service fund	\$ 5,326,562	\$ 4,863,319	\$ 463,243
<i>The Debt Service fund increased in fund balance during the year due to excess funds from the 2020 capital project being transferred to the related debt service fund.</i>			
CIP 2025	\$ 2,317,484	\$ (107,265)	\$ 2,424,749
<i>The CIP 2025 total fund balance increased due to issuance of General Obligation Bonds, Series 2025B to cover ongoing project costs.</i>			
Police Facility	\$ 4,836,919	\$ (401,519)	\$ 5,238,438
<i>The Police Facility total fund balance increased during the year due to the issuance of EDA Lease Bond 2025C to cover ongoing project costs.</i>			

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

	December 31, 2025	December 31, 2024	Increase (Decrease)
Water Utility	\$ 10,150,638	\$ 9,200,534	\$ 950,104
<i>The Water Utility fund increase in fund balance during the year was due to increased charges for services, specifically related to the new Bohemia Flats (54 units), and new special assessments.</i>			
Electric Utility	\$ 20,021,214	\$ 18,280,952	\$ 1,740,262
<i>The Electric Utility fund increase in fund balance during the year was due to reimbursement for service project revenue, and increased charges for services specifically related to the new Bohemia Flats (54 units).</i>			
Sewer Utility	\$ 9,812,202	\$ 9,254,947	\$ 557,255
<i>The Water Utility fund increase in fund balance during the year was due to increased charges for services, specifically related to Bohemia Flats (54 units), and new special assessments.</i>			

General Fund Budgetary Highlights

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 6,737,642	\$ 7,396,763	\$ 659,121
Expenditures	6,981,045	6,835,866	145,179
Excess of Revenues Over Expenditures	<u>(243,403)</u>	<u>560,897</u>	<u>804,300</u>
Other Financing Sources (Uses)			
Sale of capital assets	-	3,807	3,807
Insurance recoveries	5,000	70,817	65,817
Transfers in	80,304	287,871	207,567
Transfers out	<u>(29,819)</u>	<u>(29,819)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>55,485</u>	<u>332,676</u>	<u>277,191</u>
Net Change in Fund Balances	(187,918)	893,573	1,081,491
Fund Balances, January 1	<u>6,122,325</u>	<u>6,122,325</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 5,934,407</u>	<u>\$ 7,015,898</u>	<u>\$ 1,081,491</u>

The City's overall budget was not amended during the year as shown above.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2025, is shown below in the capital assets table (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, vehicles, roads, highways and bridges. The total increase in the City's investment in capital assets for the current fiscal year is shown in the table below.

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

- Parks Department
 - 2024 Toro 4000 Series Mower
 - Central Plaza Shade Structure
 - Spraymaster 60 Gal Sprayer
 - Kubota Workman HDX
- Planning
 - 2023 Equinox
 - Office Remodel
- Street Department
 - 2026 Freightliner
- Police Department
 - 2025 Ford Explorer
 - Flock Cameras
- Fire Department
 - 2025 Ford F-150 Chief's Vehicle
 - Mobile Radios

- Enterprise Funds – Water
 - Mini Excavator
- Enterprise Funds – Electric
 - Mini Excavator
 - 2025 Felling Reel Trailer
 - Tilt bed trailer
- Enterprise Funds – Golf
 - Groundsmaster 4100-D Mower
 - Reelmaster 3555 Fairway Mower
 - GreensPro 1260 – Greens Roller
 - Multi Pro 5800-G Sprayer
 - Kubota Workman HDX
 - Hauler Pro Elite Work Cart
 - Hauler 1200 Gas Work Cart
- Enterprise Funds – Sewer
 - Triplex Control Panel
 - Allegro Blower, Winch & Clutch
 - SCADA PLC Upgrade
 - 2024 Ford F600 Crane Truck
- 2025 CIP street construction project

Additional information on the City's capital assets can be found in Note 3C starting on page 57 of this report.

City of New Prague's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities			Total		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Land	\$ 2,060,359	\$ 2,060,359	\$ -	\$ 178,148	\$ 178,148	\$ -	\$ 2,238,507	\$ 2,238,507	\$ -
Land Improvements	587,989	645,616	(57,627)	3,693	5,257	(1,564)	591,682	650,873	(59,191)
Buildings and Improvements	4,184,961	4,362,872	(177,911)	19,425,066	20,292,086	(867,020)	23,610,027	24,654,958	(1,044,931)
Infrastructure	14,737,203	11,248,534	3,488,669	23,357,639	24,012,983	(655,344)	38,094,842	35,261,517	2,833,325
Furniture and Equipment	1,904,499	1,868,718	35,781	6,286,583	6,479,491	(192,908)	8,191,082	8,348,209	(157,127)
Construction in Progress	8,088,968	5,192,202	2,896,766	3,605,783	755,291	2,850,492	11,694,751	5,947,493	5,747,258
Total	\$ 31,563,979	\$ 25,378,301	\$ 6,185,678	\$ 52,856,912	\$ 51,723,256	\$ 1,133,656	\$ 84,420,891	\$ 77,101,557	\$ 7,319,334
Percent increase (decrease)			24.4%			2.2%			9.5%

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

City of New Prague's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
General Obligation Bonds	\$ 1,060,000	\$ 1,400,000	\$ (340,000)	\$ -	\$ -	\$ -
G.O. Improvement Bonds	22,212,282	9,292,749	12,919,533	-	-	-
G.O. Revenue Bonds	-	-	-	29,847,715	30,921,249	(1,073,534)
Revenue Bonds	-	-	-	414,000	373,000	41,000
Indenture of Trust	110,000	121,000	(11,000)	-	-	-
Total	\$ 23,382,282	\$ 10,813,749	\$ 12,568,533	\$ 30,261,715	\$ 31,294,249	\$ (1,032,534)
Percent increase (decrease)			116.2%			-3.3%

The City's total debt increased during the current fiscal year as shown in the table above. The key factor in this increase was the issuance of EDA Lease Revenue bond and General Obligation 2025B bond.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$14,254,680 which is in excess of the City's outstanding general obligation debt of \$1,060,000.

Additional information on the City's long-term debt can be found in Note 3E starting on page 60 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City's adopted 2026 General fund expenditures budget totaled \$7,366,396 which is a \$337,542 or 4.80 percent increase over the 2025 adopted budget of \$7,008,854.
- New single family residential homes constructed in 2025 totaled 3. This was lower than the total of 10 new homes constructed in 2024.
- The rate increases for utility operations for 2025 are as follows:
 - Electric: 2% increase for residential and commercial rates.
 - Water: Increase of \$0.68/1000 gallons for non-summer months and \$.18/1000 gallons for summer months. Seasonal rates will remain in effect for 2026. Sewer: 3.5 percent increase for residential and commercial rates
 - Sewer: 3% increase for residential and commercial rates
 - Storm Sewer: 2% increase in residential and commercial rates

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 New Prague, 118 Central Avenue North, New Prague, Minnesota 56071.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NEW PRAGUE
NEW PRAGUE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of New Prague, Minnesota
Statement of Net Position
December 31, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and temporary investments	\$ 25,224,537	\$ 21,737,899	\$ 46,962,436	\$ 923,283
Receivables				
Interest	172,287	-	172,287	-
Delinquent taxes	39,925	-	39,925	-
Accounts	283,200	2,407,901	2,691,101	-
Notes	375,658	-	375,658	-
Special assessments	3,383,635	1,497,749	4,881,384	-
Intergovernmental	381,314	89,733	471,047	198
Inventories	-	1,138,444	1,138,444	-
Prepaid items	16,003	1,463	17,466	-
Land held for resale	-	-	-	302,882
Net pension asset	540,189	-	540,189	-
Capital assets				
Nondepreciable	10,149,327	3,783,931	13,933,258	-
Depreciable, net of accumulated depreciation	21,414,652	49,072,981	70,487,633	718,207
Total Assets	<u>61,980,727</u>	<u>79,730,101</u>	<u>141,710,828</u>	<u>1,944,570</u>
Deferred Outflows of Resources				
Deferred other postemployment benefit resources	6,140	5,196	11,336	44
Deferred pension resources	1,706,768	239,638	1,946,406	3,777
Total Deferred Outflows of Resources	<u>1,712,908</u>	<u>244,834</u>	<u>1,957,742</u>	<u>3,821</u>
Liabilities				
Accounts payable	1,907,861	1,190,520	3,098,381	9,478
Due to other governments	45,833	48,422	94,255	-
Accrued interest payable	484,711	420,562	905,273	-
Accrued wages payable	104,844	86,914	191,758	1,228
Deposits payable	-	261,048	261,048	-
Unearned revenue	58,693	154,164	212,857	-
Noncurrent liabilities				
Due within one year				
Long-term liabilities	1,399,739	2,265,454	3,665,193	-
Other postemployment benefits liability	6,227	5,266	11,493	44
Due in more than one year				
Long-term liabilities	23,760,155	29,238,099	52,998,254	-
Net pension liability	1,555,129	912,326	2,467,455	13,418
Other postemployment benefits liability	90,809	76,780	167,589	649
Total Liabilities	<u>29,414,001</u>	<u>34,659,555</u>	<u>64,073,556</u>	<u>24,817</u>
Deferred Inflows of Resources				
Deferred other postemployment benefit resources	43,966	37,177	81,143	314
Deferred pension resources	2,191,996	642,290	2,834,286	9,810
Total Deferred Inflows of Resources	<u>2,235,962</u>	<u>679,467</u>	<u>2,915,429</u>	<u>10,124</u>
Net Position				
Net investment in capital assets	14,489,633	21,734,075	36,223,708	718,207
Restricted for				
Debt service	7,851,440	-	7,851,440	-
Capital projects	14,623,472	-	14,623,472	-
Net pension asset	540,189	-	540,189	-
Economic development	1,094,705	-	1,094,705	-
Park improvements	9,836	-	9,836	-
Public safety aid	44,163	-	44,163	-
Unrestricted	<u>(6,609,766)</u>	<u>22,901,838</u>	<u>16,292,072</u>	<u>1,195,243</u>
Total Net Position	<u>\$ 32,043,672</u>	<u>\$ 44,635,913</u>	<u>\$ 76,679,585</u>	<u>\$ 1,913,450</u>

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,377,374	\$ 104,613	\$ -	\$ -
Public safety	3,136,447	533,029	395,463	44,280
Public works	2,296,723	119,748	474,211	1,035,344
Culture and recreation	990,199	19,010	11,051	-
Economic development	118,907	11,426	-	-
Miscellaneous	201,720	3,500	-	-
Interest on long-term debt	1,043,621	-	-	-
Total Governmental Activities	<u>9,164,991</u>	<u>791,326</u>	<u>880,725</u>	<u>1,079,624</u>
Business-type activities				
Sewer utility	4,094,078	3,693,262	-	652,618
Electric utility	9,722,552	11,136,891	-	149,668
Water utility	1,605,139	1,972,468	-	460,328
Storm water utility	473,715	436,685	-	-
Golf	1,688,223	1,582,080	-	-
Ambulance	12,099	15,427	-	-
Total Business-type Activities	<u>17,595,806</u>	<u>18,836,813</u>	<u>-</u>	<u>1,262,614</u>
Total Primary Government	<u>\$ 26,760,797</u>	<u>\$ 19,628,139</u>	<u>\$ 880,725</u>	<u>\$ 2,342,238</u>
Component Unit				
Economic development	<u>\$ 80,265</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Property taxes, levied for other governmental funds
- Tax increments
- Franchise 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

Net Position, December 31

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (1,272,761)	\$ -	\$ (1,272,761)	
(2,163,675)	-	(2,163,675)	
(667,420)	-	(667,420)	
(960,138)	-	(960,138)	
(107,481)	-	(107,481)	
(198,220)	-	(198,220)	
(1,043,621)	-	(1,043,621)	
(6,413,316)	-	(6,413,316)	
-	251,802	251,802	
-	1,564,007	1,564,007	
-	827,657	827,657	
-	(37,030)	(37,030)	
-	(106,143)	(106,143)	
-	3,328	3,328	
-	2,503,621	2,503,621	
			\$ (80,234)
4,254,399	-	4,254,399	74,766
959,695	-	959,695	-
40,304	-	40,304	-
118,907	-	118,907	-
84,284	-	84,284	-
1,183,298	195,506	1,378,804	-
962,423	665,182	1,627,605	15,031
128,449	-	128,449	61,983
33,807	52,561	86,368	-
217,748	(217,748)	-	-
7,983,314	695,501	8,678,815	151,780
1,569,998	3,199,122	4,769,120	71,546
30,473,674	41,436,791	71,910,465	1,841,904
\$ 32,043,672	\$ 44,635,913	\$ 76,679,585	\$ 1,913,450

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

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FUND FINANCIAL STATEMENTS

CITY OF NEW PRAGUE
NEW PRAGUE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of New Prague, Minnesota

Balance Sheet
Governmental Funds
December 31, 2025

	General	Debt Service	CIP 2025	Police Facility	Other Governmental Funds	Totals
Assets						
Cash and temporary investments	\$ 6,821,938	\$ 5,032,710	\$ 2,356,077	\$ 6,314,416	\$ 4,699,396	\$ 25,224,537
Receivables						
Interest	156,215	-	16,072	-	-	172,287
Delinquent taxes	39,925	-	-	-	-	39,925
Accounts	281,868	-	-	-	1,332	283,200
Notes	-	353,333	-	-	22,325	375,658
Special assessments	4,178	3,119,589	-	-	259,868	3,383,635
Intergovernmental	106,949	-	-	-	274,365	381,314
Prepaid items	16,003	-	-	-	-	16,003
Total Assets	\$ 7,427,076	\$ 8,505,632	\$ 2,372,149	\$ 6,314,416	\$ 5,257,286	\$ 29,876,559
Liabilities						
Accounts payable	\$ 185,785	\$ 59,481	\$ 54,665	\$ 1,477,497	\$ 130,433	\$ 1,907,861
Due to other governments	45,833	-	-	-	-	45,833
Accrued wages payable	104,844	-	-	-	-	104,844
Unearned revenue	30,613	-	-	-	28,080	58,693
Total Liabilities	367,075	59,481	54,665	1,477,497	158,513	2,117,231
Deferred Inflows of Resources						
Unavailable revenue - property taxes	39,925	-	-	-	-	39,925
Unavailable revenue - special assessments	4,178	3,119,589	-	-	259,868	3,383,635
Unavailable revenue - grants	-	-	-	-	274,365	274,365
Total Deferred Inflows of Resources	44,103	3,119,589	-	-	534,233	3,697,925
Fund Balances						
Nonspendable						
Prepaid items	16,003	-	-	-	-	16,003
Restricted for						
Debt service	-	5,326,562	-	-	-	5,326,562
Economic development	-	-	-	-	1,094,705	1,094,705
Capital projects	-	-	2,317,484	4,836,919	-	7,154,403
Park improvements	-	-	-	-	9,836	9,836
Public safety aid	44,163	-	-	-	-	44,163
Committed for						
Emergency weather/disaster purposes	100,000	-	-	-	-	100,000
Future athletic field	143,987	-	-	-	-	143,987
Public facilities and infrastructure	-	-	-	-	-	-
Upgrades	-	-	-	-	70,451	70,451
Assigned for						
Acquisition of equipment and vehicles	437,213	-	-	-	-	437,213
Renovation/replacement of public facilities	2,465,435	-	-	-	-	2,465,435
Technology	100,000	-	-	-	-	100,000
Capital projects	-	-	-	-	2,766,226	2,766,226
Equipment	-	-	-	-	160,924	160,924
Economic development	-	-	-	-	78,155	78,155
Crime prevention	-	-	-	-	59,984	59,984
Park improvements	-	-	-	-	338,544	338,544
Rental house	-	-	-	-	-	-
Unassigned	3,709,097	-	-	-	(14,285)	3,694,812
Total Fund Balances	7,015,898	5,326,562	2,317,484	4,836,919	4,564,540	24,061,403
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,427,076	\$ 8,505,632	\$ 2,372,149	\$ 6,314,416	\$ 5,257,286	\$ 29,876,559

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

City of New Prague, 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	\$ 24,061,403
Long-term net pension assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	540,189
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds. Cost of capital assets, net of accumulated depreciation	31,563,979
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of	
Compensated absences payable	(506,479)
Bonds payable	(23,272,282)
Indenture of trust payable (HRA)	(110,000)
Bond premiums, net of amortization	(1,271,133)
Other postemployment benefits	(97,036)
Net pension liability	(1,555,129)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	39,925
Special assessments receivable	3,383,635
Grants receivable	274,365
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of resources - pension resources	1,706,768
Deferred inflows of resources - pension resources	(2,191,996)
Governmental funds do not report long-term amounts related to other postemployment benefits.	
Deferred outflows of other postemployment benefit resources	6,140
Deferred inflows of other postemployment benefit resources	(43,966)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(484,711)</u>
Total Net Position - Governmental Activities	<u>\$ 32,043,672</u>

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

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

	General	Debt Service	Capital Project			Other Governmental Funds	Totals
			Formerly Major Fund CIP 2024	Formerly Nonmajor Fund CIP 2025	Formerly Nonmajor Fund Police Facility		
Revenues							
Taxes	\$ 4,323,122	\$ 1,078,602		\$ -	\$ -	\$ 40,304	\$ 5,442,028
Special assessments	14,126	515,312		-	-	-	529,438
Licenses and permits	419,147	-		-	-	-	419,147
Intergovernmental	1,823,777	-		1,065,567	-	-	2,889,344
Charges for services	130,011	-		-	-	128,896	258,907
Fines and forfeits	15,361	-		-	-	49	15,410
Investment earnings	522,494	102,543		97,241	36,153	203,992	962,423
Miscellaneous	148,725	10,927		-	-	499	160,151
Total Revenues	<u>7,396,763</u>	<u>1,707,384</u>	<u>-</u>	<u>1,162,808</u>	<u>36,153</u>	<u>373,740</u>	<u>10,676,848</u>
Expenditures							
Current							
General government	1,308,663	-		-	-	-	1,308,663
Public safety	2,973,203	-		-	-	10,128	2,983,331
Public works	979,425	-		-	-	2,162	981,587
Culture and recreation	803,426	-		-	-	-	803,426
Economic development	-	118,907		-	-	-	118,907
Miscellaneous	201,720	-		-	-	-	201,720
Capital outlay							
General government	192,487	-		-	-	-	192,487
Public safety	187,070	-		-	4,692,431	-	4,879,501
Public works	78,447	-		2,526,206	-	238,845	2,843,498
Culture and recreation	111,425	-		-	-	5,000	116,425
Debt service							
Principal	-	1,156,467		-	-	-	1,156,467
Interest and other	-	416,708		-	-	-	416,708
Bond issuance costs and fees	-	5,334		87,822	312,397	-	405,553
Total Expenditures	<u>6,835,866</u>	<u>1,697,416</u>	<u>-</u>	<u>2,614,028</u>	<u>5,004,828</u>	<u>256,135</u>	<u>16,408,273</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>560,897</u>	<u>9,968</u>	<u>-</u>	<u>(1,451,220)</u>	<u>(4,968,675)</u>	<u>117,605</u>	<u>(5,731,425)</u>
Other Financing Sources (Uses)							
Sale of assets	3,807	-		-	-	-	3,807
Insurance recoveries	70,817	-		-	-	-	70,817
Transfers in	287,871	347,210		-	-	418,548	1,053,629
Debt issued	-	123,428		3,561,572	10,040,000	-	13,725,000
Premium on bonds issued	-	-		314,397	167,113	-	481,510
Transfers out	(29,819)	(17,363)		-	-	(788,699)	(835,881)
Total Other Financing Sources (Uses)	<u>332,676</u>	<u>453,275</u>	<u>-</u>	<u>3,875,969</u>	<u>10,207,113</u>	<u>(370,151)</u>	<u>14,498,882</u>
Net Change in Fund Balances	<u>893,573</u>	<u>463,243</u>	<u>-</u>	<u>2,424,749</u>	<u>5,238,438</u>	<u>(252,546)</u>	<u>8,767,457</u>
Fund Balances, January 1 as Previously Reported	6,122,325	4,863,319	202,980	-	-	4,105,322	15,293,946
Change within Financial Reporting Entity (Note 9)							
Change from major to nonmajor fund	-	-	(202,980)	-	-	508,784	305,804
Change from nonmajor to major fund	-	-	-	(107,265)	(401,519)	202,980	(305,804)
Fund balances, January 1 as Adjusted	<u>6,122,325</u>	<u>4,863,319</u>	<u>-</u>	<u>(107,265)</u>	<u>(401,519)</u>	<u>4,817,086</u>	<u>15,293,946</u>
Fund Balances, December 31	<u>\$ 7,015,898</u>	<u>\$ 5,326,562</u>	<u>\$ -</u>	<u>\$ 2,317,484</u>	<u>\$ 4,836,919</u>	<u>\$ 4,564,540</u>	<u>\$ 24,061,403</u>

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

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

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

Net change in fund balances - governmental funds	\$ 8,767,457
<p>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.</p>	
Capital outlay	8,122,150
Depreciation expense	(1,966,472)
Gain on trade in of disposed of assets	30,000
<p>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.</p>	
Principal repayments	1,156,467
Debt issued or incurred	(13,725,000)
Premiums on bonds issued, net of amortization	(373,564)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	332,312
Direct aid contributions	13,580
<p>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.</p>	
	(329,306)
<p>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.</p>	
Compensated absences	(198,828)
Other postemployment benefits	3,167
<p>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.</p>	
Property taxes	15,561
Special assessments	477,510
Grants	(755,036)
Change in Net Position - Governmental Activities	\$ 1,569,998

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

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

	Business-type Activities - Enterprise Funds			Business-type Activities - Enterprise Funds		
	604	605	Total Public Utilities Commission	602	Other Enterprise Funds	Totals
	Water Utility	Electric Utility		Sewer Utility		
Assets						
Current Assets						
Cash and temporary investments						
Undesignated	\$ 3,747,306	\$ 5,350,210	\$ 9,097,516	\$ 7,194,548	\$ 1,791,771	\$ 18,083,835
Designated	-	2,604,064	2,604,064	1,050,000	-	3,654,064
Receivables						
Accounts	254,101	1,832,498	2,086,599	278,722	42,580	2,407,901
Special assessments - current portion	52,847	-	52,847	32,145	-	84,992
Intergovernmental	2,965	76,289	79,254	8,275	2,204	89,733
Inventories	113,449	962,179	1,075,628	-	62,816	1,138,444
Prepaid items	-	1,463	1,463	-	-	1,463
Total Current Assets	<u>4,170,668</u>	<u>10,826,703</u>	<u>14,997,371</u>	<u>8,563,690</u>	<u>1,899,371</u>	<u>25,460,432</u>
Noncurrent Assets						
Special assessments receivable - net of current portion	857,988	-	857,988	554,769	-	1,412,757
Capital assets						
Land	79,520	41,648	121,168	56,980	-	178,148
Construction in progress	851,740	1,568,359	2,420,099	670,245	515,439	3,605,783
Land improvements	-	-	-	-	910,290	910,290
Buildings	6,016,200	9,577,002	15,593,202	27,964,822	1,094,511	44,652,535
Infrastructure	12,524,041	14,931,700	27,455,741	8,571,631	8,777,601	44,804,973
Machinery and equipment	371,289	2,498,402	2,869,691	14,265,791	2,007,772	19,143,254
Less accumulated depreciation	(9,896,210)	(17,313,505)	(27,209,715)	(25,839,210)	(7,389,146)	(60,438,071)
Total Capital Assets	<u>9,946,580</u>	<u>11,303,606</u>	<u>21,250,186</u>	<u>25,690,259</u>	<u>5,916,467</u>	<u>52,856,912</u>
(net of accumulated depreciation)						
Total Noncurrent Assets	<u>10,804,568</u>	<u>11,303,606</u>	<u>22,108,174</u>	<u>26,245,028</u>	<u>5,916,467</u>	<u>54,269,669</u>
Total Assets	<u>14,975,236</u>	<u>22,130,309</u>	<u>37,105,545</u>	<u>34,808,718</u>	<u>7,815,838</u>	<u>79,730,101</u>
Deferred Outflows of Resources						
Deferred other postemployment benefit resources	1,145	2,213	3,358	1,271	567	5,196
Deferred pension resources	37,254	111,483	148,737	51,482	39,419	239,638
Total Deferred Outflows of Resources	<u>38,399</u>	<u>113,696</u>	<u>152,095</u>	<u>52,753</u>	<u>39,986</u>	<u>244,834</u>
Liabilities						
Current Liabilities						
Accounts payable	16,496	1,028,491	1,044,987	116,517	29,016	1,190,520
Due to other governments	18,134	2,425	20,559	24,783	3,080	48,422
Accrued interest payable	60,255	-	60,255	314,033	46,274	420,562
Accrued wages payable	13,471	42,662	56,133	18,439	12,342	86,914
Accrued compensated absences payable	30,350	51,095	81,445	19,417	9,616	110,478
Customer deposits payable	26,935	112,216	139,151	51,644	70,253	261,048
Unearned revenue	-	-	-	-	154,164	154,164
Other postemployment benefits	1,161	2,243	3,404	1,288	574	5,266
Current portion of bonds payable	363,936	-	363,936	1,556,621	234,419	2,154,976
Total Current Liabilities	<u>530,738</u>	<u>1,239,132</u>	<u>1,769,870</u>	<u>2,102,742</u>	<u>559,738</u>	<u>4,432,350</u>
Noncurrent Liabilities						
Accrued compensated absences payable	\$ 33,141	\$ 184,560	\$ 217,701	\$ 43,341	\$ 9,196	\$ 270,238
Bonds payable - net of current portion	4,023,184	-	4,023,184	22,558,734	2,385,943	28,967,861
Net pension liability	151,305	452,774	604,079	182,866	125,381	912,326
Other postemployment benefits	16,925	32,712	49,637	18,782	8,361	76,780
Total Noncurrent Liabilities	<u>4,224,555</u>	<u>670,046</u>	<u>4,894,601</u>	<u>22,803,723</u>	<u>2,528,881</u>	<u>30,227,205</u>
Total Liabilities	<u>4,755,293</u>	<u>1,909,178</u>	<u>6,664,471</u>	<u>24,906,465</u>	<u>3,088,619</u>	<u>34,659,555</u>
Deferred Inflows of Resources						
Deferred other postemployment benefit resources	8,196	15,839	24,035	9,094	4,048	37,177
Deferred pension resources	99,508	297,774	397,282	133,710	111,298	642,290
Total Deferred Inflows of Resources	<u>107,704</u>	<u>313,613</u>	<u>421,317</u>	<u>142,804</u>	<u>115,346</u>	<u>679,467</u>
Net Position						
Net investment in capital assets	5,559,460	11,303,606	16,863,066	1,574,904	3,296,105	21,734,075
Unrestricted	4,591,178	8,717,608	13,308,786	8,237,298	1,355,754	22,901,838
Total Net Position	<u>\$ 10,150,638</u>	<u>\$ 20,021,214</u>	<u>\$ 30,171,852</u>	<u>\$ 9,812,202</u>	<u>\$ 4,651,859</u>	<u>\$ 44,635,913</u>

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

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

	Business-type Activities - Enterprise Funds			Business-type Activities - Enterprise Funds		
	604	605	Total Public Utilities	602	Total Nonmajor Funds	Totals
	Water Utility	Electric Utility	Commission	Sewer Utility		
Operating Revenues						
Sales	\$ -	\$ -	\$ -	\$ -	\$ 567,493	\$ 567,493
Cost of sales	-	-	-	-	(271,872)	(271,872)
Gross profit	-	-	-	-	295,621	295,621
Charges for services	1,954,357	11,007,763	12,962,120	3,688,867	1,450,656	18,101,643
Miscellaneous	-	-	-	-	15,927	15,927
Total Operating Revenues	<u>1,954,357</u>	<u>11,007,763</u>	<u>12,962,120</u>	<u>3,688,867</u>	<u>1,762,204</u>	<u>18,413,191</u>
Operating Expenses						
Purchases and generation	118,220	7,305,737	7,423,957	-	-	7,423,957
Transmission and distribution	403,623	195,290	598,913	-	-	598,913
Administration and general	415,129	1,472,634	1,887,763	-	-	1,887,763
Salaries and benefits	-	-	-	677,171	857,666	1,534,837
Supplies	-	-	-	295,120	247,763	542,883
Other services and charges	-	-	-	160,359	175,177	335,536
Insurance	-	-	-	59,207	17,149	76,356
Utilities	-	-	-	392,189	83,668	475,857
Depreciation	542,713	745,782	1,288,495	1,644,806	425,386	3,358,687
Total Operating Expenses	<u>1,479,685</u>	<u>9,719,443</u>	<u>11,199,128</u>	<u>3,228,852</u>	<u>1,806,809</u>	<u>16,234,789</u>
Operating Income (Loss)	<u>474,672</u>	<u>1,288,320</u>	<u>1,762,992</u>	<u>460,015</u>	<u>(44,605)</u>	<u>2,178,402</u>
Nonoperating Revenues (Expenses)						
Intergovernmental	-	-	-	-	195,506	195,506
Investment income	105,429	215,162	320,591	281,003	63,588	665,182
Miscellaneous income	11,445	129,128	140,573	329	-	140,902
Water meter sales	6,666	-	6,666	-	-	6,666
Refunds and reimbursements	-	-	-	4,066	-	4,066
Gain on disposal of capital assets	17,018	1,093	18,111	24,450	10,000	52,561
Bond issuance expense	(17,942)	-	(17,942)	-	(15,467)	(33,409)
Interest expense	(144,486)	(3,109)	(147,595)	(890,380)	(101,596)	(1,139,571)
Amortization of bond premium	36,974	-	36,974	25,154	21,823	83,951
Total Nonoperating Revenues (Expenses)	<u>15,104</u>	<u>342,274</u>	<u>357,378</u>	<u>(555,378)</u>	<u>173,854</u>	<u>(24,146)</u>
Income (Loss) Before Contributions and Transfers	<u>489,776</u>	<u>1,630,594</u>	<u>2,120,370</u>	<u>(95,363)</u>	<u>129,249</u>	<u>2,154,256</u>
Capital Contributions						
Hookup charges	89,730	-	89,730	375,951	-	465,681
Special assessments	370,598	-	370,598	276,667	-	647,265
Other entities	-	149,668	149,668	-	-	149,668
Total Capital Contributions	<u>460,328</u>	<u>149,668</u>	<u>609,996</u>	<u>652,618</u>	<u>-</u>	<u>1,262,614</u>
Transfers In	-	-	-	-	29,819	29,819
Transfers Out	-	(40,000)	(40,000)	-	(207,567)	(247,567)
Total Transfers	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>	<u>(177,748)</u>	<u>(217,748)</u>
Change in Net Position	950,104	1,740,262	2,690,366	557,255	(48,499)	3,199,122
Net Position, January 1	<u>9,200,534</u>	<u>18,280,952</u>	<u>27,481,486</u>	<u>9,254,947</u>	<u>4,700,358</u>	<u>41,436,791</u>
Net Position, December 31	<u>\$ 10,150,638</u>	<u>\$ 20,021,214</u>	<u>\$ 30,171,852</u>	<u>\$ 9,812,202</u>	<u>\$ 4,651,859</u>	<u>\$ 44,635,913</u>

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

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

	Business-type Activities - Enterprise Funds			Business-type Activities - Enterprise Funds		
	604	605	Total Public Utilities	602	Total Nonmajor Funds	Totals
	Water Utility	Electric Utility	Commission	Sewer Utility		
Cash Flows from Operating Activities						
Receipts from customers	\$ 1,922,803	\$ 10,678,502	\$ 12,601,305	\$ 3,699,211	\$ 2,017,215	\$ 18,317,731
Payments to suppliers and vendors	(333,896)	(7,181,831)	(7,515,727)	(820,201)	(782,934)	(9,118,862)
Payments to and on behalf of employees	(654,385)	(1,493,317)	(2,147,702)	(698,690)	(876,371)	(3,722,763)
Other receipts	11,445	129,128	140,573	4,395	14,230	159,198
Net Cash Provided (Used) by Operating Activities	945,967	2,132,482	3,078,449	2,184,715	372,140	5,635,304
Cash Flows from Noncapital Financing Activities						
Grants received	-	-	-	-	195,506	195,506
Transfers from other funds	-	-	-	-	29,819	29,819
Transfers to other funds	-	(40,000)	(40,000)	-	(207,567)	(247,567)
Net Cash Provided (Used) by Noncapital Financing Activities	-	(40,000)	(40,000)	-	17,758	(22,242)
Cash Flows from Capital Financing Activities						
Special assessment receipts	133,248	-	133,248	87,967	-	221,215
Capital contributions from other entities	-	149,668	149,668	-	-	149,668
Proceeds from debt instruments, net of discounts/premiums	525,967	-	525,967	-	524,009	1,049,976
Acquisition and construction of capital assets	(865,934)	(1,882,331)	(2,748,265)	(1,011,959)	(813,869)	(4,574,093)
Proceeds from the disposal of capital assets	17,018	1,093	18,111	24,450	10,000	52,561
Principal paid on bonds	(323,552)	-	(323,552)	(1,474,775)	(204,207)	(2,002,534)
Interest paid on bonds and notes	(140,687)	(3,109)	(143,796)	(909,072)	(99,804)	(1,152,672)
Issuance costs paid on debt instruments	(17,942)	-	(17,942)	-	(15,467)	(33,409)
Hookup charges	89,730	-	89,730	375,951	-	465,681
Net Cash Provided (Used) by Capital Financing Activities	(582,152)	(1,734,679)	(2,316,831)	(2,907,438)	(599,338)	(5,823,607)
Cash Flows From Investing Activities						
Interest received	105,429	215,162	320,591	281,003	63,588	665,182
Net Increase (Decrease) in Cash and Cash Equivalents	469,244	572,965	1,042,209	(441,720)	(145,852)	454,637
Cash and Cash Equivalents, January 1,	3,278,062	7,381,309	10,659,371	8,686,268	1,937,623	21,283,262
Cash and Cash Equivalents, December 31,	\$ 3,747,306	\$ 7,954,274	\$ 11,701,580	\$ 8,244,548	\$ 1,791,771	\$ 21,737,899
Cash and Cash Equivalents						
Undesignated	\$ 3,747,306	\$ 5,350,210	\$ 9,097,516	\$ 7,194,548	\$ 1,791,771	\$ 18,083,835
Designated	-	2,604,064	2,604,064	1,050,000	-	3,654,064
Total Cash and Cash Equivalents	\$ 3,747,306	\$ 7,954,274	\$ 11,701,580	\$ 8,244,548	\$ 1,791,771	\$ 21,737,899
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	\$ 474,672	\$ 1,288,320	\$ 1,762,992	\$ 460,015	\$ (44,605)	\$ 2,178,402
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Other income related to operations	18,111	129,128	147,239	4,395	-	151,634
Depreciation	542,713	745,782	1,288,495	1,644,806	425,386	3,358,687
(Increase) decrease in assets						
Accounts receivable	(38,491)	(330,358)	(368,849)	9,358	(7,336)	(368,827)
Intergovernmental	271	1,097	1,368	986	(27)	2,327
Inventories	(33,731)	213,521	179,790	-	9,512	189,302
Prepaid items	-	(236)	(236)	-	-	(236)
(Increase) decrease in deferred outflows of resources						
Deferred other postemployment benefit resources	1,163	2,657	3,820	1,452	903	6,175
Deferred pension resources	(4,124)	(10,618)	(14,742)	(313)	787	(14,268)
Increase (decrease) in liabilities						
Accounts payable	7,358	103,648	111,006	85,125	3,415	199,546
Due to other governments	10,859	1,442	12,301	(1,906)	(232)	10,163
Accrued wages payable	892	9,304	10,196	5,721	4,939	20,856
Accrued compensated absences payable	(7,613)	80,177	72,564	(573)	10,745	82,736
Customer deposits payable	1,406	3,173	4,579	3,455	3,661	11,695
Unearned revenue	-	-	-	-	1,071	1,071
Other postemployment benefits payable	8	(3,188)	(3,180)	(1,258)	(2,577)	(7,015)
Net pension liability	(17,679)	(61,690)	(79,369)	(16,496)	(23,021)	(118,886)
Increase (decrease) in deferred inflows of resources						
Deferred other postemployment benefit resources	3,283	5,473	8,756	3,298	920	12,974
Deferred pension resources	(13,131)	(45,150)	(58,281)	(13,350)	(11,401)	(83,032)
Net Cash Provided (Used) by Operating Activities	\$ 945,967	\$ 2,132,482	\$ 3,078,449	\$ 2,184,715	\$ 372,140	\$ 5,635,304
Noncash Investing, Capital and Financing Activities						
Amortization of bond (premium) discount	\$ (36,974)	\$ -	\$ (36,974)	\$ (25,154)	\$ (21,823)	\$ (83,951)
Bond premium issued	\$ 40,967	\$ -	\$ 40,967	\$ -	\$ 32,173	\$ 73,140

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

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of New Prague (the City) operates under a home rule charter form of government. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and **significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.** The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. **These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government.** As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Included within the reporting entity:

City of New Prague Utilities Commission (PUC). The Commission's governing board is appointed by the City Council. Bond issuance authorizations also are approved by the City and the legal liability for the general obligation portion of the Commission's debt remains with the City. The PUC is not considered a component unit and its Water Utility and Electric Utility funds are reported as enterprise funds of the City.

City of New Prague Housing and Redevelopment Authority (HRA). The HRA was created by the City to carry out housing and redevelopment projects. The governing board is appointed by the City Council, the Council reviews and approves HRA tax levies and the City provides major community development financing for HRA activities. Debt issued for HRA activities are general obligations of the City. The HRA is a blended component unit reported as a Debt Service fund of the City.

City of New Prague Economic Development Authority (EDA). The EDA was created by the City to carry out economic development projects. Two of the seven-member board of commissioners are a City Council member and the Mayor while all other members are appointed by the Council. **The EDA's governing body does not have substantively the same board as the City, has no outstanding debt issued through the City, and does not provide services entirely to the City.** Therefore, the EDA is a discretely presented component unit presented as governmental activities.

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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as is done 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, intergovernmental revenues, charges for services, and interest on investments 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.

Note 1: Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

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

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

The *CIP 2025 fund* is used to account for the funding sources, including bond proceeds, and expenditures related to the completion of 2025 CIP projects.

The *Police Facility fund* is used to account for the funding sources, including bond proceeds, and expenditures related to the completion of the Police Facility project.

The City reports the following major proprietary funds:

The *Water Utility enterprise fund* accounts for costs associated with the City's water system to ensure that user charges are sufficient to pay for those costs.

The *Sewer Utility enterprise fund* accounts for the costs associated with the City's sewer system to ensure that user charges are sufficient to pay for those costs.

The *Electric Utility enterprise fund* accounts for the costs associated with the City's electric utility system to ensure that user charges are sufficient to pay for those costs.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payment in lieu of taxes, are similarly treated when they involve other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

Deposits and Investments

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

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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. Obligations 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 the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions **qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System** with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
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.

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; **Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 53 and are valued using quoted market prices (Level 1 inputs).**

Investment Policy

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

- ***Credit Risk.*** Credit risk 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 and the City's investment policy limit the City's investments to the list above.**
- ***Custodial Credit Risk.*** 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's investment policy does not address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.**

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

Note 1: Summary of Significant Accounting Policies (Continued)

- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a **government's investment in a single issuer. The City limits investments in any one institution, other than the U.S. Government or its agencies, to not more than \$2,000,000 or 30 percent of the total portfolio. The City has no concentrations greater than their own requirements in any one issuer.**
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of **an investment. In accordance with its investment policy, the City requires at least 5 percent of the City's** investment portfolio to be available on a daily basis without loss of principal. Also, no more than 30 percent of the portfolio should have maturities exceeding 3 years.

Property Taxes

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

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

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2025. All trade receivables are considered collectible and thus no allowance for uncollectible accounts exists.

Special Assessments

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

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."

Certain 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 financial resources.

Inventories

Inventories of the proprietary funds are stated at the lower of cost or market with cost determined on a first-in, first-out basis.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from that fund that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund as reductions of expenditures/expense in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursement are reported as transfers. Transfers were made when necessary to close various capital projects in accordance with the resolutions.

Land Held for Resale

Land is acquired by the City for subsequent resale for development purposes. Land held for resale is reported as an asset at lower of cost or market value in the fund that acquired it.

Capital Assets

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

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the historical costs have been accumulated beginning with the year-ended December 31, 1981. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the actual cost of the infrastructure to be capitalized by using available records). 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. Donated assets with an individual cost greater than \$5,000 and a useful life of greater than one year are recognized as capital assets.

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

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Infrastructure	15 - 20
Buildings and Improvements	7 - 40
Water and Sewer System	50
Furniture, Machinery and Equipment	5 - 15

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

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City also records sick time liability based on estimated future usage of sick hours. Compensated absences liability at year end is shown in the chart below for governmental and business-type activities:

	Governmental activities	Business-type activities	Total
Compensated absences	\$ 506,479	\$ 380,716	\$ 887,195

Other Postemployment Benefits

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during an open enrollment period or a qualifying life event prior to retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at January 1, 2025. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the interest rate 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 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

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

The total pension expense for the General Employee Plan (GERP), Police and Fire Plan (PEFPF), DCP and the New Prague Fire Relief Association is as follows:

	<u>GERP</u>	<u>PEFPF</u>	<u>PEDCP</u>	<u>FRA</u>	<u>Total</u>
City's proportionate share	\$ (74,958)	\$ 229,834	\$ 901	\$ (168,081)	\$ (12,304)
Proportionate share of State's contribution	(5,684)	15,846	-	-	10,162
Total pension expense	<u>\$ (80,642)</u>	<u>\$ 245,680</u>	<u>\$ 901</u>	<u>\$ (168,081)</u>	<u>\$ (2,142)</u>

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 City 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 four sources: property taxes, special assessments, grants and lease receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Fund Balance

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

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds. The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

Net Position

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

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to 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 that does **not meet the definition of "restricted" or "net investment in capital assets"**.

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and the Development Revolving Loan, 2016 Small Cities, 2017 Small Cities, and Crime Prevention special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

The City follows these 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 fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. The City Council may authorize transfer of budgeted amounts between departments within any fund.

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

Note 2: Stewardship, Compliance and Accountability (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General and special revenue funds. 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 mean that it will be spent. 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 Administrator, or between departments 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 are appropriated; (2) the expenditure is still necessary; (3) funds are available.
6. Budgeted amounts are as originally adopted, or as amended by the Council. There were no budget amendments made during the year.

B. Deficit Fund Balance

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

Fund	Amount
CIP 2026	\$ 14,285

The above deficit will be eliminated through future revenues, including long-term debt financing.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Minnesota Statutes require that all City deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, 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;

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

Note 3: Detailed Notes on All Funds (Continued)

- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

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

At year end, the City's carrying amount of deposits, bank balance, FDIC coverage and pledged collateral are shown in the chart below.

Carrying amount of deposits	\$ 12,603,071
Bank balance	\$ 12,806,187
Covered by FDIC	(12,600,598)
Collateralized with securities pledged in City's name	\$ 205,589

Investments

As of December 31, 2025, the City had the following investments that are insured or registered, or securities held by the City'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
Pooled Investments at Amortized Cost					
Broker Money Market Funds	N/A	less than 1 year	\$ 23,398,505		
Non-pooled Investments at Amortized Cost					
Money Market Funds	N/A	1 to 5 years	2,282,235		
Non-pooled Investments at Fair Value					
Government Agency Securities	AAA	less than 1 year	296,755	\$ 296,755	
Government Agency Securities	AAA	1 to 5 years	1,006,281	1,006,281	
Government Agency Securities	AAA	more than 5 years	599,252	599,252	
Municipal Securities	A1	1 to 5 years	101,143	101,143	
Municipal Securities	AA1	1 to 5 years	288,640	288,640	
Municipal Securities	AA2	less than 1 year	24,962	24,962	
Municipal Securities	AA2	1 to 5 years	255,502	255,502	
Municipal Securities	AA3	1 to 5 years	290,555	290,555	
Municipal Securities	AAA	1 to 5 years	201,678	201,678	
Municipal Securities	N/A	1 to 5 years	403,128	403,128	
U.S Treasury Notes	N/A	less than 1 year	5,497,182	-	\$ 5,497,182
Negotiable certificates of deposit	N/A	less than 1 year	634,430	-	634,430
Total Investments			\$ 35,280,248	\$ 3,467,896	\$ 6,131,612

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

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

N/A Indicates not applicable or available

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

Note 3: Detailed Notes on All Funds (Continued)

There were no investments measured at Level 3.

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

	Primary Government	Component Unit - EDA	Total
Deposits	\$ 11,679,788	\$ 923,283	\$ 12,603,071
Investments	35,280,248	-	35,280,248
Cash on Hand	2,400	-	2,400
Total Cash and Temporary Investments	<u>\$ 46,962,436</u>	<u>\$ 923,283</u>	<u>\$ 47,885,719</u>

Designated Cash and Investments

During 1991, the Commission designated cash and investments of \$1,400,000 for future capital projects. Each year the Commission intends to increase the accumulated reserve account by 3 percent. Designated investments as of December 31, 2025 are shown in the charts below. The 3 percent increase will only occur when there are sufficient funds in undesignated cash.

The Commission has also designated the Electric enterprise fund cash and investments for the following:

Electric Fund Designated Cash	
Future Capital Improvements	<u>\$ 2,604,064</u>

The City has also designated the Sewer Utility enterprise fund cash and investments for the following:

Sewer Utility Fund Designated Cash	
Membrane Cartage Replacement	<u>\$ 1,050,000</u>

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

Note 3: Detailed Notes on All Funds (Continued)

B. Notes Receivable

Primary Government

Notes receivable at December 31, 2025 consist of:

Primary Government

4.0 to 4.25 percent note receivable from the Rural Fire Department, payable in semiannual installments that are based on the City's 2007C CIP Plan Bonds through June 12, 2022. Annual obligations under this schedule vary between \$98,333 and \$121,667 per year. \$ 353,333

The City has made various economic development loans to businesses. These loans are receivable over 10 year period with interest at 2 percent. 22,325

The City issued loans under the Small Cities Development Program Grant through the Minnesota Department of Trade and Economic Development, these loans are made eligible business owners. These loans will be forgiven after five years as long as the owners remain in compliance with the loan terms.

Loan receivable balance	21,840
Allowance	<u>(21,840)</u>

Total Notes Receivable \$ 375,658

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

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 2,060,359	\$ -	\$ -	\$ 2,060,359
Construction in progress	5,192,202	7,789,633	(4,892,867)	8,088,968
Total Capital Assets not Being Depreciated	<u>7,252,561</u>	<u>7,789,633</u>	<u>(4,892,867)</u>	<u>10,149,327</u>
Capital Assets Being Depreciated				
Infrastructure	34,277,345	4,879,490	-	39,156,835
Land improvements	1,425,320	-	-	1,425,320
Buildings and improvements	8,065,512	-	-	8,065,512
Furniture and equipment	5,966,940	375,894	(119,704)	6,223,130
Total Capital Assets Being Depreciated	<u>49,735,117</u>	<u>5,255,384</u>	<u>(119,704)</u>	<u>54,870,797</u>
Less Accumulated Depreciation for				
Infrastructure	(23,028,811)	(1,390,821)	-	(24,419,632)
Land improvements	(779,704)	(57,627)	-	(837,331)
Buildings and improvements	(3,702,640)	(177,911)	-	(3,880,551)
Furniture and equipment	(4,098,222)	(340,113)	119,704	(4,318,631)
Total Accumulated Depreciation	<u>(31,609,377)</u>	<u>(1,966,472)</u>	<u>119,704</u>	<u>(33,456,145)</u>
Total Capital Assets Being Depreciated, Net	<u>18,125,740</u>	<u>3,288,912</u>	<u>-</u>	<u>21,414,652</u>
Governmental Activities Capital Assets, Net	<u>\$ 25,378,301</u>	<u>\$ 11,078,545</u>	<u>\$ (4,892,867)</u>	<u>\$ 31,563,979</u>

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

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 178,148	\$ -	\$ -	\$ 178,148
Construction in progress	755,291	3,781,136	(930,644)	3,605,783
Total Capital Assets not Being Depreciated	<u>933,439</u>	<u>3,781,136</u>	<u>(930,644)</u>	<u>3,783,931</u>
Capital Assets Being Depreciated				
Land improvements	910,290	-	-	910,290
Building and improvements	44,577,222	75,313	-	44,652,535
Infrastructure	44,057,941	747,032	-	44,804,973
Furniture and equipment	18,508,385	819,506	(184,637)	19,143,254
Total Capital Assets Being Depreciated	<u>108,053,838</u>	<u>1,641,851</u>	<u>(184,637)</u>	<u>109,511,052</u>
Less Accumulated Depreciation for				
Land improvements	(905,033)	(1,564)	-	(906,597)
Building and improvements	(24,285,136)	(942,333)	-	(25,227,469)
Infrastructure	(20,044,958)	(1,402,376)	-	(21,447,334)
Furniture and equipment	(12,028,894)	(1,012,414)	184,637	(12,856,671)
Total Accumulated Depreciation	<u>(57,264,021)</u>	<u>(3,358,687)</u>	<u>184,637</u>	<u>(60,438,071)</u>
Total Capital Assets Being Depreciated, Net	<u>50,789,817</u>	<u>(1,716,836)</u>	<u>-</u>	<u>49,072,981</u>
Business-type Activities Capital Assets, Net	<u>\$ 51,723,256</u>	<u>\$ 2,064,300</u>	<u>\$ (930,644)</u>	<u>\$ 52,856,912</u>

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

Governmental Activities		
General government		\$ 64,212
Public safety		225,786
Public works		1,466,311
Culture and recreation		<u>210,163</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 1,966,472</u>
Business-type Activities		
Water utility		\$ 542,713
Sewer utility		1,644,806
Storm utility		287,379
Electric utility		745,782
Golf		<u>138,007</u>
Total Depreciation Expense - Business-type Activities		<u>\$ 3,358,687</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Units

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets Being Depreciated				
Infrastructure	\$ 756,556	\$ -	\$ -	\$ 756,556
Less Accumulated Depreciation for				
Infrastructure	<u>(14,312)</u>	<u>(24,037)</u>	<u>-</u>	<u>(38,349)</u>
Business-type Activities Capital Assets, Net	<u>\$ 742,244</u>	<u>\$ (24,037)</u>	<u>\$ -</u>	<u>\$ 718,207</u>

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

Business-type Activities		
Economic Development		<u>\$ 24,037</u>

D. Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the year ended December 31, 2025 is as follows:

Funds	Transfer In				Total
	General	Debt Service	Nonmajor Governmental	Nonmajor Enterprise	
Transfer Out					
General	\$ -	\$ -	\$ -	\$ 29,819	\$ 29,819
Debt Service	-	-	17,363	-	17,363
Nonmajor					
Governmental	40,304	347,210	401,185	-	788,699
Enterprise					
Electric Utility	40,000	-	-	-	40,000
Nonmajor Enterprise	<u>207,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,567</u>
Total Transfers Out	<u>\$ 287,871</u>	<u>\$ 347,210</u>	<u>\$ 418,548</u>	<u>\$ 29,819</u>	<u>\$ 1,083,448</u>

During the year, the following unbudgeted transfers were made:

- From the nonmajor enterprise to the General fund to close the Ambulance fund
- From the nonmajor governmental funds to other nonmajor governmental funds to close the T.H. 19/11th Ave. Street capital project fund and 2009 CIP debt service fund
- Excess funding from the CIP 2022 capital project fund, nonmajor governmental fund, to the CIP 2020-2021 debt service fund
- Excess funding from the T.H. 19 Project capital project fund (nonmajor governmental) to the General Projects capital project fund (nonmajor governmental)

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

Note 3: Detailed Notes on All Funds (Continued)

E. Long-term Debt

General Obligation Bonds

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

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These obligations are being funded through ad valorem tax levies. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds of 2013B	\$ 4,185,000	2.00 - 2.55 %	08/21/13	12/01/28	<u>\$ 1,060,000</u>

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

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2026	\$ 345,000	\$ 25,470	\$ 370,470
2027	350,000	17,708	367,708
2028	<u>365,000</u>	<u>9,308</u>	<u>374,308</u>
Total	<u>\$ 1,060,000</u>	<u>\$ 52,485</u>	<u>\$ 1,112,485</u>

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

Note 3: Detailed Notes on All Funds (Continued)

G.O. Special Assessment (Improvement) Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2011	\$ 746,331	2.00 - 3.63 %	07/01/11	02/01/27	\$ 13,888
G.O. Improvement Bonds of 2014A	1,270,000	2.00 - 3.00	10/17/14	02/01/30	430,000
G.O. Improvement Bonds of 2015A	755,000	0.75 - 3.00	07/07/15	02/01/31	180,000
G.O. Improvement Bonds of 2019A	2,310,000	3.00 - 5.00	08/15/19	02/01/35	1,365,000
G.O. Refunding Bonds of 2020A	1,016,597	5.00	11/24/20	02/01/29	453,394
G.O. Improvement Bond 2021A	2,005,000	5.00	09/02/21	09/02/37	1,660,000
G.O. Improvement Bond 2022A	260,000	3.00 - 5.00	07/07/22	02/01/23	200,000
G.O. Improvement Bonds of 2023A	2,135,000	4.00 - 5.00	06/29/23	02/01/39	2,015,000
G.O. Improvement Bonds of 2024A	2,170,000	4.00 - 5.00	02/01/26	02/01/40	2,170,000
G.O. Improvement Bonds 2025B	3,685,000	4.00 - 5.00	05/22/25	02/01/41	3,685,000
EDA Lease 2025C	10,040,000	4.00 - 5.00	10/30/25	02/01/55	10,040,000
Total G.O. Special Assessment Bonds					<u>\$ 22,212,282</u>

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

Year Ending December 31,	G.O. Special Assessment Bonds		
	Governmental Activities		
	Principal	Interest	Total
2026	\$ 897,023	\$ 874,778	\$ 1,771,801
2027	1,017,691	906,719	1,924,410
2028	1,156,188	854,460	2,010,648
2029	1,156,380	800,321	1,956,701
2030	1,100,000	748,886	1,848,886
2031 - 2035	5,245,000	3,081,138	8,326,138
2036 - 2040	4,550,000	2,031,554	6,581,554
2040 - 2045	2,095,000	1,326,856	3,421,856
2046 - 2050	2,225,000	882,309	3,107,309
2051 - 2055	2,770,000	322,650	3,092,650
Total	<u>\$ 22,212,282</u>	<u>\$ 11,829,671</u>	<u>\$ 34,041,953</u>

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

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer Revenue					
Bonds of 2008 (PFA)	\$ 32,280,687	3.13 %	11/20/08	08/24/38	\$ 20,950,000
G.O. Improvement Bonds of 2011	488,669	2.00 - 3.625	07/01/11	02/01/27	76,112
G.O. Refunding Bonds of 2013B	680,000	2.00 - 2.55	08/21/13	12/01/28	40,000
G.O. Improvement Bonds of 2014A	430,000	2.00 - 3.00	10/17/14	02/01/30	175,000
G.O. Improvement Bonds of 2015A	245,000	0.75 - 3.00	07/07/15	02/01/31	110,000
G.O. Improvement Bonds of 2016A	160,000	2.05	10/20/16	02/01/27	35,000
G.O. Improvement Bonds of 2019A	520,000	3.00 - 5.00	08/15/19	02/01/35	390,000
G.O. Refunding Bonds of 2020A	1,228,403	5.00	11/24/20	02/01/29	491,603
G.O. Improvement Bonds of 2021A	3,460,000	5.00	09/02/21	09/02/37	2,940,000
G.O. Improvement Bonds of 2022A	625,000	3.00 - 5.00	07/07/22	02/01/28	520,000
G.O. Improvement Bonds of 2023A	1,310,000	4.00 - 5.00	06/29/23	02/01/39	1,250,000
G.O. Improvement Bonds of 2024A	2,000,000	4.00 - 5.00	06/06/24	02/01/40	2,000,000
G.O. Improvement Bonds 2025B	870,000	4.00 - 5.00	05/22/25	02/01/41	870,000
Total G.O. Revenue Bonds					<u>\$ 29,847,715</u>

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

Year Ending December 31,	G.O. Revenue Bonds		
	Principal	Interest	Total
2026	\$ 2,075,977	\$ 1,083,318	\$ 3,159,295
2027	2,084,310	993,641	3,077,951
2028	2,105,812	910,559	3,016,371
2029	2,129,620	827,365	2,956,985
2030	2,129,000	744,866	2,873,866
2031 - 2035	11,437,000	2,562,580	13,999,580
2036 - 2040	7,806,000	604,029	8,410,029
2041	79,996	1,600	81,596
Total	<u>\$ 29,847,715</u>	<u>\$ 7,727,958</u>	<u>\$ 37,575,673</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Revenue Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Golf Club Revenue Bonds Series 2016A	\$ 74,000	2.05 %	10/20/16	02/01/26	\$ 9,000
Golf Club Revenue Bonds Series 2022A	210,000	3.00 - 5.00	07/07/22	02/01/28	130,000
Golf Club Revenue Bonds Series 2024A	175,000	5.00	06/06/24	02/01/30	175,000
Golf Club Revenue Bonds Series 2025B	100,000	4.00 - 5.00	05/22/25	02/01/31	<u>100,000</u>
Total Revenue Bonds					<u>\$ 414,000</u>

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

Year Ending December 31,	Revenue Bonds		
	Business-type Activities		
	Principal	Interest	Total
2026	\$ 79,000	\$ 19,551	\$ 98,551
2027	100,000	14,250	114,250
2028	100,000	9,250	109,250
2029	55,000	5,375	60,375
2030	60,000	2,500	62,500
2031	20,000	500	20,500
Total	<u>\$ 414,000</u>	<u>\$ 51,426</u>	<u>\$ 465,426</u>

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments for the year ended December 31, 2025 are as follows:

	Water	Sewer	Storm Sewer	Golf
Revenues	\$ 2,555,243	\$ 4,651,333	\$ 481,492	\$ 1,324,124
Principal and Interest	464,239	2,383,847	227,003	77,008
Percentage of Revenues	18.2%	51.3%	47.1%	5.8%

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

Note 3: Detailed Notes on All Funds (Continued)

Indenture of Trust Payable (HRA)

The City's Housing and Redevelopment Authority (HRA) has participated in the financing of Phillip Square Apartment Project along with Scott County CDA. As part of the joint powers agreement in Section 2.2, the City HRA had pledged an annual payment of \$70,176 to the Phillip Square project commencing July 1, 2003 through January 1, 2036 to assist in the payment of the bonds issued by Scott County for the project. In 2020, \$593,232 of these bonds were refinanced and annual payments are now \$11,000.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Scott County CDA Indenture of Trust	\$ 165,000	- %	10/21/20	12/01/35	<u>\$ 110,000</u>

The annual debt service requirements to maturity for indenture of trust payable (HRA) are as follows:

Year Ending December 31,	Indenture of Trust Governmental Activities		
	Principal	Interest	Total
2026	\$ 11,000	\$ -	\$ 11,000
2027	11,000	-	11,000
2028	11,000	-	11,000
2029	11,000	-	11,000
2030	11,000	-	11,000
2031 - 2035	<u>55,000</u>	-	<u>55,000</u>
Total	<u>\$ 110,000</u>	<u>\$ -</u>	<u>\$ 110,000</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 1,400,000	\$ -	\$ (340,000)	\$ 1,060,000	\$ 345,000
General obligation special assessment bonds	9,292,749	13,725,000	(805,467)	22,212,282	897,023
Bond premiums	897,569	481,510	(107,946)	1,271,133	-
Total Bonds Payable	<u>11,590,318</u>	<u>14,206,510</u>	<u>(1,253,413)</u>	<u>24,543,415</u>	<u>1,242,023</u>
Indenture of Trust	121,000	-	(11,000)	110,000	11,000
Compensated Absences*	307,651	198,828	-	506,479	146,716
Governmental Activities Long-term Liabilities	<u><u>\$ 12,018,969</u></u>	<u><u>\$ 14,405,338</u></u>	<u><u>\$ (1,264,413)</u></u>	<u><u>\$ 25,159,894</u></u>	<u><u>\$ 1,399,739</u></u>
	<u>Ending Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 30,921,249	\$ 870,000	\$ (1,943,534)	\$ 29,847,715	\$ 2,075,976
Revenue bonds	373,000	100,000	(59,000)	414,000	79,000
Bond premiums	865,097	79,976	(83,951)	861,122	-
Total Bonds Payable	<u>32,159,346</u>	<u>1,049,976</u>	<u>(2,086,485)</u>	<u>31,122,837</u>	<u>2,154,976</u>
Compensated Absences*	305,136	75,580	-	380,716	110,478
Business-type Activities Long-term Liabilities	<u><u>\$ 32,464,482</u></u>	<u><u>\$ 1,125,556</u></u>	<u><u>\$ (2,086,485)</u></u>	<u><u>\$ 31,503,553</u></u>	<u><u>\$ 2,265,454</u></u>

*The City is presenting the change in compensated absences as a net change.

F. Segment Information for Enterprise Funds

The City maintains six enterprise funds which provide services to City residents. Segment information for the three nonmajor funds for the year ended December 31, 2025 is as follows:

	<u>Ambulance</u>	<u>Golf</u>	<u>Storm Water Utility</u>	<u>Total</u>
Operating Revenues	\$ 15,427	\$ 1,310,208	\$ 436,569	\$ 1,762,204
Depreciation Expense	-	138,007	287,379	425,386
Operating Income (Loss)	3,328	(88,406)	40,473	(44,605)
Income (Loss) Before Transfers and Contributions	8,077	(82,227)	203,399	129,249
Transfers in (Out)	-	29,819	-	29,819
Capital Asset Additions	-	322,305	491,564	813,869
Total Assets	-	1,491,907	6,323,931	7,815,838
Net Working Capital	-	(50,013)	1,389,646	1,339,633
Noncurrent Liabilities	-	478,473	2,050,408	2,528,881
Total Net Position	-	587,273	4,064,586	4,651,859

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.

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

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 \$323,841.** 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 \$232,453.** The City's contributions were equal to the required contributions as set by state statute.

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

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 \$1,536,135 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 \$37,056.

City's proportionate share of the net pension liability	\$	1,536,135
State of Minnesota's proportionate share of the net pension liability associated with the City		37,056
Total	\$	1,573,191

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 0.0463% at the end of the measurement period and 0.0477% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of negative \$74,958 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional negative \$5,684 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	\$ 146,361	\$ -
Changes in actuarial assumptions	37,012	353,460
Net difference between projected and actual investment earnings	-	611,243
Changes in proportion	68,290	133,662
Employer contributions subsequent to the measurement date	163,730	-
Total	\$ 415,393	\$ 1,098,365

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

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

The \$163,730 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		\$	(169,351)
2027			(337,366)
2028			(230,795)
2029			(109,190)

Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of \$944,738 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 0.0806% at the end of the measurement period and 0.0758% 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 \$32,749.

City's proportionate share of the net pension liability	\$	944,738
State of Minnesota's proportionate share of the net pension liability associated with the City		32,749
Total	\$	977,487

For the year ended December 31, 2025, the City recognized pension expense of \$229,834 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$15,846 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 \$7,257 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.

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

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	\$ 436,499	\$ -
Changes in actuarial assumptions	716,414	1,183,717
Net difference between projected and actual earnings on investments	-	421,650
Changes in proportion	101,502	28,131
Employer contributions subsequent to the measurement date	117,695	-
Total	\$ 1,372,110	\$ 1,633,498

The \$117,695 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	\$ 237,095
2027	(188,446)
2028	(448,504)
2029	(17,727)
2030	38,499

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 %	

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

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:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

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

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

G. Discount Rate

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

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

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

H. Pension Liability Sensitivity

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

	1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
General Employees Fund	\$ 3,731,031	\$ 1,536,135	\$ (244,419)
Police and Fire Fund	2,475,413	944,738	(312,188)

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.

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

Note 5: Public Employees Defined Contribution Plan

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

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		Required Rate
Employee	Employer	Employee	Employer	
\$ 901	\$ 901	5.00%	5.00%	5.00%

Note 6: Defined Benefit Pension Plans - Fire Relief Association

A. Plan Description

All members of the New Prague Fire Department (the Department) are covered by a defined benefit plan administered by the New Prague Fire Department Relief Association (the Association). As of December 31, 2024, the plan covered 30 active firefighters and 6 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.

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 firefighter 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.

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

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 \$148,549 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2025, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. **The City's statutorily-required contributions to the plan for the year ended December 31, 2025 were \$148,549. The City's contributions were equal to the required contributions as set by State Statute.** The City made no voluntary contributions to the plan. Furthermore, 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 (\$540,189) for the plan. The net pension liability (asset) was measured as of January 1, 2025. The total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by USI Consulting Group, applying an actuarial formula to specific census data certified by the Department as of January 1, 2025. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2025	\$ 1,070,660	\$ 1,372,611	\$ (301,951)
Changes for the Year			
Service cost	57,138	-	57,138
Interest cost	64,650	-	64,650
Assumption Changes	(20,710)	-	(20,710)
Nonemployer contributions	-	179,878	(179,878)
Projected investment return	-	84,734	(84,734)
Gain or loss	(26,495)	48,234	(74,729)
Benefit payments	(100,600)	(100,600)	-
Administrative costs	-	(25)	25
Total Net Changes	<u>(26,017)</u>	<u>212,221</u>	<u>(238,238)</u>
Ending Balance December 31, 2025	<u>\$ 1,044,643</u>	<u>\$ 1,584,832</u>	<u>\$ (540,189)</u>

For the year ended December 31, 2025, the City recognized negative pension expense of \$168,081.

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

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

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows 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	\$ 745	\$ 62,863
Changes in Actuarial Assumptions	4,244	49,370
Net Difference Between Projected and Actual Earnings on Plan Investments	9,142	-
Changes in proportion	-	-
State Aid to City Subsequent to the Measurement Date	148,549	-
Total	\$ 162,680	\$ 112,233

Deferred outflows of resources totaling \$148,549 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	\$ 2,581
2027	11,763
2028	(39,668)
2029	(25,372)
2030	(14,317)
Thereafter	(33,089)

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 100 percent service pension at age 50 and 20 years of service, early vested retirement at age 50 with 10 years of service vested at 60 percent and increased by 4 percent for each additional year of service up to 20 and eligibility for deferred service pension payable at age 50 and 20 years of service.

Salary Increases	2.50% per year
Investment Rate of Return	6.50%
20-Year Municipal Bond Yield	N/A

The following assumption changes were made: the discount rate changed from 6.00% to 6.50%.

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	7.00 %	3.30 %
Fixed Income	35.00	4.70
Equities	<u>58.00</u>	8.00
Total	<u><u>100.00</u></u> %	

F. Discount Rate

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

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:

	<u>City Proportionate Share of NPL</u>		
	<u>1 Percent Decrease (5.50%)</u>	<u>Current (6.50%)</u>	<u>1 Percent Increase (7.50%)</u>
Defined Benefit Plan	\$ (498,305)	\$ (540,189)	\$ (580,189)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report. The report may be obtained by writing to the New Prague Fire Department Relief Association, New Prague, MN 56044.

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

Note 7: Postemployment Benefits Other Than Pensions

A. Plan Description

The City operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the City's health insurance plan. The full cost of the benefits is covered by the retirees. Benefit and eligibility provisions are established through negotiations between the City and various unions representing City employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available report.

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	1
Active Plan Members	56
	56
Total Plan Members	57

B. Funding Policy

Contribution requirements are also negotiated between the City and union representatives. The City does not make any contributions to eligible retired plan members and their spouses.

For the year ended December 31, 2025, the City's average contribution rate was 3.41 percent of covered-employee payroll. For the fiscal year 2025, the City did not directly contribute to the plan, while implicit contributions totaled \$9,336. 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 \$179,775 was measured as of January 1, 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		4.20%
20-Year Municipal Bond Yield		4.20%
Inflation Rate		2.50%
Salary Increases		Service graded table
Medical Trend Rate	6.50% as of January 1, 2025 grading to 5.00% over 6 years and then to 4.00% over the next 48 years	

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.

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

The actuarial assumptions used in the 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.

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

Note 7: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at December 31, 2024	\$ 210,660
Changes for the Year	
Service Costs	19,572
Interest Costs	8,960
Assumption Changes	(13,118)
Differences between expected and actual experience	(33,704)
Benefit Payment	(12,595)
Net Changes	(30,885)
Balances at December 31, 2025	\$ 179,775

Since the prior measurement date, the following assumptions changed:

- 2025 - The health care trends were updated. The retirement, withdrawal, and salary increase rates for non-police were updated to reflect the latest experience study. The discount rate was changed from 4.00% to 4.20%.

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

- None

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

- None

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 3.2%	Discount Rate Current 4.2%	1 Percent Increase 5.2%
\$ 193,164	\$ 179,775	\$ 167,244

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 5.5% Decreasing to 4.0% then 3.0%	Healthcare Cost Trend Rates 6.5% Decreasing to 5.0% then 4.0%	1 Percent Increase 7.5% Decreasing to 6.0% then 5.0%
\$ 161,533	\$ 179,775	\$ 201,137

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

Note 7: Postemployment Benefits Other Than Pensions (Continued)

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 \$8,841. 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	\$ -	\$ 56,834
Changes in Actuarial Assumptions	2,044	24,623
Contributions Paid to OPEB Subsequent to the Measurement Date	9,336	-
Total	\$ 11,380	\$ 81,457

Deferred outflows of resources totaling \$9,336 related to OPEB resulting from the City's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability as of December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

2026	\$ (21,588)
2027	(21,587)
2028	(11,432)
2029	(11,429)
2030	(6,689)
Thereafter	(6,688)

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

Note 8: Other Information

A. Risk Management

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

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

B. Contingent Liabilities

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

C. Commitments and Contingencies

The PUC, together with 17 other member utilities, purchases power from Southern Minnesota Municipal Power Agency (SMMPA) under a Power Sales Contract which extends to April 1, 2050. In addition, on November 1, 1997, the PUC entered into a Capacity Purchase Agreement with SMMPA, whereby SMMPA is entitled to the exclusive use of the net electric generating capability of the Diesel Generating Facilities and the electric energy associated therewith. The agreement is cancelable by either party upon a five-year written notice. The first date of notice can be given by the SMMPA at any time. The first date of notice can be given by the PUC at any time after November 1, 2000. Under the terms of the agreement, SMMPA is responsible for all costs associated with operations, maintenance, repairs, and other liabilities of operating the diesel generating facilities.

The PUC has entered into an Amended and Restated Capacity Purchase Agreement dated December 1, 2000, with SMMPA under which the City operated the Plant for the benefit of and upon the direction of SMMPA. Such contract was an amendment and an extension of an earlier 1996 contract. Under the terms of these contracts, certain capital **improvements to the Plant (the "SMMPA additions") have been and will be made and owned by SMMPA.** Since 1995, SMMPA additions totaling \$3,390,873 have been made by SMMPA, the depreciated value of which is \$799,217. If the contract is terminated by the PUC, the PUC is obligated to purchase the SMMPA additions from SMMPA at their then depreciated cost and to pay SMMPA for the then depreciated value of Unit #6 of the Plant, as scheduled in the contract. Otherwise, SMMPA has the right, but not the obligation, to remove the SMMPA additions at the termination of the contract.

D. Legal Debt Margin

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

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

Note 8: Other Information (Continued)

E. Agreement with the New Prague Public Utilities Commission (PUC)

During 1990, an agreement between the PUC and the City Council states that the PUC shall transfer \$40,000 to the City, which represents payment in lieu of taxes. In addition, the PUC incurred the following costs for various departments of the City:

	2025	2024
Maintaining Street Lights and Signals	\$ 38,620	\$ 45,660
Capital - Street Lighting	29,126	58,720
Other Services	12,924	4,333
 Total Costs	 \$ 80,670	 \$ 108,713

F. Joint Venture - SCALE

The City and all Scott County cities have joined with Scott County to create a public safety training facility. The facility is to be located at the former alternative county jail site north of Jordan. **The City's annual obligation toward the facility is \$8,982.**

G. Tax Increment Districts

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

H. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2025 was \$1,185,369. This accounted for 16 percent of General fund revenues.

I. Joint Powers Agreement

The City and the Independent School District No. 721 (the District) amended and restated their joint powers agreement on September 17, 2018 regarding the construction and operation of the indoor pool and Fitness Center facility located at the Central Education Campus; along with the operations of the outdoor pool facility on Lexington and the operations of the summer recreation program. Per the agreement, the City will be invoiced for half of any operating losses for the prior fiscal year. In 2025 the City paid their portion of the loss totaling \$171,685.

J. Service Territory Agreement

The PUC entered into Service Territory Agreement with Minnesota Valley Electric Cooperative (MVEC) to provide electric service to all customers within the City limits, of which, some were previously served by MVEC. The PUC purchased the facilities in 2018 and will annually pay MVEC a loss of revenue payment of \$0.02716 times each kilowatt hour of electric energy sold by the PUC. The payment made in fiscal year 2025 to MVEC was \$421,338.

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

Note 9: Adjustments to and Restatements of Beginning Balances

Change within Major and Nonmajor Fund Reporting

During 2025, the 2024 CIP fund was determined to be a nonmajor fund while the 2025 CIP and Police Facility fund were determined to be major. The effects of the changes within the financial reporting entity are shown in the financial statements above.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEW PRAGUE
NEW PRAGUE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.0464 %	\$ 1,536,135	\$ 37,056	\$ 1,573,191	\$ 4,198,229	36.6 %	90.8 %
6/30/2024	0.0477	1,765,010	45,640	1,810,650	4,040,713	43.7	86.7
6/30/2023	0.0496	2,773,577	76,358	2,849,935	3,925,371	70.7	83.1
6/30/2022	0.0462	3,659,055	107,149	3,766,204	3,454,201	105.9	76.7
6/30/2021	0.0448	1,913,161	58,591	1,971,752	3,355,684	57.0	87.0
6/30/2020	0.0430	2,578,047	79,451	2,657,498	2,940,549	87.7	79.1
6/30/2019	0.0413	2,283,384	70,997	2,354,381	2,920,424	78.2	80.2
6/30/2018	0.0422	2,341,083	76,820	2,417,903	2,838,209	82.5	79.5
6/30/2017	0.0415	2,649,332	-	2,649,332	2,678,131	98.9	75.9
6/30/2016	0.0413	3,353,355	-	3,353,355	2,556,248	131.2	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	\$ 323,841	\$ 323,841	\$ -	\$ 4,317,878	7.50 %
12/31/2024	306,174	306,174	-	4,082,322	7.50
12/31/2023	296,153	296,153	-	3,948,712	7.50
12/31/2022	271,681	271,681	-	3,622,406	7.50
12/31/2021	258,977	258,977	-	3,453,031	7.50
12/31/2020	236,832	236,832	-	3,157,764	7.50
12/31/2019	227,229	227,229	-	3,029,706	7.50
12/31/2018	214,780	214,780	-	2,863,722	7.50
12/31/2017	205,361	205,361	-	2,738,159	7.50
12/31/2016	197,159	197,159	-	2,628,794	7.50

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

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

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

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

2023 - The investment return 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 2.50 percent for inflation.

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

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

Changes in Plan Provisions

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

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

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

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

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

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

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

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

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

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

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

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.0806 %	\$ 944,738	\$ 32,749	\$ 977,487	\$ 1,223,733	77.2 %	91.8 %
6/30/2024	0.0758	997,701	38,032	1,035,733	1,050,127	95.0	90.2
6/30/2023	0.0777	1,341,778	54,095	1,395,873	1,020,876	131.4	86.5
6/30/2022	0.0754	3,281,110	143,348	3,424,458	916,031	358.2	70.5
6/30/2021	0.0721	556,536	25,007	581,543	885,240	62.9	93.7
6/30/2020	0.0741	976,717	23,026	999,743	803,664	121.5	87.2
6/30/2019	0.0713	759,061	-	759,061	752,686	100.8	89.3
6/30/2018	0.0690	735,469	-	735,469	727,088	101.2	88.8
6/30/2017	0.0720	972,086	-	972,086	741,712	131.1	85.4
6/30/2016	0.0680	2,728,958	-	2,728,958	657,659	415.0	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	\$ 232,453	\$ 232,453	\$ -	\$ 1,313,293	17.70 %
12/31/2024	196,692	196,692	-	1,111,254	17.70
12/31/2023	177,395	177,395	-	1,002,233	17.70
12/31/2022	170,146	170,146	-	961,276	17.70
12/31/2021	159,948	159,948	-	903,663	17.70
12/31/2020	150,077	150,077	-	847,891	17.70
12/31/2019	134,539	134,539	-	793,738	16.95
12/31/2018	118,485	118,485	-	731,387	16.20
12/31/2017	120,459	120,459	-	743,572	16.20
12/31/2016	113,183	113,183	-	698,658	16.20

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

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

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

2024 - 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.

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

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

Changes in Plan Provisions

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

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

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

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

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

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

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

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

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

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

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

City of New Prague, 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 2023)	2023 (Fire Relief Report Date 2022)	2022 (Fire Relief Report Date 2021)	2021 (Fire Relief Report Date 2020)	2020 (Fire Relief Report Date 2019)	2019 (Fire Relief Report Date 2018)	2018 (Fire Relief Report Date 2017)	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)
Total Pension Liability										
Service cost	\$ 57,138	\$ 55,744	\$ 59,794	\$ 52,713	\$ 57,911	\$ 56,499	\$ 58,185	\$ 56,766	\$ 49,482	\$ 50,930
Interest cost	64,650	62,981	56,420	46,357	44,169	46,208	41,189	43,689	49,553	43,697
Assumption changes	(20,710)	-	(20,948)	-	(17,732)	-	(17,603)	-	42,449	-
Plan changes	-	-	-	88,063	-	-	-	-	-	-
Changes of benefit terms	-	-	-	-	-	-	-	-	90,272	-
Gain or loss	(26,495)	-	(25,362)	-	(36,864)	-	2,054	-	(11,693)	-
Benefit payments, including refunds of employee contributions	(100,600)	(84,000)	-	(22,472)	(143,174)	(146,600)	-	(314,875)	-	(75,250)
Net Change in Total Pension Liability	(26,017)	34,725	69,904	164,661	(95,690)	(43,893)	83,825	(214,420)	220,063	19,377
Total Pension Liability - January 1	1,070,660	1,035,935	966,031	801,370	897,060	940,953	857,128	1,071,548	851,485	832,108
Total Pension Liability - December 31 (A)	\$ 1,044,643	\$ 1,070,660	\$ 1,035,935	\$ 966,031	\$ 801,370	\$ 897,060	\$ 940,953	\$ 857,128	\$ 1,071,548	\$ 851,485
Plan Fiduciary Net Position										
Nonemployer contributions	\$ 179,878	\$ 117,174	\$ 103,406	\$ 96,262	\$ 94,261	\$ 87,728	\$ 82,430	\$ 84,276	\$ 80,395	\$ 79,903
Contributions - employee	-	-	-	-	-	-	-	-	-	-
Projected investment return	84,734	72,720	73,040	61,416	50,641	46,039	43,673	43,128	54,623	52,893
Gain or Loss	48,234	71,450	(257,167)	61,346	40,914	100,036	(105,168)	43,225	-	-
Net investment income	-	-	-	-	-	-	-	-	(14,114)	(63,941)
Benefit payments, including refunds of employee contributions	(100,600)	(84,000)	-	(22,472)	(143,174)	(146,600)	-	(314,875)	-	(75,250)
Administrative expense	(25)	(290)	(25)	(25)	(267)	(30)	-	(306)	-	(44)
Net Change in Plan Fiduciary Net Position	212,221	177,054	(80,746)	196,527	42,375	87,173	20,935	(144,552)	120,904	(6,439)
Plan Fiduciary Net Position - January 1	1,372,611	1,195,557	1,276,303	1,079,776	1,037,401	950,228	929,293	1,073,845	952,941	959,380
Plan Fiduciary Net Position - December 31 (B)	\$ 1,584,832	\$ 1,372,611	\$ 1,195,557	\$ 1,276,303	\$ 1,079,776	\$ 1,037,401	\$ 950,228	\$ 929,293	\$ 1,073,845	\$ 952,941
Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)	\$ (540,189)	\$ (301,951)	\$ (159,622)	\$ (310,272)	\$ (278,406)	\$ (140,341)	\$ (9,275)	\$ (72,165)	\$ (2,297)	\$ (101,456)
Plan Fiduciary Net Position As a Percentage of the total pension liability (b/a)	151.71%	128.20%	115.41%	132.12%	134.74%	115.64%	100.99%	108.42%	100.21%	111.92%
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) As a Percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Schedule is intended to show 10-year trend.

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

Notes to the Required Supplementary Information – Fire Relief Association

Changes in Actuarial Assumptions

2025 - The discount rate changed from 6.00% to 6.50%

2024 - None

2023 – The discount rate changed from 5.50% to 6.00%

2022 - None

2021 - The discount Rate changed from 5.00% to 5.50%

2020 - None

2019 – The discount Rate changed from 4.50% to 5.00%

2018 - None

2017 - None

2016 - None

Changes in Plan Provisions

2025 - None

2024 - None

2023 - None

2022 - None

2021 - None

2020 - None

2019 - None

2018 - None

2017 - None

2016 - None

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service Costs	\$ 19,572	\$ 17,414	\$ 16,907	\$ 18,569	\$ 18,028	\$ 15,170	\$ 14,728	12,262	11,905
Interest Costs	8,960	8,275	4,581	4,420	10,740	10,533	7,270	6,880	6,560
Assumption Changes	(13,118)	-	(23,414)	-	7,159	-	583	-	-
Differences between expected and actual experience	(33,704)	-	(9,784)	-	(78,250)	-	78,064	-	-
Benefit Payment	(12,595)	(8,917)	(12,991)	(13,593)	(25,913)	(20,378)	(10,154)	(12,523)	(8,319)
Net Change in Total OPEB Liability	(30,885)	16,772	(24,701)	9,396	(68,236)	5,325	90,491	6,619	10,146
Total OPEB Liability - Beginning	210,660	193,888	218,589	209,193	277,429	272,104	181,613	174,994	164,848
Total OPEB Liability - Ending	<u>\$ 179,775</u>	<u>\$ 210,660</u>	<u>\$ 193,888</u>	<u>\$ 218,589</u>	<u>\$ 209,193</u>	<u>\$ 277,429</u>	<u>\$ 272,104</u>	<u>\$ 181,613</u>	<u>\$ 174,994</u>
Covered - Employee Payroll	\$ 5,269,139	\$ 4,553,007	\$ 4,420,395	\$ 4,135,624	\$ 4,014,878	\$ 3,581,627	\$ 3,477,308	\$ 3,337,280	\$ 3,240,078
City's total OPEB liability as a percentage of covered employee payroll	3.41 %	4.63 %	4.39 %	5.29 %	5.21 %	7.75 %	7.83 %	5.44	5.40 %

Changes in assumptions:

2025 - The health care trends were updated. The retirement, withdrawal, and salary increase rates for non-police were updated to reflect the latest experience study. The discount rate was changed from 4.00% to 4.20%.

2024 - None

2023 - The health care trend rates and mortality tables were updated. The retirement, withdrawal, and salary increase rates for public safety employees were updated. The inflation rate was changed from 2.00% to 2.50%. The discount rate was changed from 2.00% to 4.00%

2022 - None

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

2020 - None

2019 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2018

2018 - Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel). The retirement and withdrawal tables for Police and Fire Personnel were updated.

Changes in Plan Provisions:

• None

Changes in benefits:

• None

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

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

Schedule of Employer’s Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/25	\$ 148,549	\$ 148,549	\$ -
12/31/24	128,878	128,878	-
12/31/23	116,174	116,174	-
12/31/22	103,406	103,406	-
12/31/21	95,262	95,262	-
12/31/20	91,261	91,261	-
12/31/19	85,728	85,728	-
12/31/18	82,430	82,430	-
12/31/17	80,276	80,276	-
12/31/16	79,903	79,903	-

Note: Schedule is intended to show 10-year trend.

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

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Taxes	\$ 4,328,585	\$ 4,323,122	\$ (5,463)
Special assessments	-	14,126	14,126
Licenses and permits	255,680	419,147	163,467
Intergovernmental	1,650,965	1,823,777	172,812
Charges for services	118,767	130,011	11,244
Fines and forfeits	25,000	15,361	(9,639)
Interest earnings	89,145	522,494	433,349
Miscellaneous	269,500	148,725	(120,775)
Total Revenues	<u>6,737,642</u>	<u>7,396,763</u>	<u>659,121</u>
Expenditures			
Current			
General government	1,386,927	1,308,663	78,264
Public safety	2,957,525	2,973,203	(15,678)
Public works	1,118,546	979,425	139,121
Culture and recreation	831,421	803,426	27,995
Miscellaneous	57,000	201,720	(144,720)
Capital outlay			
General government	135,000	192,487	(57,487)
Public safety	106,000	187,070	(81,070)
Public works	265,000	78,447	186,553
Culture and recreation	123,626	111,425	12,201
Total Expenditures	<u>6,981,045</u>	<u>6,835,866</u>	<u>145,179</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(243,403)</u>	<u>560,897</u>	<u>804,300</u>
Other Financing Sources (Uses)			
Sale of assets	-	3,807	3,807
Insurance recoveries	5,000	70,817	65,817
Transfers in	80,304	287,871	207,567
Transfers out	(29,819)	(29,819)	-
Total Other Financing Sources (Uses)	<u>55,485</u>	<u>332,676</u>	<u>277,191</u>
Net Change in Fund Balances	(187,918)	893,573	1,081,491
Fund Balances, January 1	<u>6,122,325</u>	<u>6,122,325</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 5,934,407</u>	<u>\$ 7,015,898</u>	<u>\$ 1,081,491</u>

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

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

Notes to the Required Supplementary Information – Budgetary Reporting

A. Budgetary Comparison Schedule

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

B. Summary of Significant Budget Variances

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

Revenues

- Licenses and permits exceeded final budgets due to revenue received from the Bohemia Flats license and permits received in 2025.
- State grants exceeded final budget amounts due to police training aid coming in over budget.
- Interest earnings exceeded final budget due to conservative budgeting based on market uncertainty.

Expenditures

- Expenditures for the fire department came in over budget due to grant-related expenditures.
- Public works expenditures came in under budget due to reduced personnel and snow removal costs.
- Miscellaneous expenditures were over budget due to a payment to Le Sueur County for development costs.

C. Budgetary Compliance

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

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF NEW PRAGUE
NEW PRAGUE, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and temporary investments	\$ 1,209,187	\$ 3,490,209	\$ 4,699,396
Receivables			
Accounts	1,332	-	1,332
Notes	22,325	-	22,325
Special assessments	-	259,868	259,868
Intergovernmental	-	274,365	274,365
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,232,844</u>	<u>\$ 4,024,442</u>	<u>\$ 5,257,286</u>
Liabilities			
Accounts payable	\$ -	\$ 130,433	\$ 130,433
Unearned revenue	-	28,080	28,080
Total Liabilities	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	259,868	259,868
Unavailable revenue - grants	-	274,365	274,365
Total Deferred Inflows of Resources	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>
Fund Balances			
Restricted for			
Economic development	1,094,705	-	1,094,705
Park improvements	-	9,836	9,836
Committed for			
Upgrades	-	70,451	70,451
Assigned for			
Economic development	78,155	-	78,155
Crime prevention	59,984	-	59,984
Capital projects	-	2,766,226	2,766,226
Equipment	-	160,924	160,924
Park improvements	-	338,544	338,544
Unassigned	-	(14,285)	(14,285)
Total Fund Balances	<u> </u>	<u> </u>	<u> </u>
	<u>1,232,844</u>	<u>3,331,696</u>	<u>4,564,540</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances			
	<u>\$ 1,232,844</u>	<u>\$ 4,024,442</u>	<u>\$ 5,257,286</u>

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

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ -	\$ 40,304	\$ 40,304
Charges for services	7,753	121,143	128,896
Fines and forfeits	49	-	49
Investment earnings	28,003	175,989	203,992
Miscellaneous	499	-	499
Total Revenues	<u>36,304</u>	<u>337,436</u>	<u>373,740</u>
Expenditures			
Current			
Public safety	10,128	-	10,128
Public works	-	2,162	2,162
Capital outlay			
Public works	-	238,845	238,845
Culture and recreation	-	5,000	5,000
Total Expenditures	<u>10,128</u>	<u>246,007</u>	<u>256,135</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>26,176</u>	<u>91,429</u>	<u>117,605</u>
Other Financing Sources (Uses)			
Transfers in	-	418,548	418,548
Transfers out	-	(788,699)	(788,699)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(370,151)</u>	<u>(370,151)</u>
Net Change in Fund Balances	<u>26,176</u>	<u>(278,722)</u>	<u>(252,546)</u>
Fund Balances, January 1 as Previously Reported	1,206,668	2,898,654	4,105,322
Change within Financial Reporting Entity (Note 9)			
Change from major to nonmajor fund	-	202,980	202,980
Change from nonmajor to major fund	-	508,784	508,784
Fund Balances, January 1 as Adjusted	<u>1,206,668</u>	<u>3,610,418</u>	<u>4,817,086</u>
Fund Balances, December 31	<u>\$ 1,232,844</u>	<u>\$ 3,331,696</u>	<u>\$ 4,564,540</u>

City of New Prague, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Net Position
December 31, 2025

	Business-type Activities - Enterprise Funds			
	651	603	606	Totals
	Ambulance	Golf	Storm Water Utility	
Assets				
Current Assets				
Cash and temporary investments	\$ -	\$ 241,495	\$ 1,550,276	\$ 1,791,771
Receivables				
Accounts	-	8,857	33,723	42,580
Intergovernmental	-	-	2,204	2,204
Inventories	-	62,816	-	62,816
Total Current Assets	-	313,168	1,586,203	1,899,371
Noncurrent Assets				
Capital assets				
Land improvements	-	910,290	-	910,290
Buildings and structures	-	1,094,511	-	1,094,511
Infrastructure	-	-	8,777,601	8,777,601
Machinery and equipment	-	1,978,476	29,296	2,007,772
Construction in progress	-	-	515,439	515,439
Less accumulated depreciation	-	(2,804,538)	(4,584,608)	(7,389,146)
Total capital assets	-	1,178,739	4,737,728	5,916,467
Total Assets	-	1,491,907	6,323,931	7,815,838
Deferred Outflows of Resources				
Deferred other postemployment benefit resources	-	409	158	567
Deferred pension resources	-	32,270	7,149	39,419
Total Deferred Outflows of Resources	-	32,679	7,307	39,986
Liabilities				
Current Liabilities				
Accounts payable	-	27,619	1,397	29,016
Due to other governments	-	3,080	-	3,080
Accrued interest payable	-	8,847	37,427	46,274
Accrued wages payable	-	10,187	2,155	12,342
Accrued compensated absences payable	-	9,616	-	9,616
Customer deposits payable	-	70,253	-	70,253
Unearned revenue	-	154,164	-	154,164
Other postemployment benefits	-	415	159	574
Bonds payable - current	-	79,000	155,419	234,419
Total Current Liabilities	-	363,181	196,557	559,738
Noncurrent Liabilities				
Accrued compensated absences payable	-	9,196	-	9,196
Bonds payable - net of current portion	-	363,244	2,022,699	2,385,943
Net pension liability	-	99,987	25,394	125,381
Other postemployment benefits	-	6,046	2,315	8,361
Total Noncurrent Liabilities	-	478,473	2,050,408	2,528,881
Total Liabilities	-	841,654	2,246,965	3,088,619
Deferred Inflows of Resources				
Deferred other postemployment benefit resources	-	2,928	1,120	4,048
Deferred pension resources	-	92,731	18,567	111,298
Total Deferred Inflows of Resources	-	95,659	19,687	115,346
Net Position				
Net investment in capital assets	-	736,495	2,559,610	3,296,105
Unrestricted	-	(149,222)	1,504,976	1,355,754
Total Net Position	\$ -	\$ 587,273	\$ 4,064,586	\$ 4,651,859

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

	Business-type Activities - Enterprise Funds			
	651	603	606	Totals
	Ambulance	Golf	Storm Water Utility	
Operating Revenues				
Sales	\$ -	\$ 567,493	\$ -	\$ 567,493
Cost of sales	-	(271,872)	-	(271,872)
Gross profit	-	295,621	-	295,621
Charges for services	-	1,014,087	436,569	1,450,656
Miscellaneous	15,427	500	-	15,927
Total Operating Revenues	<u>15,427</u>	<u>1,310,208</u>	<u>436,569</u>	<u>1,762,204</u>
Operating Expenses				
Salaries and benefits	-	767,742	89,924	857,666
Supplies	390	246,784	589	247,763
Other services and charges	8,908	148,065	18,204	175,177
Insurance	2,801	14,348	-	17,149
Utilities	-	83,668	-	83,668
Depreciation	-	138,007	287,379	425,386
Total Operating Expenses	<u>12,099</u>	<u>1,398,614</u>	<u>396,096</u>	<u>1,806,809</u>
Operating Income (Loss)	<u>3,328</u>	<u>(88,406)</u>	<u>40,473</u>	<u>(44,605)</u>
Nonoperating Revenues (Expenses)				
Intergovernmental	-	-	195,506	195,506
Investment income	4,749	13,916	44,923	63,588
Gain (loss) on disposal of capital assets	-	10,000	-	10,000
Amortization of bond premium	-	4,576	17,247	21,823
Bond issuance costs	-	(2,513)	(12,954)	(15,467)
Interest expense	-	(19,800)	(81,796)	(101,596)
Total Nonoperating Revenues (Expenses)	<u>4,749</u>	<u>6,179</u>	<u>162,926</u>	<u>173,854</u>
Income (Loss) Before Transfers	8,077	(82,227)	203,399	129,249
Transfers In	-	29,819	-	29,819
Transfers Out	<u>(207,567)</u>	<u>-</u>	<u>-</u>	<u>(207,567)</u>
Change in Net Position	(199,490)	(52,408)	203,399	(48,499)
Net Position, January 1	<u>199,490</u>	<u>639,681</u>	<u>3,861,187</u>	<u>4,700,358</u>
Net Position, December 31	<u>\$ -</u>	<u>\$ 587,273</u>	<u>\$ 4,064,586</u>	<u>\$ 4,651,859</u>

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

	Business-type Activities - Enterprise Funds			
	651	603	606	Totals
	Ambulance	Golf	Storm Water Utility	
Cash Flows from Operating Activities				
Receipts from customers	\$ -	\$ 1,585,631	\$ 431,584	\$ 2,017,215
Payments to suppliers and vendors	(12,652)	(751,999)	(18,283)	(782,934)
Payments to and on behalf of employees	-	(788,208)	(88,163)	(876,371)
Other receipts	13,730	500	-	14,230
Net Cash Provided (Used) by Operating Activities	<u>1,078</u>	<u>45,924</u>	<u>325,138</u>	<u>372,140</u>
Cash Flows from				
Noncapital Financing Activities				
State grants received	-	-	195,506	195,506
Transfers in from other funds	-	29,819	-	29,819
Transfers out from other funds	(207,567)	-	-	(207,567)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(207,567)</u>	<u>29,819</u>	<u>195,506</u>	<u>17,758</u>
Cash Flows from Capital Financing Activities				
Acquisition and construction of capital assets	-	(322,305)	(491,564)	(813,869)
Proceeds from the disposal of capital assets	-	10,000	-	10,000
Proceeds from debt instruments, net of discounts/premiums	-	106,836	417,173	524,009
Principal paid on debt instruments	-	(59,000)	(145,207)	(204,207)
Interest paid on debt instruments	-	(18,008)	(81,796)	(99,804)
Issuance costs paid on debt instruments	-	(2,513)	(12,954)	(15,467)
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>(284,990)</u>	<u>(314,348)</u>	<u>(599,338)</u>
Cash Flows from Investing Activities				
Interest received	<u>4,749</u>	<u>13,916</u>	<u>44,923</u>	<u>63,588</u>
Net Increase (Decrease) In Cash and Cash Equivalents	(201,740)	(195,331)	251,219	(145,852)
Cash and Cash Equivalents, January 1	<u>201,740</u>	<u>436,826</u>	<u>1,299,057</u>	<u>1,937,623</u>
Cash and Cash Equivalents, December 31	<u>\$ -</u>	<u>\$ 241,495</u>	<u>\$ 1,550,276</u>	<u>\$ 1,791,771</u>

City of New Prague, Minnesota
Nonmajor Proprietary Funds
Combining Statements of Cash Flows (Continued)
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds			
	651	603	606	Totals
	Ambulance	Golf	Storm Water Utility	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 3,328	\$ (88,406)	\$ 40,473	\$ (44,605)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	138,007	287,379	425,386
(Increase) decrease in assets				
Accounts receivable	-	(2,378)	(4,958)	(7,336)
Due from other governments	-	-	(27)	(27)
Inventories	-	9,512	-	9,512
(Increase) decrease in deferred outflows of resources				
Deferred other postemployment benefit resources	-	663	240	903
Deferred pension resources	-	448	339	787
Increase (decrease) in liabilities				
Accounts payable	(49)	2,954	510	3,415
Due to other governments	(504)	272	-	(232)
Accrued wages payable	-	3,813	1,126	4,939
Accrued compensated absences payable	-	3,589	7,156	10,745
Customer deposits payable	-	3,661	-	3,661
Unearned revenue	(1,697)	2,768	-	1,071
Other postemployment benefit resources	-	(1,937)	(640)	(2,577)
Net pension liability	-	(19,240)	(3,781)	(23,021)
Increase (decrease) in deferred inflows of resources				
Deferred other postemployment benefit resources	-	646	274	920
Deferred pension resources	-	(8,448)	(2,953)	(11,401)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,078</u>	<u>\$ 45,924</u>	<u>\$ 325,138</u>	<u>\$ 372,140</u>
Noncash Financing Activities				
Amortization of bond (premium) discount	<u>\$ -</u>	<u>\$ (4,576)</u>	<u>\$ (17,247)</u>	<u>\$ (21,823)</u>
Bond premium issued	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,173</u>	<u>\$ 32,173</u>

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

	203	204	206	207
	Development Revolving Loan	Small Cities Grant	Economic Development	2016 Small Cities Project
Assets				
Cash and temporary investments	\$ 178,155	\$ 32,732	\$ 243,668	\$ 180,868
Receivables				
Accounts	-	1,332	-	-
Notes	-	-	-	22,325
Total Assets	<u>\$ 178,155</u>	<u>\$ 34,064</u>	<u>\$ 243,668</u>	<u>\$ 203,193</u>
Fund Balances				
Restricted for				
Economic development	\$ 100,000	\$ 34,064	\$ 243,668	\$ 203,193
Assigned for				
Economic development	78,155	-	-	-
Crime prevention	-	-	-	-
Total Fund Balances	<u>\$ 178,155</u>	<u>\$ 34,064</u>	<u>\$ 243,668</u>	<u>\$ 203,193</u>

208	233	
<u>2017 Small Cities Project</u>	<u>Crime Prevention</u>	<u>Total Nonmajor</u>
\$ 513,780	\$ 59,984	\$ 1,209,187
-	-	1,332
<u>-</u>	<u>-</u>	<u>22,325</u>
<u><u>\$ 513,780</u></u>	<u><u>\$ 59,984</u></u>	<u><u>\$ 1,232,844</u></u>
\$ 513,780	\$ -	\$ 1,094,705
-	-	78,155
<u>-</u>	<u>59,984</u>	<u>59,984</u>
<u><u>\$ 513,780</u></u>	<u><u>\$ 59,984</u></u>	<u><u>\$ 1,232,844</u></u>

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

	203 Development Revolving Loan	204 Small Cities Grant	206 Economic Development	207 2016 Small Cities Project
Revenues				
Charges for services				
Public safety	\$ -	\$ -	\$ -	\$ -
Fines and forfeits	-	-	-	-
Investment earnings	4,679	179	2,896	1,805
Miscellaneous				
Other	-	-	-	499
Total Revenues	<u>4,679</u>	<u>179</u>	<u>2,896</u>	<u>2,304</u>
Expenditures				
Current				
Public safety	-	-	-	-
Net Change in Fund Balances	4,679	179	2,896	2,304
Fund Balances, January 1	<u>173,476</u>	<u>33,885</u>	<u>240,772</u>	<u>200,889</u>
Fund Balances, December 31	<u><u>\$ 178,155</u></u>	<u><u>\$ 34,064</u></u>	<u><u>\$ 243,668</u></u>	<u><u>\$ 203,193</u></u>

208	233	
<u>2017 Small Cities Project</u>	<u>Crime Prevention</u>	<u>Total Nonmajor</u>
\$ -	\$ 7,753	\$ 7,753
-	49	49
17,720	724	28,003
<u>-</u>	<u>-</u>	<u>499</u>
17,720	8,526	36,304
<u>-</u>	<u>10,128</u>	<u>10,128</u>
17,720	(1,602)	26,176
<u>496,060</u>	<u>61,586</u>	<u>1,206,668</u>
<u><u>\$ 513,780</u></u>	<u><u>\$ 59,984</u></u>	<u><u>\$ 1,232,844</u></u>

City of New Prague, Minnesota
 Development Revolving Loan Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Investment earnings	\$ 100	\$ 4,679	\$ 4,579
Fund Balances, January 1	<u>173,476</u>	<u>173,476</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 173,576</u>	<u>\$ 178,155</u>	<u>\$ 4,579</u>

City of New Prague, Minnesota
 2016 Small Cities Project Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Investment earnings	\$ 100	\$ 1,805	\$ 1,705
Miscellaneous			
Other	700	499	(201)
Total Revenues	<u>800</u>	<u>2,304</u>	<u>1,504</u>
Fund Balances, January 1	<u>200,889</u>	<u>200,889</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 201,689</u>	<u>\$ 203,193</u>	<u>\$ 1,504</u>

City of New Prague, Minnesota
 2017 Small Cities Project Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Investment earnings	\$ 450	\$ 17,720	\$ 17,270
Fund Balances, January 1	<u>496,060</u>	<u>496,060</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 496,510</u>	<u>\$ 513,780</u>	<u>\$ 17,270</u>

City of New Prague, Minnesota
 Crime Prevention Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended December 31, 2025

	2025		Variance with Final Budget
	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	
Revenues			
Charges for services			
Public safety	\$ 3,000	\$ 7,753	\$ 4,753
Fines and forfeits	-	49	49
Investment earnings	300	724	424
Total Revenues	<u>3,300</u>	<u>8,526</u>	<u>5,226</u>
Expenditures			
Current			
Public safety			
Supplies	6,000	6,470	(470)
Other services and charges	6,000	3,658	2,342
Total Expenditures	<u>12,000</u>	<u>10,128</u>	<u>1,872</u>
Net Change in Fund Balances	(8,700)	(1,602)	7,098
Fund Balances, January 1	<u>61,586</u>	<u>61,586</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 52,886</u>	<u>\$ 59,984</u>	<u>\$ 7,098</u>

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

	228 Park Dedication Fees	230 Park Improvements	235 Sidewalk	236 Sirens	455 Trunk Sewer	472 T.H. 19/ 11th Ave. Street
Assets						
Cash and temporary investments	\$ 248,931	\$ 127,529	\$ 42,683	\$ 27,768	\$ 2,401,528	\$ -
Receivables						
Special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Total Assets	<u>\$ 248,931</u>	<u>\$ 127,529</u>	<u>\$ 42,683</u>	<u>\$ 27,768</u>	<u>\$ 2,401,528</u>	<u>\$ -</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenue	28,080	-	-	-	-	-
Total Liabilities	<u>28,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources						
Unavailable revenue - special assessments	-	-	-	-	-	-
Unavailable revenue - grants	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances						
Restricted for						
Park improvements	9,836	-	-	-	-	-
Committed for						
Upgrades	-	-	42,683	27,768	-	-
Assigned for						
Capital projects	-	-	-	-	2,401,528	-
Equipment	-	-	-	-	-	-
Park improvements	211,015	127,529	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>220,851</u>	<u>127,529</u>	<u>42,683</u>	<u>27,768</u>	<u>2,401,528</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 248,931</u>	<u>\$ 127,529</u>	<u>\$ 42,683</u>	<u>\$ 27,768</u>	<u>\$ 2,401,528</u>	<u>\$ -</u>

498	499	418	421	422	423	426	
Equipment Fund	General Projects	T.H. 19 Project	CIP 2022	CIP 2023	CIP 2024	CIP 2026	Total Nonmajor
\$ 160,924	\$ 268,967	\$ -	\$ -	\$ 62,456	\$ 163,708	\$ (14,285)	\$ 3,490,209
-	259,868	-	-	-	-	-	259,868
-	274,365	-	-	-	-	-	274,365
<u>\$ 160,924</u>	<u>\$ 803,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,456</u>	<u>\$ 163,708</u>	<u>\$ (14,285)</u>	<u>\$ 4,024,442</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 130,433	\$ -	\$ 130,433
-	-	-	-	-	-	-	28,080
-	-	-	-	-	130,433	-	158,513
-	259,868	-	-	-	-	-	259,868
-	274,365	-	-	-	-	-	274,365
-	534,233	-	-	-	-	-	534,233
-	-	-	-	-	-	-	9,836
-	-	-	-	-	-	-	70,451
-	268,967	-	-	62,456	33,275	-	2,766,226
160,924	-	-	-	-	-	-	160,924
-	-	-	-	-	-	-	338,544
-	-	-	-	-	-	(14,285)	(14,285)
<u>160,924</u>	<u>268,967</u>	<u>-</u>	<u>-</u>	<u>62,456</u>	<u>33,275</u>	<u>(14,285)</u>	<u>3,331,696</u>
<u>\$ 160,924</u>	<u>\$ 803,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,456</u>	<u>\$ 163,708</u>	<u>\$ (14,285)</u>	<u>\$ 4,024,442</u>

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

	228 Park Dedication Fees	230 Park Improvements	235 Sidewalk	236 Sirens	455 Trunk Sewer	472 T.H. 19/ 11th Ave. Street
Revenues						
Taxes						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Connection charges	-	-	-	-	109,606	-
Charges for services	9,111	2,426	-	-	-	-
Investment earnings	3,934	1,055	573	396	72,600	1,957
Total Revenues	<u>13,045</u>	<u>3,481</u>	<u>573</u>	<u>396</u>	<u>182,206</u>	<u>1,957</u>
Expenditures						
Current						
Public works	-	-	-	-	-	-
Capital outlay						
Public works	-	-	-	-	-	-
Culture and recreation	-	5,000	-	-	-	-
Total Expenditures	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,045</u>	<u>(1,519)</u>	<u>573</u>	<u>396</u>	<u>182,206</u>	<u>1,957</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(164,306)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(164,306)</u>
Net Change in Fund Balances	<u>13,045</u>	<u>(1,519)</u>	<u>573</u>	<u>396</u>	<u>182,206</u>	<u>(162,349)</u>
Fund Balances, January 1 as Previously Reported	207,806	129,048	42,110	27,372	2,219,322	162,349
Change within Financial Reporting Entity (Note 9)						
Change from major to nonmajor fund	-	-	-	-	-	-
Change from nonmajor to major fund	-	-	-	-	-	-
Fund Balances, January 1 as Adjusted	<u>207,806</u>	<u>129,048</u>	<u>42,110</u>	<u>27,372</u>	<u>2,219,322</u>	<u>162,349</u>
Fund Balances, December 31	<u>\$ 220,851</u>	<u>\$ 127,529</u>	<u>\$ 42,683</u>	<u>\$ 27,768</u>	<u>\$ 2,401,528</u>	<u>\$ -</u>

498	499	418	421	422	Formerly Major 423	Formerly Nonmajor 424	Formerly Nonmajor 425	426	Total Nonmajor
Equipment Fund	General Projects	T.H. 19 Project	CIP 2022	CIP 2023	CIP 2024	CIP 2025	Police Station	CIP 2026	
\$ 40,304	\$ -	\$ -	\$ -	\$ -	\$ -			\$ -	\$ 40,304
-	-	-	-	-	-			-	109,606
-	-	-	-	-	-			-	11,537
2,189	13,294	-	46,165	-	33,826			-	175,989
<u>42,493</u>	<u>13,294</u>	<u>-</u>	<u>46,165</u>	<u>-</u>	<u>33,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>337,436</u>
-	2,162	-	-	-	-			-	2,162
-	-	-	-	21,029	203,531			14,285	238,845
-	-	-	-	-	-			-	5,000
-	<u>2,162</u>	<u>-</u>	<u>-</u>	<u>21,029</u>	<u>203,531</u>	<u>-</u>	<u>-</u>	<u>14,285</u>	<u>246,007</u>
<u>42,493</u>	<u>11,132</u>	<u>-</u>	<u>46,165</u>	<u>(21,029)</u>	<u>(169,705)</u>	<u>-</u>	<u>-</u>	<u>(14,285)</u>	<u>91,429</u>
-	181,669	236,879	-	-	-			-	418,548
<u>(40,304)</u>	<u>(236,879)</u>	<u>-</u>	<u>(347,210)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(788,699)</u>
<u>(40,304)</u>	<u>(55,210)</u>	<u>236,879</u>	<u>(347,210)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(370,151)</u>
2,189	<u>(44,078)</u>	236,879	<u>(301,045)</u>	<u>(21,029)</u>	<u>(169,705)</u>	-	-	<u>(14,285)</u>	<u>(278,722)</u>
158,735	313,045	(236,879)	301,045	83,485	-	(107,265)	(401,519)	-	2,898,654
-	-	-	-	-	202,980	-	-	-	202,980
-	-	-	-	-	-	107,265	401,519	-	508,784
<u>158,735</u>	<u>313,045</u>	<u>(236,879)</u>	<u>301,045</u>	<u>83,485</u>	<u>202,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,610,418</u>
<u>\$ 160,924</u>	<u>\$ 268,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,456</u>	<u>\$ 33,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,285)</u>	<u>\$ 3,331,696</u>

City of New Prague, 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

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Revenues			
Taxes			
Property taxes	\$ 4,238,585	\$ 4,238,838	\$ 253
Franchise taxes	90,000	84,284	(5,716)
Total taxes	<u>4,328,585</u>	<u>4,323,122</u>	<u>(5,463)</u>
Special assessments	-	14,126	14,126
Licenses and permits			
Business	45,850	62,969	17,119
Nonbusiness	209,830	356,178	146,348
Total licenses and permits	<u>255,680</u>	<u>419,147</u>	<u>163,467</u>
Intergovernmental			
Federal			
Police federal aid	-	9,477	9,477
State			
Local government aid	1,185,369	1,185,369	-
Property tax credits and aids	-	195	195
Highway aid	120,000	177,074	57,074
Police state aid	100,000	140,895	40,895
Fire state aid	120,000	148,549	28,549
Other state aid	61,000	147,216	86,216
Total state	<u>1,586,369</u>	<u>1,799,298</u>	<u>212,929</u>
County			
Other County grants	64,596	15,002	(49,594)
Total intergovernmental	<u>1,650,965</u>	<u>1,823,777</u>	<u>172,812</u>
Charges for services			
General government	11,000	10,182	(818)
Public safety	102,500	106,764	4,264
Public works	1,000	2,092	1,092
Culture and recreation	4,267	10,973	6,706
Total charges for services	<u>118,767</u>	<u>130,011</u>	<u>11,244</u>
Fines and forfeits	25,000	15,361	(9,639)
Interest earnings	89,145	522,494	433,349
Miscellaneous			
Contributions and donations	500	21,620	21,120
Other	269,000	127,105	(141,895)
Total miscellaneous	<u>269,500</u>	<u>148,725</u>	<u>(120,775)</u>
Total Revenues	<u>6,737,642</u>	<u>7,396,763</u>	<u>659,121</u>

City of New Prague, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued)
 For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Expenditures			
Current			
General government			
Mayor and council			
Personal services	\$ 23,849	\$ 23,117	\$ 732
Supplies	400	357	43
Other services and charges	46,691	38,066	8,625
Total mayor and council	<u>70,940</u>	<u>61,540</u>	<u>9,400</u>
City clerk/administration			
Personal services	420,411	470,161	(49,750)
Supplies	3,105	2,683	422
Other services and charges	85,152	71,218	13,934
Total city clerk/administration	<u>508,668</u>	<u>544,062</u>	<u>(35,394)</u>
Technical network			
Supplies	67,000	85,204	(18,204)
Other services and charges	50,421	54,342	(3,921)
Total technical network	<u>117,421</u>	<u>139,546</u>	<u>(22,125)</u>
Elections			
Personal services	-	72	(72)
Supplies	-	7	(7)
Other services and charges	1,350	2,400	(1,050)
Total elections	<u>1,350</u>	<u>2,479</u>	<u>(1,129)</u>
Assessing			
Other services and charges	48,000	47,730	270
Legal			
Other services and charges	80,000	63,209	16,791
Planning and zoning			
Personal services	377,852	290,984	86,868
Supplies	2,539	1,535	1,004
Other services and charges	98,066	60,902	37,164
Total planning and zoning	<u>478,457</u>	<u>353,421</u>	<u>125,036</u>
General government building			
Personal services	12,226	12,171	55
Supplies	5,700	3,751	1,949
Other services and charges	64,165	80,754	(16,589)
Total general government building	<u>82,091</u>	<u>96,676</u>	<u>(14,585)</u>
Total general government	<u>1,386,927</u>	<u>1,308,663</u>	<u>78,264</u>

City of New Prague, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Expenditures (Continued)			
Current (continued)			
Public safety			
Police			
Personal services	\$ 2,085,979	\$ 2,052,007	\$ 33,972
Supplies	45,531	47,795	(2,264)
Other services and charges	167,608	227,328	(59,720)
Total police	<u>2,299,118</u>	<u>2,327,130</u>	<u>(28,012)</u>
Fire			
Personal services	195,172	204,953	(9,781)
Supplies	23,500	39,049	(15,549)
Other services and charges	47,950	41,174	6,776
Total fire	<u>266,622</u>	<u>285,176</u>	<u>(18,554)</u>
Building inspection			
Personal services	344,044	330,711	13,333
Supplies	4,631	2,108	2,523
Other services and charges	24,069	16,597	7,472
Total building inspection	<u>372,744</u>	<u>349,416</u>	<u>23,328</u>
Emergency management			
Supplies	-	369	(369)
Other services and charges	18,941	11,112	7,829
Total emergency management	<u>18,941</u>	<u>11,481</u>	<u>7,460</u>
Animal control			
Other services and charges	100	-	100
Total public safety	<u>2,957,525</u>	<u>2,973,203</u>	<u>(15,678)</u>
Public works			
Streets and highways			
Personal services	775,163	728,455	46,708
Supplies	88,567	72,216	16,351
Other services and charges	161,450	113,309	48,141
Total streets and highways	<u>1,025,180</u>	<u>913,980</u>	<u>111,200</u>
Engineering			
Other services and charges	15,000	3,905	11,095
Street lighting			
Other services and charges	78,366	61,540	16,826
Total public works	<u>1,118,546</u>	<u>979,425</u>	<u>139,121</u>

City of New Prague, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2025

	<u>Budgeted Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
Expenditures (Continued)			
Current (continued)			
Culture and recreation			
Parks			
Personal services	\$ 443,971	\$ 404,539	\$ 39,432
Supplies	73,700	64,619	9,081
Other services and charges	277,723	303,919	(26,196)
Total parks	<u>795,394</u>	<u>773,077</u>	<u>22,317</u>
Library			
Supplies	2,400	2,530	(130)
Other services and charges	33,627	27,819	5,808
Total library	<u>36,027</u>	<u>30,349</u>	<u>5,678</u>
Total culture and recreation	<u>831,421</u>	<u>803,426</u>	<u>27,995</u>
Unallocated			
Other services and charges	57,000	201,720	(144,720)
Total current	<u>6,351,419</u>	<u>6,266,437</u>	<u>84,982</u>
Capital outlay			
General government			
Technology network	90,000	48,814	41,186
Elections	25,000	18,616	6,384
Planning	20,000	21,830	(1,830)
Government buildings	-	103,227	(103,227)
Public safety			
Police	64,000	111,031	(47,031)
Fire	42,000	76,039	(34,039)
Public works	265,000	78,447	186,553
Culture and recreation			
Parks	123,626	111,425	12,201
Total capital outlay	<u>629,626</u>	<u>569,429</u>	<u>60,197</u>
Total Expenditures	<u>6,981,045</u>	<u>6,835,866</u>	<u>145,179</u>
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	<u>(243,403)</u>	<u>560,897</u>	<u>804,300</u>
Other Financing Sources (Uses)			
Sale of assets	-	3,807	3,807
Insurance recoveries	5,000	70,817	65,817
Transfers in	80,304	287,871	207,567
Transfers out	(29,819)	(29,819)	-
Total Other Financing Sources (Uses)	<u>55,485</u>	<u>332,676</u>	<u>277,191</u>
Net Change in Fund Balances	(187,918)	893,573	1,081,491
Fund Balances, January 1	<u>6,122,325</u>	<u>6,122,325</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 5,934,407</u>	<u>\$ 7,015,898</u>	<u>\$ 1,081,491</u>

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

	380 HRA - Senior Housing	395 2009 CIP	311 2011 CIP	315 2013B Refunding Bonds	316 2014 CIP	317 2015 CIP
Assets						
Cash and temporary investments	\$ 12,348	\$ -	\$ 312,552	\$ 534,906	\$ 214,333	\$ 127,883
Receivables						
Notes	-	-	-	353,333	-	-
Special assessments	-	-	6,576	-	68,557	40,326
Total Assets	\$ 12,348	\$ -	\$ 319,128	\$ 888,239	\$ 282,890	\$ 168,209
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Inflows of Resources						
Unavailable revenue - special assessments	-	-	6,576	-	68,557	40,326
Fund Balances						
Restricted for Debt service	12,348	-	312,552	888,239	214,333	127,883
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,348	\$ -	\$ 319,128	\$ 888,239	\$ 282,890	\$ 168,209

318 TIF New Prague Senior Housing	319 2019 CIP	320 2020A Refunding Bonds	321 CIP 2020 - 2021	322 CIP 2022	323 CIP 2023	324 CIP 2024	325 CIP 2025	Totals
\$ 58,560	\$ 778,531	\$ 1,464,798	\$ 168,273	\$ 652,522	\$ 220,816	\$ 223,755	\$ 263,433	\$ 5,032,710
-	-	-	-	-	-	-	-	353,333
-	490,214	139,438	427,280	338,899	278,987	570,207	759,105	3,119,589
<u>\$ 58,560</u>	<u>\$ 1,268,745</u>	<u>\$ 1,604,236</u>	<u>\$ 595,553</u>	<u>\$ 991,421</u>	<u>\$ 499,803</u>	<u>\$ 793,962</u>	<u>\$ 1,022,538</u>	<u>\$ 8,505,632</u>
\$ 56,481	\$ -	\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,481
-	490,214	139,438	427,280	338,899	278,987	570,207	759,105	3,119,589
2,079	778,531	1,461,798	168,273	652,522	220,816	223,755	263,433	5,326,562
<u>\$ 58,560</u>	<u>\$ 1,268,745</u>	<u>\$ 1,604,236</u>	<u>\$ 595,553</u>	<u>\$ 991,421</u>	<u>\$ 499,803</u>	<u>\$ 793,962</u>	<u>\$ 1,022,538</u>	<u>\$ 8,505,632</u>

City of New Prague, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
(Continued on the Following Pages)
For the Year Ended December 31, 2025

	380 HRA - Senior Housing	395 2009 CIP	311 2011 CIP	315 2013B Refunding Bonds	316 2014 CIP	317 2015 CIP
Revenues						
Taxes						
Property taxes	\$ 11,550	\$ -	\$ -	\$ 269,247	\$ 61,397	\$ 2,624
Tax increment district taxes	-	-	-	-	-	-
Special assessments	-	-	7,128	-	27,825	10,015
Investment earnings	89	2,119	10,042	22,411	4,956	4,741
Miscellaneous						
Loan interest	-	-	-	10,927	-	-
Total Revenues	<u>11,639</u>	<u>2,119</u>	<u>17,170</u>	<u>302,585</u>	<u>94,178</u>	<u>17,380</u>
Expenditures						
Current						
Economic development	-	-	-	-	-	-
Debt service						
Principal	11,000	37,474	3,625	340,000	90,000	30,000
Interest and other	-	787	3,347	33,957	14,677	9,777
Bond issue costs and fees	-	-	-	-	-	-
Total Expenditures	<u>11,000</u>	<u>38,261</u>	<u>6,972</u>	<u>373,957</u>	<u>104,677</u>	<u>39,777</u>
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	<u>639</u>	<u>(36,142)</u>	<u>10,198</u>	<u>(71,372)</u>	<u>(10,499)</u>	<u>(22,397)</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Debt issued	-	-	-	-	-	-
Transfers out	-	(17,363)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(17,363)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	639	(53,505)	10,198	(71,372)	(10,499)	(22,397)
Fund Balances, January 1	<u>11,709</u>	<u>53,505</u>	<u>302,354</u>	<u>959,611</u>	<u>224,832</u>	<u>150,280</u>
Fund Balances, December 31	<u>\$ 12,348</u>	<u>\$ -</u>	<u>\$ 312,552</u>	<u>\$ 888,239</u>	<u>\$ 214,333</u>	<u>\$ 127,883</u>

318 TIF New Prague Senior Housing	319 2019 CIP	320 2020A Refunding Bonds	321 CIP 2020 - 2021	322 CIP 2022	323 CIP 2023	324 CIP 2024	325 CIP 2025	Totals
\$ -	\$ 189,639	\$ 101,458	\$ 23,717	\$ 21,030	\$ 135,872	\$ 143,161	\$ -	\$ 959,695
118,907	-	-	-	-	-	-	-	118,907
-	73,652	54,680	58,851	33,782	38,750	70,196	140,433	515,312
-	6,720	46,586	4,879	-	-	-	-	102,543
-	-	-	-	-	-	-	-	10,927
<u>118,907</u>	<u>270,011</u>	<u>202,724</u>	<u>87,447</u>	<u>54,812</u>	<u>174,622</u>	<u>213,357</u>	<u>140,433</u>	<u>1,707,384</u>
118,907	-	-	-	-	-	-	-	118,907
-	230,000	139,368	125,000	30,000	120,000	-	-	1,156,467
-	56,727	29,581	49,543	9,750	92,650	115,912	-	416,708
-	750	750	727	727	726	1,226	428	5,334
<u>118,907</u>	<u>287,477</u>	<u>169,699</u>	<u>175,270</u>	<u>40,477</u>	<u>213,376</u>	<u>117,138</u>	<u>428</u>	<u>1,697,416</u>
-	(17,466)	33,025	(87,823)	14,335	(38,754)	96,219	140,005	9,968
-	-	-	-	347,210	-	-	-	347,210
-	-	-	-	-	-	-	123,428	123,428
-	-	-	-	-	-	-	-	(17,363)
-	-	-	-	<u>347,210</u>	-	-	<u>123,428</u>	<u>453,275</u>
-	(17,466)	33,025	(87,823)	361,545	(38,754)	96,219	263,433	463,243
<u>2,079</u>	<u>795,997</u>	<u>1,428,773</u>	<u>256,096</u>	<u>290,977</u>	<u>259,570</u>	<u>127,536</u>	-	<u>4,863,319</u>
<u>\$ 2,079</u>	<u>\$ 778,531</u>	<u>\$ 1,461,798</u>	<u>\$ 168,273</u>	<u>\$ 652,522</u>	<u>\$ 220,816</u>	<u>\$ 223,755</u>	<u>\$ 263,433</u>	<u>\$ 5,326,562</u>

City of New Prague, Minnesota
Discretely Presented Component Unit
Economic Development Authority
Combining Balance Sheet
December 31, 2025

	680	681	
	Economic Development Authority	Economic Development Authority Industrial Park	Totals
Assets			
Cash and temporary investments	\$ 507,936	\$ 415,347	\$ 923,283
Receivables			
Intergovernmental	198	-	198
Land held for resale	-	302,882	302,882
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 508,134</u>	<u>\$ 718,229</u>	<u>\$ 1,226,363</u>
Liabilities			
Accounts payable	9,478	-	9,478
Accrued wages payable	1,228	-	1,228
Total Liabilities	<u>10,706</u>	<u>-</u>	<u>10,706</u>
Fund Balances			
Unrestricted	<u>497,428</u>	<u>718,229</u>	<u>1,215,657</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 508,134</u>	<u>\$ 718,229</u>	<u>\$ 1,226,363</u>
Total Fund Balances - Governmental Funds			\$ 1,215,657
 Amounts reported for governmental activities in the statement of net position are different because			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.			718,207
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Net pension liability			(13,418)
Other postemployment benefit liability			(693)
Governmental funds do not report long-term amounts related to pensions.			
Deferred outflows of resources			3,777
Deferred inflows of resources			(9,810)
Governmental funds do not report long-term amounts related to other postemployment benefits.			
Deferred inflows of other postemployment benefit resources			44
Deferred outflows of other postemployment benefit resources			(314)
			<u> </u>
Total Net Position - Governmental Activities			<u>\$ 1,913,450</u>

City of New Prague, Minnesota
Discretely Presented Component Unit
Economic Development Authority
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2025

	680	681	
	Economic Development Authority	Economic Development Authority Industrial Park	Totals
Revenues			
Taxes	\$ 74,766	\$ -	\$ 74,766
Investment earnings	10,414	4,617	15,031
Miscellaneous	31	61,983	62,014
Total Revenues	85,211	66,600	151,811
Expenditures			
Current			
Economic development	63,345	432	63,777
Net Change in Fund Balances	21,866	66,168	88,034
Fund Balances, January 1	475,562	652,061	1,127,623
Fund Balances, December 31	\$ 497,428	\$ 718,229	\$ 1,215,657

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

Net change in fund balances - governmental funds	\$ 88,034
--	-----------

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Depreciation expense	(24,037)
----------------------	----------

Long-term pension activity is not reported in governmental funds.

Pension expense	7,470
Direct aid contributions	(49)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Other postemployment benefit costs	128
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Change in Net Position - Governmental Activities	\$ 71,546
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OTHER REQUIRED REPORTS

CITY OF NEW PRAGUE
NEW PRAGUE, 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 New Prague, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of New Prague, Minnesota, (the City) as of and for the year ended December 31, 2025, **which collectively comprise the City's basic financial statements**, and have issued our report thereon dated May 5, 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. 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
Mankato, Minnesota
May 5, 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 New Prague, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of New Prague, Minnesota (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, **which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 5, 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. Given these limitations, during our audit we did identify one deficiency in internal control that we consider to be a material weakness described in the accompanying Schedule of Findings and Responses as item 2025-001.

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*.

Responses to Findings

The **City's responses** to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. **The City's response** is not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Abdo
Mankato, Minnesota
May 5, 2026



City of New Prague, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2025

<u>Finding</u>	<u>Description</u>
2025-001	Material Audit Adjustments
<i>Condition:</i>	The financial statements required adjustments to accurately reflect capital asset additions, disposals, and project activity, including some material corrections to project-related accounts payable. These challenges suggest the staff should enhance their understanding in the available software tools for preparing capital asset information and that year-end invoices weren't always reviewed closely enough to ensure work performed before year-end was recorded in the right period.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management.
<i>Cause:</i>	The financial statements required material audit adjustments to be reasonably stated.
<i>Effect:</i>	This indicated that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management attend trainings on capital asset preparation and review year-end invoices closely to ensure work performed prior to year-end is recorded in the appropriate period.
<i>Management response:</i>	The City will review the adjustments necessary and work to eliminate these entries in the future.

OPERATIONAL STATISTICS AND
SUPPLEMENTARY SCHEDULES (UNAUDITED)

CITY OF NEW PRAGUE
NEW PRAGUE, MINNESOTA

FOR THE YEARS ENDED
DECEMBER 31, 2025 AND 2024

New Prague Utilities Commission
New Prague, Minnesota
Electric Utility Fund
Schedules of Operating Revenues
(Unaudited)
For the Years Ended December 31, 2025 and 2024

	2025			2024		
	K.W.H. Sold	Income	Average Income Per K.W.H. Sold	K.W.H. Sold	Income	Average Income Per K.W.H. Sold
Type of Service						
Residential	27,760,415	\$ 4,409,734	\$ 0.15885	26,654,741	\$ 4,220,675	\$ 0.15835
Commercial phase 1	1,977,394	757,989	0.38333	1,965,305	659,330	0.33548
Commercial phase 3	2,673,486	-	-	2,021,256	-	-
Commercial interruptible	136,800	21,641	0.15819	89,400	8,990	0.10056
Small industrial	15,334,753	1,968,101	0.12834	14,839,544	1,892,282	0.12752
Industrial	21,573,260	2,491,662	0.11550	21,451,340	2,489,544	0.11606
Other departments	1,033,967	24,747	0.02393	1,067,624	125,246	0.11731
Street lights	301,576	60,811	-	292,720	53,588	0.18307
Security lights	-	5,263	-	-	5,300	-
Unbilled revenue	-	100,735	-	-	31,671	-
Total Sales	70,791,651	\$ 9,840,683	\$ 0.13901	68,381,930	\$ 9,486,626	\$ 0.13873
Total K.W.H. - Generated	1,414,600			956,100		
Total K.W.H. - Purchases	73,628,709			71,117,207		
Total K.W.H.	75,043,309			72,073,307		
Distribution Lost	4,251,658			3,691,377		
Percentage of Distribution Lost	5.7%			5.1%		
Cost of Power Purchased	\$ 6,244,432			\$ 6,297,477		
Average Cost Per K.W.H. Purchased	\$ 0.08481			\$ 0.08855		

New Prague Utilities Commission
New Prague, Minnesota
Water Fund
Schedules of Operations Statement Per 1,000 Gallons
(Unaudited)
For the Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Water sales		
Residential	\$ 6.59139	\$ 5.67094
Commercial	2.24346	2.06843
Other departments	0.00347	0.04690
Unbilled revenue	0.08116	0.01400
Other operating revenues	0.08159	0.07625
Total Operating Revenues	9.00107	7.87652
Operating Expenses		
Power for pumping	0.54448	0.48346
Maintenance - wells, pumps, and storage facilities	0.01600	0.09472
Maintenance - water main	0.04173	0.02025
Purification	0.24821	0.25076
Distribution	1.55300	1.36583
Salaries	0.88310	0.76204
General expenses	0.27068	0.24001
Professional fees	0.07002	0.16463
Insurance	0.09769	0.17611
Employee pension and benefits	0.49457	0.22267
Maintenance - general property	0.09588	0.20731
Depreciation	2.49954	2.29617
Total Operating Expenses	6.81490	6.28396
Operating Income	2.18617	1.59256
Nonoperating Income (Expenses)		
Investment income	0.48557	0.53401
Other income	0.05271	0.05748
Water meter income	0.03070	0.02585
Hookup fees	0.41326	0.20683
Gain (loss) on disposal of capital assets	0.07838	-
Special assessments	1.70684	1.36895
Intergovernmental	-	0.13248
Interest expense	(0.66545)	(0.55947)
Bond issuance costs	(0.08263)	(0.07412)
Amortization expense	0.17029	0.15291
Total Nonoperating Income (Expenses)	2.18967	1.84492
Change in Net Position	\$ 4.37584	\$ 3.43748
1,000 Gallons Sold	217,125	225,136

New Prague Utilities Commission
New Prague, Minnesota
Electric Utility Fund
Schedule of Plant Assets and Accumulated Depreciation
(Unaudited)
For the Year Ended December 31, 2025

	Cost				Balance December 31, 2025
	Balance December 31, 2024	Asset Transferred from City	Additions	Disposals	
Land	\$ 41,648	\$ -	\$ -	\$ -	\$ 41,648
Construction in progress	579,472	-	1,659,577	670,690	1,568,359
Production plant					
Structures and improvements	3,792,791	-	32,618	-	3,825,409
Boilers and generators	5,527,534	-	-	-	5,527,534
Total Production Plant	<u>9,320,325</u>	<u>-</u>	<u>32,618</u>	<u>-</u>	<u>9,352,943</u>
Transmission and distribution system					
Transmission station equipment	601,833	-	-	-	601,833
Overhead conductors, poles and fixtures	87,734	-	-	-	87,734
Distribution station equipment	832,234	-	-	-	832,234
Poles, towers, and fixtures	204,140	-	-	-	204,140
Overhead conductors and devices	678,998	-	807	-	679,805
Underground conductors and devices	6,130,180	-	350,344	-	6,480,524
Line transformers	2,104,995	-	154,053	-	2,259,048
Services	432,135	-	116,390	-	548,525
Electric meters	1,072,841	-	31,673	-	1,104,514
Fiber Optic	98,856	-	572	-	99,428
Street lighting	1,719,958	-	85,619	-	1,805,577
Load management	104,473	-	-	-	104,473
SCADA system	123,865	-	-	-	123,865
Total transmission and distribution system	<u>14,192,242</u>	<u>-</u>	<u>739,458</u>	<u>-</u>	<u>14,931,700</u>
General plant					
Structures and improvement	224,059	-	-	-	224,059
Office furniture and fixtures	89,730	-	11,906	-	101,636
Transportation equipment	1,920,137	-	84,943	-	2,005,080
Shop equipment	56,994	-	-	-	56,994
Tools and work equipment	237,583	-	-	-	237,583
Miscellaneous work equipment	97,109	-	-	-	97,109
Total general plant	<u>2,625,612</u>	<u>-</u>	<u>96,849</u>	<u>-</u>	<u>2,722,461</u>
 Total Electric Plant Assets	 <u>\$ 26,759,299</u>	 <u>\$ -</u>	 <u>\$ 2,528,502</u>	 <u>\$ 670,690</u>	 <u>\$ 28,617,111</u>

Accumulated Depreciation

Balance December 31, 2024	Asset Transferred from City	Current Year Depreciation	Disposals	Balance December 31, 2025	Depreciated Value December 31, 2025
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,648
-	-	-	-	-	1,568,359
1,338,855	-	84,806	-	1,423,661	2,401,748
5,476,406	-	10,570	-	5,486,976	40,558
<u>6,815,261</u>	<u>-</u>	<u>95,376</u>	<u>-</u>	<u>6,910,637</u>	<u>2,442,306</u>
523,806	-	13,031	-	536,837	64,996
87,252	-	-	-	87,252	482
686,436	-	22,071	-	708,507	123,727
197,640	-	1,381	-	199,021	5,119
599,562	-	16,517	-	616,079	63,726
3,389,684	-	214,271	-	3,603,955	2,876,569
924,124	-	67,890	-	992,014	1,267,034
140,894	-	13,643	-	154,537	393,988
516,216	-	60,342	-	576,558	527,956
4,733	-	3,295	-	8,028	91,400
643,816	-	70,665	-	714,481	1,091,096
75,575	-	10,930	-	86,505	17,968
114,557	-	1,477	-	116,034	7,831
<u>7,904,295</u>	<u>-</u>	<u>495,513</u>	<u>-</u>	<u>8,399,808</u>	<u>6,531,892</u>
192,460	-	3,538	-	195,998	28,061
78,317	-	6,867	-	85,184	16,452
1,219,381	-	139,458	-	1,358,839	646,241
56,994	-	-	-	56,994	-
237,193	-	275	-	237,468	115
63,822	-	4,755	-	68,577	28,532
<u>1,848,167</u>	<u>-</u>	<u>154,893</u>	<u>-</u>	<u>2,003,060</u>	<u>719,401</u>
<u>\$ 16,567,723</u>	<u>\$ -</u>	<u>\$ 745,782</u>	<u>\$ -</u>	<u>\$ 17,313,505</u>	<u>\$ 11,303,606</u>

New Prague Utilities Commission
New Prague, Minnesota
Water Utility Fund
Schedule of Plant Assets and Accumulated Depreciation
(Unaudited)
For the Year Ended December 31, 2025

	Cost				Balance December 31, 2025
	Balance December 31, 2024	Asset Transferred from City	Additions	Disposals	
Land	\$ 79,520	\$ -	\$ -	\$ -	\$ 79,520
Construction in progress	51,632	-	800,108	-	851,740
Production plant					
Wells, pumps and pump house	2,197,186	-	42,695	-	2,239,881
Building	2,454,933	-	-	-	2,454,933
Water treatment building	68,117	-	-	-	68,117
Water treatment equipment	1,253,269	-	-	-	1,253,269
Total Production Plant	<u>5,973,505</u>	<u>-</u>	<u>42,695</u>	<u>-</u>	<u>6,016,200</u>
Distribution system					
Elevated storage tank	1,988,570	-	-	-	1,988,570
Reservoirs	732,530	-	-	-	732,530
Distribution system	8,099,391	-	-	-	8,099,391
Water meters	1,127,278	-	7,575	-	1,134,853
PRU valves	903	-	-	-	903
Main Street water treatment upgrade	215,848	-	-	-	215,848
SCADA system	351,946	-	-	-	351,946
Total Distribution System	<u>12,516,466</u>	<u>-</u>	<u>7,575</u>	<u>-</u>	<u>12,524,041</u>
General plant					
Building improvements - office	5,534	-	-	-	5,534
Office furniture and fixtures	29,980	-	5,556	-	35,536
Transportation equipment	266,272	10,000	-	11,573	264,699
Miscellaneous equipment	39,308	-	-	-	39,308
Unearned maintenance	24,794	-	-	-	24,794
Shop equipment	1,418	-	-	-	1,418
Total General Plant	<u>367,306</u>	<u>10,000</u>	<u>5,556</u>	<u>11,573</u>	<u>371,289</u>
Total Water Plant Assets	<u>\$ 18,988,429</u>	<u>\$ 10,000</u>	<u>\$ 855,934</u>	<u>\$ 11,573</u>	<u>\$ 19,842,790</u>

Accumulated Depreciation

Balance December 31, 2024	Asset Transferred from City	Current Year Depreciation	Disposals	Balance December 31, 2025	Depreciated Value December 31, 2025
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,520
-	-	-	-	-	851,740
2,043,352	-	33,917	-	2,077,269	162,612
1,141,318	-	83,030	-	1,224,348	1,230,585
39,334	-	2,025	-	41,359	26,758
1,175,233	-	40,081	-	1,215,314	37,955
<u>4,399,237</u>	<u>-</u>	<u>159,053</u>	<u>-</u>	<u>4,558,290</u>	<u>1,457,910</u>
1,205,294	-	60,258	-	1,265,552	723,018
478,714	-	23,905	-	502,619	229,911
2,012,050	-	199,644	-	2,211,694	5,887,697
594,867	-	56,740	-	651,607	483,246
622	-	35	-	657	246
189,035	-	5,959	-	194,994	20,854
189,387	-	18,019	-	207,406	144,540
<u>4,669,969</u>	<u>-</u>	<u>364,560</u>	<u>-</u>	<u>5,034,529</u>	<u>7,489,512</u>
4,078	-	140	-	4,218	1,316
26,154	-	1,312	-	27,466	8,070
201,185	-	16,575	11,573	206,187	58,512
38,235	-	1,073	-	39,308	-
24,794	-	-	-	24,794	-
1,418	-	-	-	1,418	-
<u>295,864</u>	<u>-</u>	<u>19,100</u>	<u>11,573</u>	<u>303,391</u>	<u>67,898</u>
<u>\$ 9,365,070</u>	<u>\$ -</u>	<u>\$ 542,713</u>	<u>\$ 11,573</u>	<u>\$ 9,896,210</u>	<u>\$ 9,946,580</u>

FORM OF LEGAL OPINION

(See following pages)

\$ _____
City of New Prague, Minnesota
Electric Revenue Bonds
Series 2026A

We have acted as bond counsel in connection with the issuance by the City of New Prague, Minnesota (the “Issuer”) of its Electric Revenue Bonds, Series 2026A (the “Series 2026A Bonds”), originally dated August 6, 2026, and issued in the original aggregate principal amount of \$_____. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and judicial decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Series 2026A Bonds have been duly authorized and executed and are valid and binding special revenue obligations of the Issuer, enforceable against the Issuer in accordance with their terms, except as such enforcement may be limited by Minnesota or United States laws relating to bankruptcy, reorganization, moratorium or creditors’ rights.

2. The principal of and interest on the Series 2026A Bonds are payable solely and exclusively from the net revenues of the electric utility system of the City pledged to the payment thereof. The Series 2026A Bonds are not general obligations of the City, and its taxing powers are not to be used to provide money for the payment of principal thereof or interest thereon.

3. Interest on the Series 2026A Bonds [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Further, and to the extent of the aforementioned federal income tax exclusion, interest on the Series 2026A Bonds is excludable from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts. The opinions set forth in the preceding sentences are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Series 2026A Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2026A Bonds to be included in gross income for federal income tax purposes and in taxable net income for Minnesota income tax purposes, retroactively to the date of issuance of the Series 2026A Bonds. Interest on the Series 2026A Bonds (a) may affect the federal alternative minimum tax imposed on certain corporations, and (b) is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income.

4. The rights of the owners of the Series 2026A Bonds and the enforceability of the Series 2026A Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We have not been asked and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2026A Bonds, and accordingly we express no opinion with respect thereto.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated at Minneapolis, Minnesota, August ____, 2026.

BOOK-ENTRY-ONLY SYSTEM

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

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

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

\$ _____
City of New Prague, Minnesota
Electric Revenue Bonds
Series 2026A

CONTINUING DISCLOSURE CERTIFICATE

August __, 2026

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of New Prague, Minnesota (the “Issuer”) and the New Prague Utilities Commission (the “Commission”) in connection with the issuance by the Issuer of its Electric Revenue Bonds, Series 2026A (the “Series 2026A Bonds”), in the original aggregate principal amount of \$ _____. The Series 2026A Bonds are being issued pursuant to a resolution adopted by the City Council of the Issuer and a resolution adopted by the Board of Commissioners of the Commission (together, the “Resolutions”). The Series 2026A Bonds are being delivered to _____ (the “Purchaser”) on the date hereof. Pursuant to the Resolutions, the Issuer and the Commission have covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer and the Commission hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer and the Commission for the benefit of the Holders (as defined herein) of the Series 2026A Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Series 2026A Bonds that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means annual financial statements of the Issuer, prepared in accordance with GAAP as prescribed by GASB.

“Commission” means the New Prague Utilities Commission, which is an obligated person with respect to the Series 2026A Bonds.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

“Final Official Statement” means the deemed Final Official Statement, dated _____, 2026, which constitutes the final official statement delivered in connection with the Series 2026A Bonds, which is available from the MSRB.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the Issuer.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

“Holder” means the person in whose name a Series 2026A Bond is registered or a beneficial owner of such a Series 2026A Bond.

“Issuer” means the City of New Prague, Minnesota, which is an obligated person with respect to the Series 2026A Bonds.

“Material Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” means any of the original underwriter(s) of the Series 2026A Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Series 2026A Bonds.

“Purchaser” means _____.

“Repository” means EMMA, or any successor thereto designated by the SEC.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means Securities and Exchange Commission, and any successor thereto.

“Series 2026A Bonds” means the Electric Revenue Bonds, Series 2026A, issued by the Issuer in the original aggregate principal amount of \$ _____.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The Issuer shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends December 31, 2026, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice of that fact to the Repository and the MSRB.

(c) The Issuer shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. Electric Revenue Debt Outstanding
2. Historic Electric Utility Revenues and Expenses
3. Description of the Electric Utility

In addition to the items listed above, the Annual Report shall include Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events ("Material Events") with respect to the Series 2026A Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Issuer and the Commission shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer and the Commission shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the information of the Issuer and the Commission.

Section 6. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer and the Commission shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The obligations of the Issuer and the Commission under the Resolutions and this Disclosure Certificate shall terminate upon the legal defeasance, the redemption in full of all Series 2026A Bonds or payment in full of all Series 2026A Bonds.

Section 8. Agent. The Issuer and the Commission may, from time to time, appoint or engage a dissemination agent to assist it in carrying out their obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the Issuer and the Commission may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer and the Commission deliver to the Repository an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed

retroactively or otherwise do not apply to the Series 2026A Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Series 2026A Bonds, but only upon the delivery by the Issuer and the Commission to the Repository of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer and the Commission from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer and the Commission choose to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer and the Commission shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Series 2026A Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer and the Commission to comply with their obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Series 2026A Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer or the Commission to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Commission, the Participating Underwriters, and the Holders from time to time of the Series 2026A Bonds, and shall create no rights in any other person or entity.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

CITY OF NEW PRAGUE, MINNESOTA

Mayor

City Administrator

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

NEW PRAGUE UTILITIES COMMISSION

President

Treasurer

TERMS OF PROPOSAL

**\$16,955,000* ELECTRIC REVENUE BONDS, SERIES 2026A
CITY OF NEW PRAGUE, MINNESOTA**

Proposals for the purchase of \$16,955,000* Electric Revenue Bonds, Series 2026A (the "Bonds") of the City of New Prague, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, municipal advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M., Central Time, on July 15, 2026, at which time they will be opened, read and tabulated. The Board of Commissioners of the New Prague Utilities Commission (the "PUC" or the "Commission") adopted a resolution on May 26, 2026, which authorized designated officials of the City and the Commission (the "Pricing Committee") to accept proposals for the Bonds on July 15, 2026 and consider the award of sale. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to the Charter of the City and Minnesota Statutes, Chapter 453, by the City, to provide funds for the public purpose of financing improvements and extensions to the City's Electric Utility (the "Electric Utility"). **THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY BUT ARE PAYABLE ONLY FROM NET REVENUES TO BE DERIVED FROM THE OPERATION OF THE ELECTRIC UTILITY.**

DATES AND MATURITIES

The Bonds will be dated August 6, 2026, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on December 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2028	\$525,000	2035	\$670,000	2042	\$885,000
2029	545,000	2036	695,000	2043	925,000
2030	560,000	2037	725,000	2044	970,000
2031	580,000	2038	755,000	2045	1,015,000
2032	600,000	2039	785,000	2046	1,060,000
2033	625,000	2040	815,000	2047	2,725,000
2034	645,000	2041	850,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on December 1 and June 1 of each year, commencing June 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected Zions Bancorporation, National Association, Chicago, Illinois, to act as paying agent (the "Paying Agent"). The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after December 1, 2036 shall be subject to optional redemption prior to maturity on December 1, 2035 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

DELIVERY

On or about August 6, 2026, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL MATTERS

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

Bond Counsel has not assumed responsibility for this Official Statement or participated in its preparation (except with respect to the section entitled "TAX MATTERS" in this Official Statement and the Form of Legal Opinion found in APPENDIX B) and has not performed any investigation as to its accuracy, completeness, or sufficiency. Bond Counsel has not examined or verified, nor attempted to examine or verify, any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$16,785,450 plus accrued interest on the principal sum of \$16,955,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M., Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$339,100 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City and the PUC reserve the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City and the PUC may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers

shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds shall not be "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986.

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of

Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

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

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

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

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

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

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

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City and the PUC to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the City Council

City of New Prague, Minnesota

PROPOSAL FORM

The Pricing Committee

July 15, 2026

City of New Prague, Minnesota (the "City") and New Prague Utilities Commission (the "PUC" or the "Commission")

RE: \$16,955,000* Electric Revenue Bonds, Series 2026A (the "Bonds")

DATED: August 6, 2026

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$_____ (not less than \$16,785,450) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

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

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

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$339,100 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City and the PUC reserve the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about August 6, 2026.

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

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

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

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

If the competitive sale requirements are not met, we elect to use either the: ___10% test, or the ___hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from August 6, 2026 of the above proposal is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City of New Prague, Minnesota and the Commission, on July 15, 2026.

By: _____ By: _____

Title: _____ Title: _____