PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 8, 2026

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.

In the opinion of Taft Stettinius & Hollister LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences. See "TAX EXEMPTION" herein.

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

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

CITY OF MENDOTA HEIGHTS, MINNESOTA
(Dakota County)

$1,010,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2026A

PROPOSAL OPENING: October 20, 2026, 11:00 A.M., C.T. **CONSIDERATION**: October 20, 2026, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $1,010,000* General Obligation Improvement Bonds, Series 2026A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, by the City of Mendota Heights, Minnesota (the "City"), for the purpose of financing the City's 2026 street reconstruction project. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Taft Stettinius & Hollister LLP, Minneapolis, Minnesota.

DATE OF BONDS: November 10, 2026

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2029	$95,000	2033	$105,000	2037	$110,000
2030	100,000	2034	105,000	2038	80,000
2031	100,000	2035	105,000		
2032	100,000	2036	110,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2027 and semiannually thereafter.

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

MINIMUM PROPOSAL: $994,850.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $20,200 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Taft Stettinius & Hollister LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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PROPOSAL FORM

CITY OF MENDOTA HEIGHTS
CITY COUNCIL

		Term Expires
Stephanie Levine	Mayor	January 2027
Sally Lorberbaum	Council Member	January 2027
John Maczko	Council Member	January 2029
John Mazzitello	Council Member	January 2027
Joel Paper	Council Member	January 2029

ADMINISTRATION

Cheryl Jacobson, City Administrator
Nancy Bauer, City Clerk
Kristen Schabacker, Finance Director

PROFESSIONAL SERVICES

Campbell Knutson, P.A., City Attorney, Eagan, Minnesota

Taft Stettinius & Hollister 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 Mendota Heights, Minnesota (the "City") and the issuance of its $1,010,000* General Obligation Improvement Bonds, Series 2026A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on October 20, 2026.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Minneapolis, Minnesota, (651) 697-8500, the City's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Debt Issuance 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 November 10, 2026. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2029 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2036 shall be subject to optional redemption prior to maturity on February 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 Minnesota Statutes, Chapters 429 and 475, as amended, by the City, for the purpose of financing the City's 2026 street reconstruction project.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$1,010,000	
Prepaid Assessments	190,320	
MSA Funds	257,356	
St. Paul Regional Water	137,115	
Utility Revenue	208,409	
Total Sources		**$1,803,199**
Uses		
Total Underwriter's Discount (1.500%)	$15,150	
Costs of Issuance	55,000	
Deposit to Construction Fund	1,731,856	
Rounding Amount	1,194	
Total Uses		**$1,803,199**

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service on the Bonds will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Bonds and from ad valorem property taxes. Receipt of special assessments and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

Should the special assessments and/or ad valorem property taxes pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

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

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

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

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

CONTINUING DISCLOSURE

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

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

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

In the previous five years, the City believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City

LEGAL OPINION

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

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

STATEMENT REGARDING BOND COUNSEL PARTICIPATION

Bond Counsel has neither been engaged nor undertaken to prepare or independently verify the accuracy of any portion of the Official Statement, including the financial or operational information of the Issuer and risks associated with the purchase of the Bonds, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "APPENDIX B – FORM OF LEGAL OPINION."

TAX EXEMPTION

On the date of issuance of the Bonds, Taft Stettinius & Hollister LLP, Bond Counsel, will render an opinion, that, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of the issuance of the Bonds, the interest on the Bonds is excluded from gross income for federal income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or for purposes of the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinions are subject to the condition that the City complies with all applicable federal tax requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income and taxable net income, retroactive to their date of issuance. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences.

Other Federal and State Tax Considerations

Other Tax Considerations

Though excluded from gross income, interest on the Bonds is subject to federal income taxation for certain types of taxpayers and certain income taxes, including without implied limitation, taxation to the extent it is included as part of (a) the adjusted current earnings of a corporation for purposes of the alternative minimum tax, (b) effectively connected earnings and profits of a foreign corporation for purposes of the branch profits tax on dividend equivalent amounts, (c) excess net passive income of an S Corporation which has Subchapter C earnings and profits, or (d) minimum effectively connected net investment income of a foreign insurance company. Interest on the Bonds is also taken into account in other ways for federal income tax purposes, including without implied limitation, (a) reducing loss reserve deductions of property and casualty insurance companies, (b) reducing interest expense deductions of financial institutions, and (c) causing certain taxpayers to include in gross income a portion of social security benefits and railroad retirement benefits. Ownership of the Bonds may result in other collateral federal income tax consequences to certain taxpayers. Bond Counsel expresses no opinion as to any of such consequences, and prospective purchasers who may be subject to such collateral consequences should consult their tax advisers.

Original Issue Discount

Some of the Bonds ("the OID Bonds") may be sold at initial public offering prices which are less than the principal amounts payable at maturity. For each maturity of OID Bonds, original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds are sold. The appropriate portion of such original issue discount allocable to the original and each subsequent holder will be treated as interest and excluded from gross income for federal income tax purposes and will increase a holders' tax basis in such Bonds for purposes of determining gain or loss upon sale, exchange, redemption, or payment at maturity. Owners of such Bonds should consult their own tax advisors with respect to the computation and determination of the portion of original issue discount which will be treated as interest and added to a holder's tax basis during the period such Bonds are held.

Original Issue Premium

Some of the Bonds may be sold at initial public offering prices which are greater than the principal amounts payable at maturity. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the federal, state and local tax consequences of owning and selling Bonds acquired at a premium.

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. 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, marketability or tax status 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 would be impacted thereby.

The above is not a comprehensive list of all federal tax consequences that may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State of Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

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

RISK FACTORS

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

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (special assessments) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the State of Minnesota (the "State") may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

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

Tax Exemption: If the federal government or the State taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State 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 income taxation, retroactive to the date of issuance.

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

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

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

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

3 Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2025/26 Economic Market Value	$3,420,025,144[1]
2025/26 Assessor's Estimated Market Value	
Real Estate	$3,239,330,000
Personal Property	15,393,400
Total Valuation	$3,254,723,400
2025/26 Net Tax Capacity	
Real Estate	$39,190,336
Personal Property	304,118
Net Tax Capacity	$39,494,454
Less:	
Captured Tax Increment Tax Capacity[2]	(420,449)
Fiscal Disparities Contribution[3]	(4,111,466)
Taxable Net Tax Capacity	$34,962,539
Plus: Fiscal Disparities Distribution[3]	1,348,257
Adjusted Taxable Net Tax Capacity	$36,310,796

[1] According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City was about 95.63% of the actual selling prices of property sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of $3,420,025,144.

[2] The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City.

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

2025/26 NET TAX CAPACITY BY CLASSIFICATION

	2025/26 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$26,770,381	67.78%
Commercial/industrial	9,927,321	25.14%
Public utility	707,776	1.79%
Railroad operating property	64,380	0.16%
Non-homestead residential	1,720,478	4.36%
Personal property	304,118	0.77%
Total	$39,494,454	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Adjusted Taxable Net Tax Capacity[2]	Percent Increase/Decrease in Estimated Market Value
2021/22	$2,529,016,800	$2,499,454,451	$29,863,820	$27,648,748	3.64%
2022/23	2,900,875,100	2,877,304,275	34,416,918	32,077,895	14.70%
2023/24	3,060,730,300	3,036,472,704	36,850,721	34,388,028	5.51%
2024/25	3,156,088,800	3,119,794,846	38,138,135	35,205,294	3.12%
2025/26	3,254,723,400	3,219,041,452	39,494,454	36,310,796	3.13%

[1] Net Tax Capacity is before fiscal disparities adjustments and includes tax increment values.

[2] Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment values.

LARGEST TAXPAYERS

Taxpayer	Type of Property	2025/26 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Xcel Energy	Utility	$987,888	2.50%
MSP SLP Apartments LLC	Commercial	790,642	2.00%
TCI LL LLC	Industrial	617,446	1.56%
CP Mendota Heights LLC	Commercial	576,524	1.46%
Riley Family Lexington Hts LP	Apartment	477,562	1.21%
Mendota Plaza Apartments LLC	Apartment	466,101	1.18%
Stag Industrial Holdings LLC	Industrial	389,296	0.99%
ORDB LLC	Commercial	333,780	0.85%
St. Paul Fire and Marine Insurance Co.	Commercial	312,924	0.79%
Patterson Dental Co.	Commercial	271,328	0.69%
Total		$5,223,491	13.23%
City's Total 2025/26 Net Tax Capacity		$39,494,454	

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedules following)

Total G.O. debt secured by special assessments and taxes (includes the Bonds)*	$13,370,000
Total G.O. debt secured by tax abatement revenues	880,000
Total G.O. debt secured by taxes	6,125,000
Total General Obligation Debt*	$20,375,000

*Preliminary, subject to change.

Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations[2]	$179,403

[1] Outstanding debt is as of the dated date of the Bonds.

[2] Non-general obligation debt has not been included in the debt ratios.

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

The City plans to issue $2,300,000 in general obligation bonds for its annual street projects and $30,000,000 to $35,000,000 in general obligation bonds for a City Hall and Government Center in the next 12 months.

DEBT LIMIT

The statutory limit on net debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" means the amount remaining after deducting from gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt and the aggregate principal of certain obligations enumerated under Minnesota Statutes, Section 475.51, subd. 4, including the following: (1) obligations issued for improvements payable wholly or partly from special assessments levied against benefitted property (includes the Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any revenue producing public convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under Minnesota Statutes, Section 475.51, subd. 4; (7) obligations to repay energy conservation investment loans under Minnesota Statutes, Section 216C.37; (8) obligations issued to pay certain postemployment benefit liabilities; (9) obligations issued to pay certain judgments against the City; and (10) all other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2025/26 Assessor's Estimated Market Value	$3,254,723,400
Multiply by 3%	0.03
Statutory Debt Limit	$97,641,702
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	(6,125,000)
Unused Debt Limit	$91,516,702

City of Mendota Heights, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments and Taxes
(As of 11/10/2026)

	Improvement Bonds Series 2014A		Improvement Refunding Bonds Series 2014B		Improvement Bonds 1) Series 2015A		Improvement Refunding Bonds Series 2015C		Improvement Bonds Series 2016A	
Dated	11/05/2014		11/05/2014		11/24/2015		11/24/2015		11/22/2016	
Amount	$1,030,000		$885,000		$990,000		$1,995,000		$1,020,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Calendar Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2027	25,000	6,875	75,000	1,125	50,000	15,075	165,000	6,438	80,000	8,125
2028	25,000	6,125			50,000	13,825	175,000	2,188	85,000	6,475
2029	25,000	5,375			50,000	12,450			25,000	5,313
2030	25,000	4,625			55,000	10,875			25,000	4,688
2031	25,000	3,825			55,000	9,225			25,000	4,063
2032	25,000	2,975			55,000	7,575			25,000	3,438
2033	25,000	2,125			55,000	5,925			25,000	2,813
2034	25,000	1,275			55,000	4,275			25,000	2,188
2035	25,000	425			55,000	2,625			25,000	1,563
2036					60,000	900			25,000	938
2037									25,000	313
2038										
	225,000	33,625	75,000	1,125	540,000	82,750	340,000	8,625	390,000	39,913

1) This represents the $990,000 Improvement portion of the $1,200,000 General Obligation Bonds, Series 2015A.

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City of Mendota Heights, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 11/10/2026)

	Improvement Bonds Series 2017A		Improvement Bonds Series 2018A		Improvement Refunding Bonds Series 2019B		Improvement Refunding Bonds 2) Series 2020A		Improvement and Refunding Bonds 3) Series 2021A	
Dated	11/01/2017		11/01/2018		11/05/2019		11/10/2020		11/23/2021	
Amount	$1,340,000		$1,080,000		$3,035,000		$1,755,000		$1,515,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Calendar Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2027	125,000	11,406	115,000	11,625	260,000	24,950	160,000	13,240	120,000	20,200
2028	130,000	8,375	115,000	8,175	235,000	17,525	160,000	10,040	120,000	16,600
2029	135,000	5,063	120,000	4,650	245,000	11,550	155,000	6,890	115,000	13,075
2030	135,000	1,688	95,000	1,425	235,000	6,750	160,000	4,540	125,000	9,475
2031					220,000	2,200	160,000	2,860	125,000	6,350
2032							165,000	990	130,000	3,800
2033									105,000	1,450
2034									20,000	200
2035										
2036										
2037										
2038										
	525,000	26,531	445,000	25,875	1,195,000	62,975	960,000	38,560	860,000	71,150

2) This represents the $1,755,000 Improvement Refunding portion of the $3,295,000 General Obligation Bonds, Series 2020A.

3) This represents the $1,515,000 Improvement and Refunding portions of the $2,420,000 General Obligation Bonds, Series 2021A.

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City of Mendota Heights, Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Special Assessments and Taxes
(As of 11/10/2026)

	Improvement Bonds Series 2022A		Improvement Bonds Series 2024A		Improvement Bonds Series 2025A		Improvement Bonds Series 2026A							
Dated	11/10/2022		11/05/2024		10/28/2025		11/10/2026							
Amount	$1,880,000		$2,755,000		$2,625,000		$1,010,000*							
Maturity	02/01		02/01		02/01		02/01							
Calendar Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Calendar Year Ending**
2027	195,000	63,575	260,000	127,250	0	123,350	0	26,950	1,630,000	460,184	2,090,184	11,740,000	12.19%	**2027**
2028	205,000	53,575	270,000	114,000	240,000	117,350	0	37,173	1,810,000	411,425	2,221,425	9,930,000	25.73%	**2028**
2029	210,000	43,200	280,000	100,250	250,000	105,100	95,000	35,629	1,705,000	348,544	2,053,544	8,225,000	38.48%	**2029**
2030	215,000	32,575	285,000	86,125	255,000	92,475	100,000	32,410	1,710,000	287,650	1,997,650	6,515,000	51.27%	**2030**
2031	220,000	22,800	295,000	71,625	260,000	79,600	100,000	29,035	1,485,000	231,583	1,716,583	5,030,000	62.38%	**2031**
2032	225,000	13,900	305,000	56,625	270,000	66,350	100,000	25,610	1,300,000	181,263	1,481,263	3,730,000	72.10%	**2032**
2033	235,000	4,700	315,000	41,125	275,000	52,725	105,000	21,995	1,140,000	132,858	1,272,858	2,590,000	80.63%	**2033**
2034			325,000	25,125	285,000	38,725	105,000	18,163	840,000	89,950	929,950	1,750,000	86.91%	**2034**
2035			340,000	8,500	295,000	25,700	105,000	14,225	845,000	53,038	898,038	905,000	93.23%	**2035**
2036					300,000	13,800	110,000	10,030	495,000	25,668	520,668	410,000	96.93%	**2036**
2037					195,000	3,900	110,000	5,575	330,000	9,788	339,788	80,000	99.40%	**2037**
2038							80,000	1,660	80,000	1,660	81,660	0	100.00%	**2038**
	1,505,000	234,325	2,675,000	630,625	2,625,000	719,075	1,010,000	258,454	13,370,000	2,233,608	15,603,608			

* Preliminary, subject to change.

City of Mendota Heights, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 11/10/2026)

	Tax Abatement Bonds 1) Series 2020A							
Dated	11/10/2020							
Amount	$1,540,000							
Maturity	02/01							
Calendar Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Calendar Year Ending**
2027	170,000	12,480	170,000	12,480	182,480	710,000	19.32%	**2027**
2028	175,000	9,030	175,000	9,030	184,030	535,000	39.20%	**2028**
2029	175,000	5,530	175,000	5,530	180,530	360,000	59.09%	**2029**
2030	180,000	2,880	180,000	2,880	182,880	180,000	79.55%	**2030**
2031	180,000	990	180,000	990	180,990	0	100.00%	**2031**
	880,000	30,910	880,000	30,910	910,910			

1) This represents the $1,540,000 Tax Abatement portion of the $3,295,000 General Obligation Bonds, Series 2020A.

City of Mendota Heights, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 11/10/2026)

	Capital Improvement Bonds Series 2019A		Equipment Certificates 1) Series 2021A		Street Reconstruction Bonds Series 2023A							
Dated	05/08/2019		11/23/2021		11/08/2023							
Amount	$7,000,000		$905,000		$1,015,000							
Maturity	02/01		02/01		02/01							
Calendar Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Calendar Year Ending**
2027	455,000	131,625	110,000	14,800	100,000	40,850	665,000	187,275	852,275	5,460,000	10.86%	**2027**
2028	470,000	117,750	115,000	11,425	100,000	35,850	685,000	165,025	850,025	4,775,000	22.04%	**2028**
2029	480,000	103,500	120,000	7,900	105,000	30,725	705,000	142,125	847,125	4,070,000	33.55%	**2029**
2030	495,000	88,875	120,000	4,300	110,000	25,350	725,000	118,525	843,525	3,345,000	45.39%	**2030**
2031	510,000	73,800	125,000	1,250	115,000	19,725	750,000	94,775	844,775	2,595,000	57.63%	**2031**
2032	525,000	58,275			125,000	13,725	650,000	72,000	722,000	1,945,000	68.24%	**2032**
2033	545,000	42,225			130,000	8,000	675,000	50,225	725,225	1,270,000	79.27%	**2033**
2034	560,000	25,650			135,000	2,700	695,000	28,350	723,350	575,000	90.61%	**2034**
2035	575,000	8,625					575,000	8,625	583,625	0	100.00%	**2035**
	4,615,000	650,325	590,000	39,675	920,000	176,925	6,125,000	866,925	6,991,925			

1) This represents the $905,000 Equipment portion of the $2,420,000 General Obligation Bonds, Series 2021A.

City of Mendota Heights, Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 11/10/2026)

	Maintenance Facility Solar Lease 1) 2017		Fire Station Solar Lease 1) 2017		Maintenance Facility II Solar Lease 1) 2017		Golf Course Solar Lease 1) 2017		City Hall Solar Lease 1) 2017	
Dated	02/20/2017		02/20/2017		07/26/2017		07/26/2017		07/26/2017	
Amount	$44,039		$44,039		$74,639		$48,045		$75,766	
Maturity	12/31		12/31		12/31		12/31		12/31	
Calendar Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2026	2,704	0	2,704	0	5,407	0	2,489	0	5,653	0
2027	2,825	0	2,825	0	5,649	0	2,601	0	5,906	0
2028	2,951	0	2,951	0	5,902	0	2,717	0	6,170	0
2029	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2030	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2031	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2032	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2033	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2034	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2035	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2036	1,980	0	1,980	0	2,280	0	2,760	0	2,100	0
2037										
2038										
2039										
2040										
	24,319	0	24,319	0	35,198	0	29,887	0	34,530	0

1) The interest rate for these leases is 0.00%. These leases are not subject to the debt limit.

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City of Mendota Heights, Minnesota
Schedule of Bonded Indebtedness continued
Non-General Obligation Debt Secured by Annual Appropriation
(As of 11/10/2026)

	Fire Station Solar Lease 2) 2019							
Dated	11/25/2019							
Amount	$40,796							
Maturity	12/31							
Calendar Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Calendar Year Ending**
2026	2,135	0	21,092	0	21,092	158,311	11.76%	**2026**
2027	2,209	0	22,014	0	22,014	136,297	24.03%	**2027**
2028	2,286	0	22,977	0	22,977	113,320	36.84%	**2028**
2029	2,366	0	13,466	0	13,466	99,854	44.34%	**2029**
2030	2,448	0	13,548	0	13,548	86,306	51.89%	**2030**
2031	2,533	0	13,633	0	13,633	72,672	59.49%	**2031**
2032	2,622	0	13,722	0	13,722	58,951	67.14%	**2032**
2033	2,713	0	13,813	0	13,813	45,138	74.84%	**2033**
2034	2,807	0	13,907	0	13,907	31,231	82.59%	**2034**
2035	2,905	0	14,005	0	14,005	17,226	90.40%	**2035**
2036	3,006	0	14,106	0	14,106	3,120	98.26%	**2036**
2037	780	0	780	0	780	2,340	98.70%	**2037**
2038	780	0	780	0	780	1,560	99.13%	**2038**
2039	780	0	780	0	780	780	99.57%	**2039**
2040	780	0	780	0	780	0	100.00%	**2040**
	31,151	0	179,403	0	179,403			

2) The interest rate for this lease is 0.00%. This lease is not subject to the debt limit.

OVERLAPPING DEBT[1]

Taxing District	2025/26 Adjusted Taxable Net Tax Capacity	% In City	Total G.O. Debt[2]	City's Proportionate Share
Dakota County	$880,683,403	4.1230%	$35,640,000	$1,469,437
I.S.D. No. 197 (West St. Paul-Mendota Heights-Eagan Area Schools)	114,467,734	31.7214%	130,860,000[3]	41,510,624
Metropolitan Council	6,503,726,905	0.5583%	261,560,000[4]	1,460,289
City's Share of Total Overlapping Debt				$44,440,351

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

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

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value $3,420,025,144	Debt/ Per Capita 11,967[1]
Direct G.O. Debt Secured By:			
Special Assessments & Taxes*	$13,370,000		
Tax Abatement Revenues	880,000		
Taxes	6,125,000		
Total General Obligation Debt*	$20,375,000	0.60%	$1,702.60
City's Share of Total Overlapping Debt	$44,440,351	1.30%	$3,713.57
Total*	$64,815,351	1.90%	$5,416.17

*Preliminary, subject to change.

TAX LEVIES, COLLECTIONS AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[2]	Total Collected Following Year	Collected to Date	% Collected
2021/22	$10,739,517	$10,701,997	$10,738,326	99.99%
2022/23	11,478,376	11,428,763	11,477,011	99.99%
2023/24	12,435,916	12,366,090	12,427,655	99.93%
2024/25	13,026,195	12,960,608	12,978,501	99.63%
2025/26	13,747,072	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[3] Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

---

[1] Estimated 2025 population.

[2] This reflects the Final Levy Certification of the City after all adjustments have been made.

[3] Second half tax payments on agricultural property are due on November 15 of each year.

TAX CAPACITY RATES[1]

	2021/22	2022/23	2023/24	2024/25	2025/26
Dakota County	21.630%	18.816%	18.323%	19.948%	21.031%
City of Mendota Heights	41.306%	39.184%	39.141%	40.406%	40.675%
I.S.D. No. 197 (West St. Paul-Mendota Heights-Eagan)	20.391%	17.067%	17.391%	19.341%	18.826%
Dakota County CDA	1.391%	1.176%	1.309%	1.360%	1.331%
Metropolitan Council	0.649%	0.564%	0.620%	0.549%	0.594%
Minnesota Watershed District	0.523%	0.493%	0.675%	0.717%	0.934%
Mosquito Control	0.372%	0.325%	0.315%	0.320%	0.332%
Transit District	0.969%	0.849%	0.750%	0.824%	0.793%
Referendum Market Value Rates:					
City of Mendota Heights	0.00711%	N/A	N/A	N/A	N/A
I.S.D. No. 197 (West St. Paul-Mendota Heights-Eagan)	0.14099%	0.12150%	0.17014%	0.18085%	0.16830%

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

THE ISSUER

CITY GOVERNMENT

The City was organized as a municipality in 1956. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Administrator, City Clerk and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 50 full-time, 7 part-time, and 13 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.

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Law Enforcement Labor Services	December 31, 2027
Minnesota Teamsters Public & Law Enforcement Employees Union Local 320	December 31, 2027
Minnesota Public Employees Association	December 31, 2027
Local 70 of the International Union of Operating Engineers AFL-CIO	December 31, 2027

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 $3,288,399 as of January 1, 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.

FUNDS ON HAND (as of July 31, 2026)

Fund	Total Cash and Investments
General	$14,182,374
Special Revenue	2,696,808
Debt Service	2,901,455
Capital Projects	2,107,323
Enterprise Funds	3,064,319
Internal Service	1,205,894
Total Funds on Hand	$26,158,173

ENTERPRISE FUNDS

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

	2023 Audited	2024 Audited	2025 Audited
Sewer Utility			
Total Operating Revenues	$2,482,543	$2,547,161	$2,702,018
Less: Operating Expenses	(2,030,589)	(2,056,849)	(2,200,185)
Operating Income	$451,954	$490,312	$501,833
Plus: Depreciation	199,707	212,231	216,784
Revenues Available for Debt Service	$651,661	$702,543	$718,617
Storm Water Utility			
Total Operating Revenues	$589,829	$647,637	$743,159
Less: Operating Expenses	(448,669)	(397,511)	(330,138)
Operating Income	$141,160	$250,126	$413,021
Plus: Depreciation	55,407	57,271	61,567
Revenues Available for Debt Service	$196,567	$307,397	$474,588

SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues, expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the 2025 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2025 Audited
Revenues					
Property taxes	$8,243,823	$8,935,145	$9,601,169	$10,402,220	$10,804,573
Franchise fees	0	0	0	382,044	416,343
Licenses and permits	619,710	731,480	572,587	769,288	748,913
Intergovernmental	521,938	735,603	1,278,100	886,048	942,328
Charges for services	736,356	641,490	687,087	698,812	792,746
Fine and forfeitures	93,400	83,168	67,725	66,961	51,813
Investment income (loss)	(22,807)	(132,443)	441,494	485,740	457,435
Other	258,245	178,347	185,382	321,158	242,902
Total Revenues	$10,450,665	$11,172,790	$12,833,544	$14,012,271	$14,457,053
Expenditures					
General government	$1,757,749	$2,066,147	$1,890,903	$2,275,110	$2,420,939
Public safety	5,034,195	5,106,234	5,619,367	6,097,209	6,193,211
Public works	2,795,138	3,172,510	3,643,062	3,944,090	4,099,905
Debt service	0	45,017	95,847	133,600	158,050
Capital outlay	54,611	251,876	103,048	477,053	376,510
Total Expenditures	$9,641,693	$10,641,784	$11,352,227	$12,927,062	$13,248,615
Excess of revenues over (under) expenditures	$808,972	$531,006	$1,481,317	$1,085,209	$1,208,438
Other Financing Sources (Uses)					
Sale of capital assets	$0	$103,076	$0	$0	$0
Proceeds from capital leases	0	210,926	0	0	0
Insurance recoveries	0	0	32,132	97,985	60,776
Issuance of leases	0	0	39,933	300,919	0
Transfers in	72,689	47,550	47,551	47,550	47,550
Transfers (out)	(216,955)	(756,470)	(603,876)	(543,988)	(1,254,451)
Total Other Financing Sources (Uses)	($144,266)	($394,918)	($484,260)	($97,534)	($1,146,125)
Net changes in Fund Balances	$664,706	$136,088	$997,057	$987,675	$62,313
General Fund Balance January 1	$10,684,511	$11,349,217	$11,485,305	$12,482,362	$13,470,037
General Fund Balance December 31	$11,349,217	$11,485,305	$12,482,362	$13,470,037	$13,532,350
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	$353,557	$375,961	$391,456	$390,838	$347,240
Unassigned	10,995,660	11,109,344	12,090,906	13,079,199	13,185,110
Total	$11,349,217	$11,485,305	$12,482,362	$13,470,037	$13,532,350

GENERAL FUND BUDGET SUMMARY

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31 2026 Adopted Budget
Revenues	
Property taxes	$11,163,849
Franchise fees	520,000
Licenses and permits	492,200
Intergovernmental	693,849
Charges for services Fine	819,886
and forfeitures	67,500
Investment income (loss)	50,000
Other	110,000
Total Revenues	$13,917,284
Expenditures	
General government	$2,719,683
Public safety	6,756,854
Public works	2,964,094
Parks and recreation	1,479,203
Capital outlay	45,000
Total Expenditures	$13,964,834
Excess of revenues over (under) expenditures	($47,550)
Other Financing Sources (Uses)	
Transfers in	$47,550
Total Other Financing Sources (Uses)	$47,550
Net changes in Fund Balances	$0
General Fund Balance January 1	$13,532,350
General Fund Balance December 31	$13,532,350

GENERAL INFORMATION

LOCATION

The City, with a 2020 U.S. Census population of 11,744 and a 2025 population estimate of 11,967, and comprising an area of ten square miles, is located approximately two miles south of St. Paul, Minnesota.

LARGER EMPLOYERS[1]

Larger employers in the City include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 197 (West St. Paul-Mendota Heights-Eagan)	Elementary and secondary education	959
Patterson Companies	Medical and dental supplies	500
Howry Residential Services	Residential services	300
Lloyd's Barbeque Co.	Pre-cooked barbeque meals	210
Financial Recovery Services	Collections and recovery firm	201
Bituminous Roadways, Inc.	Paving contractors	200
Restaurant Technologies, Inc.	Restaurant equipment & supplies- retail	200
North Risk Partners	Insurance agencies	101
General Pump	Pump manufacturers	100
Visitation School	Convents & monasteries	100

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

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

BUILDING PERMITS (as of July 31, 2026)

	2022	2023	2024	2025	2026
New Single Family Homes					
No. of building permits	9	3	9	6	2
Valuation	$7,577,840	$2,250,000	$7,093,928	$6,764,150	$3,228,000
New Multiple Family Buildings					
No. of building permits	1	2	0	1	1
Valuation	$13,392,900	$732,932	$0	$10,716,675	$4,768,329
New Commercial/Industrial					
No. of building permits	1	0	0	1	0
Valuation	$13,540,000	$0	$0	$10,457,280	$0
All Building Permits *(including additions and remodelings)*					
No. of building permits	764	1,083	918	757	411
Valuation	$59,453,147	$36,439,581	$58,726,476	$55,526,485	$28,131,994

Source: The City.

U.S. CENSUS DATA

Population Trend: The City

2010 U.S. Census population	11,071
2020 U.S. Census population	11,744
Percent of Change 2010 - 2020	6.08%
2025 Metropolitan Council Population Estimate	11,967

Income and Age Statistics

	The City	Dakota County	State of Minnesota	United States
2024 per capita income	$72,329	$52,084	$48,237	$44,673
2024 median household income	$132,768	$106,318	$89,062	$80,734
2024 median family income	$164,646	$131,618	$113,993	$99,999
2024 median gross rent	$1,631	$1,548	$1,280	$1,413
2024 median value owner occupied units	$520,300	$381,000	$329,300	$332,700
2024 median age	47.0 yrs.	38.6 yrs.	38.8 yrs.	38.9 yrs.

	State of Minnesota	United States
City % of 2024 per capita income	149.95%	161.91%
City % of 2024 median family income	144.44%	164.65%

Housing Statistics

	The City		
	2020	2025	Percent of Change
All Housing Units	4,787	4,960	3.61%

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 2025 Population Estimates, Metropolitan Council (https://metrocouncil.org/).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	Dakota County	Dakota County	State of Minnesota
2022	239,965	2.1%	2.5%
2023	242,833	2.5%	2.8%
2024	243,542	2.9%	3.1%
2025	244,759	3.6%	3.9%
2026, August	239,089	4.6%	4.8%

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

FINANCIAL STATEMENTS

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

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

City of Mendota Heights

Annual Report and Basic Financial Statements

December 31, 2025

City of Mendota Heights
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City of Mendota Heights
Elected Officials and Administration
December 31, 2025

Elected Officials	Position	Term Expires
Stephanie Levine	Mayor	December 31, 2026
Joel Paper	Council Member	December 31, 2028
John Maczko	Council Member	December 31, 2028
Sally Lorberbaum	Council Member	December 31, 2026
John Mazzitello	Council Member	December 31, 2026

Administration		
Cheryl Jacobson	City Administrator	Appointed
Nancy Bauer	City Clerk	Appointed
Kristen Schabacker	Finance Director	Appointed

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Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Mendota Heights
Mendota Heights, Minnesota

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mendota Heights, Minnesota, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 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 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.

St. Cloud, Minnesota
June 9, 2026

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As management of the City of Mendota Heights, 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 year ended December 31, 2025.

FINANCIAL AND DEVELOPMENT HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of the most recent year by $70,658,277 (net position). Of this amount, $17,669,168 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by $4,499,577. Governmental activities resulted in an increase of net position of $3,999,502. Business-type activities had an increase of net position of $500,075.

As of the close of the current year, the City's governmental funds reported a combined ending fund balance of $26,238,895, an increase of $2,890,308 from the prior year.

At the end of the year the General Fund had an unassigned fund balance of $13,185,110, or 99.52% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements on pages 18 and 19 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, deferred outflows of resources, 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 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 resource, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financial 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 statement. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the Governmental Fund Balance Sheet and 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 three individual major governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the following major funds:

- General Fund
- Special Assessments Debt Service Fund
- Street Capital Projects Fund

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20 through 24 of this report.

Proprietary Funds

The City maintains two enterprise funds and two internal service funds as a part of its proprietary fund type. 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 sewer and storm water operations.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Proprietary Funds (Continued)
Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the following funds:

Enterprise Funds

- Sewer Utility Fund
- Storm Water Utility Fund

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for compensated absences and city hall functions. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 25 through 27 of this report.

Notes to Basic 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 basic financial statements can be found on pages 29 through 64 of this report.

Other Information
The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 80 through 97 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 $70,658,277 at the close of the most recent year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The largest portion of the City's net position ($41,331,873 or 58.50%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, sewer main lines and storm sewers and infrastructure) 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.

Net Position

City of Mendota Heights, Minnesota's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	$ 35,895,727	$ 32,128,191	$ 4,262,821	$ 4,147,902	$ 40,158,548	$ 36,276,093
Capital assets	49,485,290	48,487,778	15,285,372	14,942,868	64,770,662	63,430,646
Deferred outflows of resources related to pensions and OPEB	5,297,971	6,502,068	20,197	17,184	5,318,168	6,519,252
Total assets and deferred outflows of resources	$ 90,678,988	$ 87,118,037	$ 19,568,390	$ 19,107,954	$ 110,247,378	$ 106,225,991
Liabilities						
Long-term liabilities outstanding	$ 27,277,220	$ 27,576,208	$ 79,684	$ 107,043	$ 27,356,904	$ 27,683,251
Other liabilities	4,908,207	4,997,798	315,487	322,680	5,223,694	5,320,478
Deferred inflows of resources related to pensions, OPEB and leases	6,965,656	7,015,628	42,887	47,934	7,008,543	7,063,562
Total liabilities and deferred inflows of resources	$ 39,151,083	$ 39,589,634	$ 438,058	$ 477,657	$ 39,589,141	$ 40,067,291
Net Position						
Net investment in capital assets	$ 26,046,501	$ 25,394,793	$ 15,285,372	$ 14,942,868	$ 41,331,873	$ 40,337,661
Restricted	11,657,236	10,296,683	-	-	11,657,236	10,296,683
Unrestricted	13,824,168	11,836,927	3,845,000	3,687,429	17,669,168	15,524,356
Total net position	$ 51,527,905	$ 47,528,403	$ 19,130,372	$ 18,630,297	$ 70,658,277	$ 66,158,700

A portion of the of the City's net position ($11,657,236) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($17,669,168) may be used to meet the City's ongoing obligations to citizens and creditors.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Governmental activities increased the City's net position by $3,999,502. Key elements of this increase are as follows:

City's Changes in Net Position

City of Mendota Heights, Minnesota's Net Position

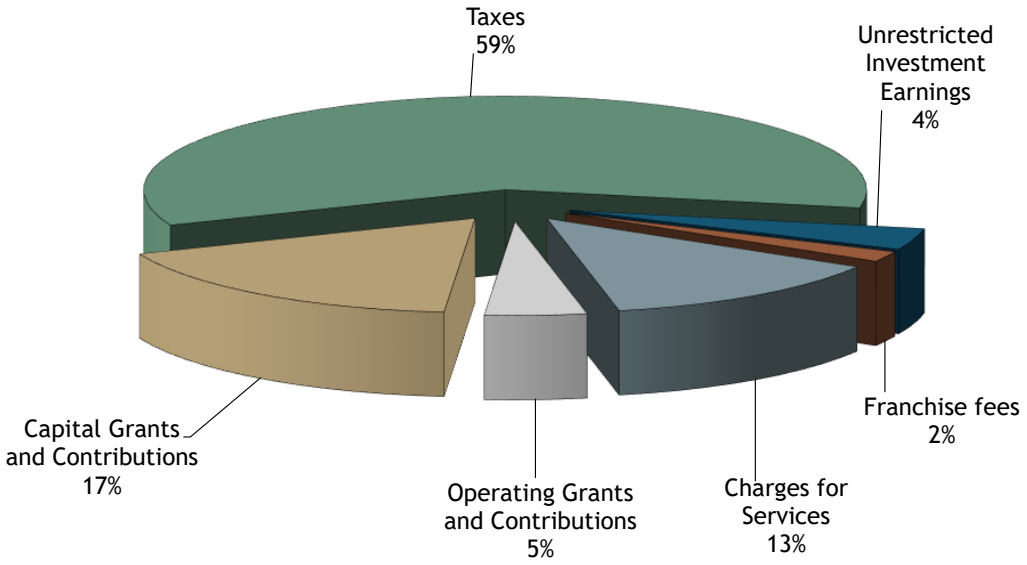
	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for services	$ 3,057,875	$ 4,444,361	$ 3,494,063	$ 3,232,235	$ 6,551,938	$ 7,676,596
Operating grants and contributions	1,055,887	1,133,495	-	31,435	1,055,887	1,164,930
Capital grants and contributions	4,045,019	2,442,848	-	-	4,045,019	2,442,848
General revenues						
Taxes	13,418,416	12,914,941	-	-	13,418,416	12,914,941
Tax increment	327,954	323,631	-	-	327,954	323,631
Unrestricted investment earnings	858,253	942,819	155,355	142,879	1,013,608	1,085,698
Franchise fees	416,343	382,044	-	-	416,343	382,044
Total revenues	23,179,747	22,584,139	3,649,418	3,406,549	26,829,165	25,990,688
Expenses						
General government	2,974,920	2,801,829	-	-	2,974,920	2,801,829
Public safety	7,031,051	6,753,141	-	-	7,031,051	6,753,141
Public works	8,836,012	6,614,732	-	-	8,836,012	6,614,732
Economic development	341,095	295,547	-	-	341,095	295,547
Interest on long-term debt	616,187	577,326	-	-	616,187	577,326
Sewer	-	-	2,200,185	2,056,849	2,200,185	2,056,849
Storm water	-	-	330,138	397,511	330,138	397,511
Total expenses	19,799,265	17,042,575	2,530,323	2,454,360	22,329,588	19,496,935
Increase (decrease) in net position before transfers	3,380,482	5,541,564	1,119,095	952,189	4,499,577	6,493,753
Transfers	619,020	242,608	(619,020)	(242,608)	-	-
Increase (decrease) in net position	3,999,502	5,784,172	500,075	709,581	4,499,577	6,493,753
Net position - beginning	47,528,403	41,744,231	18,630,297	17,920,716	66,158,700	59,664,947
Net position - ending	$ 51,527,905	$ 47,528,403	$ 19,130,372	$ 18,630,297	$ 70,658,277	$ 66,158,700

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

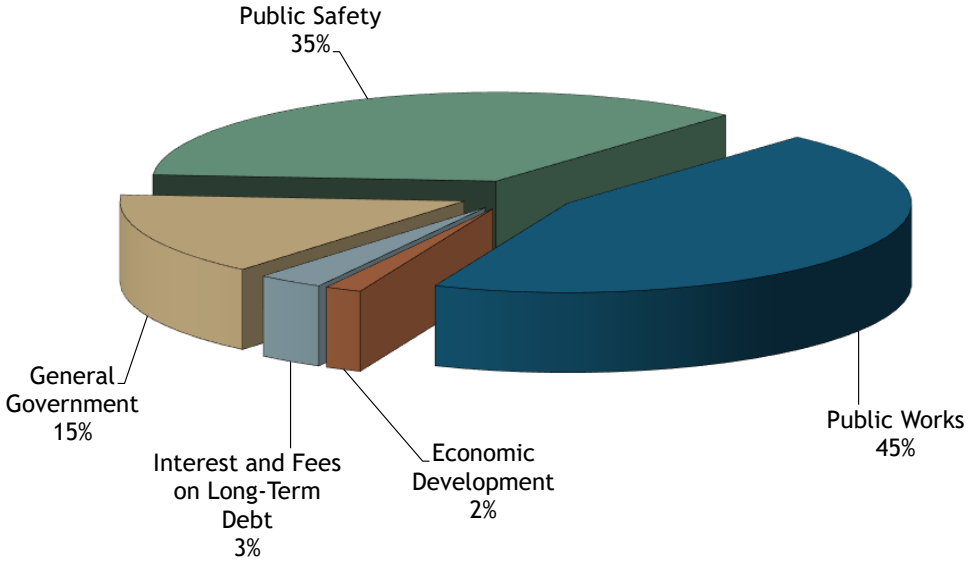
Governmental Activities (Continued)

Below are specific graphs which provide comparisons of the governmental activities revenues and expenditures:

Governmental Activities - Revenues



Governmental Activities - Expenses

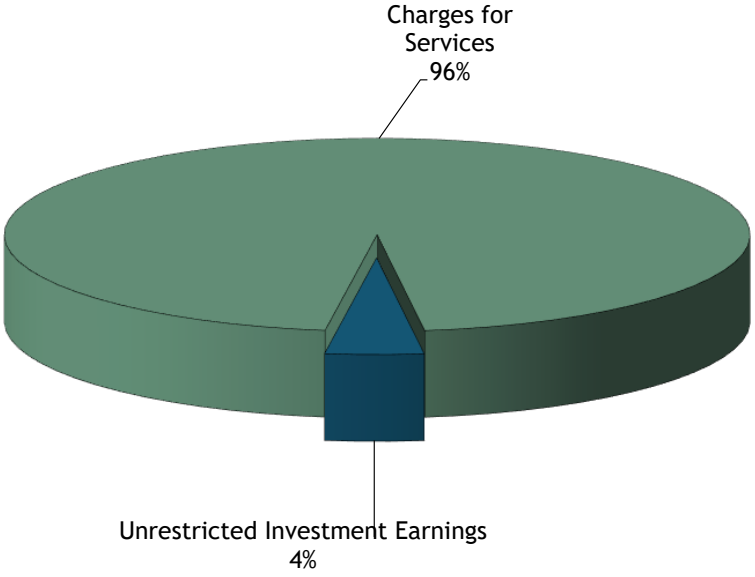


GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

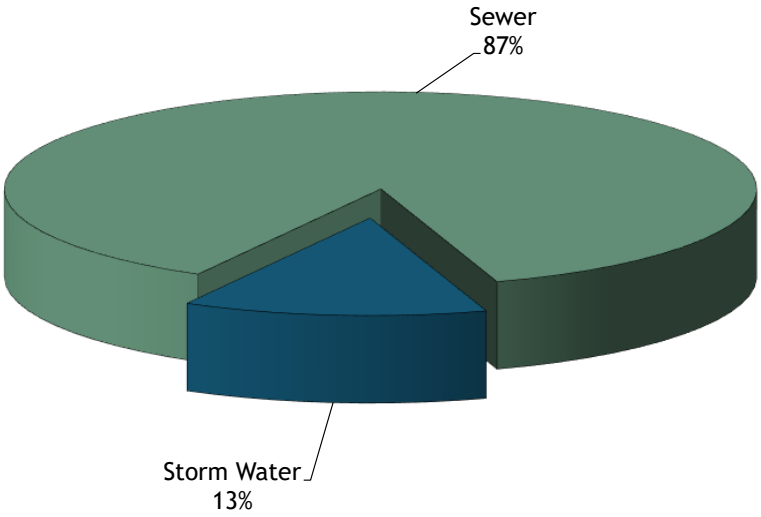
Business-Type Activities

Business-type activities increased net position by $500,075. Below are graphs showing the business-type activities revenue and expense comparisons:

Business-Type Activities - Revenues



Business-Type Activities - Expenses



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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 year.

At the end of the current year, the City's governmental funds reported combined ending fund balances of $26,238,895. Nonspendable fund balances are already allocated for prepaid items ($332,515) and inventory ($22,068). Approximately 33.70% ($8,842,677) constitutes restricted fund balance. Restricted fund balance would include Debt Service, Special Park, Street Capital Projects, Police Forfeiture, TIF Districts, Local Affordable Housing Aid and Street Light District Funds, all of which have specific uses for the funds they receive. The City also has a committed fund balance of $1,854,051 (7.07%). This represents fund balance that is to be used for the water system, Par 3 Golf Course, and civil defense needs. The City has assigned fund balance of $2,087,722 (7.96%). This number represents the fund balances for the various reserve accounts. The remaining category of fund balance is the unassigned fund balance. The City has $13,099,862 of unassigned fund balance which is approximately 49.93% of the combined governmental fund balance at December 31, 2025.

The General Fund's fund balance increased by $62,313 in 2025. Revenues were greater than anticipated and operating expenditures were lower than budgeted amounts. The capital outlay expenditures were not included in the 2025 budget.

The Special Assessments Debt Service Fund increased by $58,490 in 2025. This fund accounted for debt service payments for prior street improvement projects that were financed through the issuance of bonds.

The Street Capital Project Fund increased by $1,418,558. This fund accounted for the costs and resources associated with the Friendly Hills street improvement project.

The nonmajor governmental funds increased by $1,350,947. These funds received revenues from water surcharges, Par 3 Golf Course, and park dedication fees. Nonmajor funds account for the Special Park, Civil Defense, Par 3 Golf Course, and Street Light District activity. The City also has nonmajor funds for future purchases of equipment, facility needs and minor infrastructure projects.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position in the respective Proprietary Funds are sewer $2,875,145 and storm water $969,855. The Sewer Utility Fund had a decrease in net position in 2025 of $17,081 and the Storm Water Utility Fund had an increase in net position in 2025 of $517,156.

BUDGETARY HIGHLIGHTS

General Fund

The General Fund budget was not amended during 2025.

During the year, revenues exceeded budgeted estimates by $977,234, while expenditures were less than anticipated by $278,754. Expenditures for each category were under budgeted amounts. Capital outlay purchases were not included in the 2025 budget.

The General Fund experienced greater than budgeted revenues in some categories. The City received higher than budgeted amounts for licenses and permits and intergovernmental revenue. Investment earnings exceeded budgeted amounts. The City takes a conservative approach when budgeting for revenues that are not consistent from year to year.

Overall, the General Fund balance increased by $62,313, an increase of approximately 0.46%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2025, amounts to $64,770,662 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, machinery and equipment, sewer main lines and storm sewers and infrastructure.

Capital Assets
(Net of Depreciation/Amortization)

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	$ 8,790,170	$ 8,790,170	$ -	$ -	$ 8,790,170	$ 8,790,170
Construction in progress	6,027,681	7,805,247	31,087	-	6,058,768	7,805,247
Buildings and structures	7,848,224	7,777,941	-	-	7,848,224	7,777,941
Machinery and equipment	4,718,422	3,496,650	463,686	498,856	5,182,108	3,995,506
Leased equipment	506,468	556,048	-	-	506,468	556,048
Subscription asset	31,082	62,164	-	-	31,082	62,164
Other improvements	1,718,643	1,661,101	-	-	1,718,643	1,661,101
Storm sewers	-	-	14,790,599	14,444,012	14,790,599	14,444,012
Infrastructure	19,844,600	18,338,457	-	-	19,844,600	18,338,457
Total capital assets	$ 49,485,290	$ 48,487,778	$ 15,285,372	$ 14,942,868	$ 64,770,662	$ 63,430,646

Additional information on the City's capital assets can be found in Note 6.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At the end of the current year, the City had total long-term debt outstanding of $21,660,000, an increase of $370,000 from 2024. $21,660,000 for general obligation (G.O.) improvement debt which is supported in part by special assessments.

Outstanding Debt

G.O. Improvement Bonds, G.O. Bonds and Revenue Bonds:

	Governmental Activities	
	2025	2024
G.O. Improvement Bonds	$ 16,610,000	$ 15,820,000
G.O. Bonds	5,050,000	5,470,000
Total	$ 21,660,000	$ 21,290,000

The City maintains a AAA rating from Standard & Poor's.

Minnesota Statutes limit the amount of G.O. debt a Minnesota city may issue to 2% of total estimated market value. The current debt limitation for the City is $64,380,829. Of the City's outstanding debt, $5,050,000 is counted within the statutory limitation.

Additional information on the City's long-term debt can be found in Note 7.

Economic Factors and Next Year's Budgets and Rates

In 2025, the taxable market value for the City was $3,219,041,452. This represents an increase of 3.18% from 2024. The City is expecting a slight increase in taxable market value for 2026.

These factors were considered in preparing the City's budget for 2026.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 1101 Victoria Curve, Mendota Heights, Minnesota 55118.

BASIC FINANCIAL STATEMENTS

City of Mendota Heights
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	$ 27,212,041	$ 3,127,623	$ 30,339,664
Property tax receivable	91,513	-	91,513
Accounts receivable	210,623	896,008	1,106,631
Interest receivable	56,324	10,315	66,639
Due from other governments	2,022,154	2,299	2,024,453
Special assessments receivable			
Delinquent	9,134	5,462	14,596
Deferred	3,115,849	52,310	3,168,159
Lease receivable due within one year	36,076	-	36,076
Lease receivable due after one year	2,682,688	-	2,682,688
Inventories	22,068	-	22,068
Prepaid items	341,157	168,804	509,961
Land held for resale	96,100	-	96,100
Capital assets not being depreciated			
Land and improvements	8,790,170	-	8,790,170
Construction in progress	6,027,681	31,087	6,058,768
Capital assets being depreciated, net of accumulated depreciation/amortization			
Infrastructure	19,844,600	14,790,599	34,635,199
Buildings and structures	7,848,224	-	7,848,224
Other improvements	1,718,643	-	1,718,643
Leased equipment	506,468	-	506,468
Subscription asset	31,082	-	31,082
Machinery and equipment	4,718,422	463,686	5,182,108
Total assets	85,381,017	19,548,193	104,929,210
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	2,923,593	19,915	2,943,508
Deferred outflows of resources related to OPEB	2,374,378	282	2,374,660
Total deferred outflows of resources	5,297,971	20,197	5,318,168
Total assets and deferred outflows of resources	$ 90,678,988	$ 19,568,390	$ 110,247,378
Liabilities			
Accounts and contracts payable	$ 904,833	$ 62,755	$ 967,588
Deposits payable	-	185,324	185,324
Due to other governments	115,390	6,895	122,285
Salaries and benefits payable	355,716	14,224	369,940
Interest payable	281,000	-	281,000
Developers' escrow deposits	12,395	-	12,395
Bond principal payable			
Payable within one year	2,295,000	-	2,295,000
Payable after one year	20,646,199	-	20,646,199
Lease payable			
Payable within one year	128,044	-	128,044
Payable after one year	338,481	-	338,481
Subscription payable			
Payable within one year	31,065	-	31,065
Compensated absences payable			
Payable within one year	594,811	30,217	625,028
Payable after one year	347,341	17,469	364,810
Other post employment benefits (OPEB) payable			
Payable within one year	189,953	-	189,953
Payable after one year	3,082,414	16,032	3,098,446
Net pension liability	2,862,785	62,215	2,925,000
Total liabilities	32,185,427	395,131	32,580,558
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	4,071,406	37,954	4,109,360
Deferred inflows of resources related to lease receivable	2,718,764	-	2,718,764
Deferred inflows of resources related to OPEB	175,486	4,933	180,419
Total deferred inflows of resources	6,965,656	42,887	7,008,543
Net Position			
Net investment in capital assets	26,046,501	15,285,372	41,331,873
Restricted for			
Police forfeiture	31,641	-	31,641
Debt service	6,094,479	-	6,094,479
Capital projects	4,718,524	-	4,718,524
Street light maintenance	43,577	-	43,577
Park dedication	525,305	-	525,305
American Rescue Plan Act	862	-	862
Local affordable housing aid	124,382	-	124,382
Tax increment	118,466	-	118,466
Unrestricted	13,824,168	3,845,000	17,669,168
Total net position	51,527,905	19,130,372	70,658,277
Total liabilities, deferred inflows of resources, and net position	$ 90,678,988	$ 19,568,390	$ 110,247,378

See notes to basic financial statements.

City of Mendota Heights
Statement of Activities
Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities	Net (Expense) Revenues and Changes in Net Position: Business-Type Activities	Net (Expense) Revenues and Changes in Net Position: Total
Governmental activities							
General government	$ 2,974,920	$ 354,493	$ 59,620	$ 123,622	$ (2,437,185)	$ -	$ (2,437,185)
Public safety	7,031,051	736,796	772,356	-	(5,521,899)	-	(5,521,899)
Public works	8,836,012	1,966,586	223,911	3,921,397	(2,724,118)	-	(2,724,118)
Economic development	341,095	-	-	-	(341,095)	-	(341,095)
Interest on long-term debt	616,187	-	-	-	(616,187)	-	(616,187)
Total governmental activities	19,799,265	3,057,875	1,055,887	4,045,019	(11,640,484)	-	(11,640,484)
Business-type activities							
Sewer	2,200,185	2,750,904	-	-	-	550,719	550,719
Storm water	330,138	743,159	-	-	-	413,021	413,021
Total business-type activities	2,530,323	3,494,063	-	-	-	963,740	963,740
Total governmental and business-type activities	$ 22,329,588	$ 6,551,938	$ 1,055,887	$ 4,045,019	(11,640,484)	963,740	(10,676,744)
General revenues							
Property taxes					13,418,416	-	13,418,416
Franchise fees					416,343	-	416,343
Tax increments					327,954	-	327,954
Unrestricted investment earnings					858,253	155,355	1,013,608
Total general revenues					15,020,966	155,355	15,176,321
Transfers					619,020	(619,020)	-
Change in net position					3,999,502	500,075	4,499,577
Net position - beginning					47,528,403	18,630,297	66,158,700
Net position - ending					$ 51,527,905	$ 19,130,372	$ 70,658,277

See notes to basic financial statements.

City of Mendota Heights
Balance Sheet - Governmental Funds
December 31, 2025

	General Fund	Special Assessments Debt Service	Capital Projects Street Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (including cash equivalents)	$ 13,634,197	$ 3,374,028	$ 3,253,791	$ 5,892,038	$ 26,154,054
Taxes receivable - delinquent	73,080	11,606	-	6,827	91,513
Special assessments receivable					
Delinquent	4,225	4,909	-	-	9,134
Deferred	42,206	3,019,141	42,644	11,858	3,115,849
Accounts receivable	199,535	-	-	11,088	210,623
Interest receivable	30,373	6,770	4,571	13,977	55,691
Due from other funds	82,201	-	-	-	82,201
Due from other governments	152,083	57,968	1,798,393	13,710	2,022,154
Lease receivables	2,718,764	-	-	-	2,718,764
Inventories	22,068	-	-	-	22,068
Prepaid items	325,172	-	-	7,343	332,515
Land held for resale	-	-	-	96,100	96,100
Total assets	$ 17,283,904	$ 6,474,422	$ 5,099,399	$ 6,052,941	$ 34,910,666
Liabilities					
Accounts and contracts payable	$ 439,843	$ -	$ 235,685	$ 223,376	$ 898,904
Due to other funds	-	-	-	82,201	82,201
Due to other governments	114,749	-	-	512	115,261
Salaries and benefits payable	346,292	-	-	3,886	350,178
Developers' escrow deposits	12,395	-	-	-	12,395
Total liabilities	913,279	-	235,685	309,975	1,458,939
Deferred Inflows of Resources					
Unavailable revenue - property taxes	73,080	11,606	-	6,827	91,513
Unavailable revenue - state shared tax	-	-	1,277,572	-	1,277,572
Deferred Inflows of Resources related to lease receivable	2,718,764	-	-	-	2,718,764
Unavailable revenue - special assessments	46,431	3,024,050	42,644	11,858	3,124,983
Total deferred inflows of resources	2,838,275	3,035,656	1,320,216	18,685	7,212,832
Fund Balances					
Nonspendable	347,240	-	-	7,343	354,583
Restricted	-	3,438,766	3,543,498	1,860,413	8,842,677
Committed	-	-	-	1,854,051	1,854,051
Assigned	-	-	-	2,087,722	2,087,722
Unassigned	13,185,110	-	-	(85,248)	13,099,862
Total fund balances	13,532,350	3,438,766	3,543,498	5,724,281	26,238,895
Total liabilities, deferred inflows of resources, and fund balances	$ 17,283,904	$ 6,474,422	$ 5,099,399	$ 6,052,941	$ 34,910,666

See notes to basic financial statements.

City of Mendota Heights
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2025

Total fund balances - governmental funds	$ 26,238,895
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:	
Cost of capital assets	89,143,051
Less accumulated depreciation/amortization	(40,122,592)
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:	
General obligation (G.O.) bond principal payable	(21,660,000)
Lease payable	(466,525)
Subscription payable	(31,065)
Unamortized bond premium	(1,281,199)
OPEB payable	(3,261,970)
Net pension liability	(2,833,722)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds:	
Deferred inflows of resources related to pensions	(4,053,676)
Deferred outflows of resources related to pensions	2,914,289
Deferred outflows of resources related to OPEB	2,374,195
Deferred inflows of resources related to OPEB	(172,286)
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds:	
Property taxes	91,513
Special assessments	9,134
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred special assessments	3,115,849
State shared tax	1,277,572
Governmental funds do not report a liability for accrued interest until due and payable.	(281,000)
Internal service funds are used by management to charge the cost of engineering, compensated absences and City Hall expenses to individual funds. The net position of the funds are considered governmental and included in the government-wide Statement of Net Position.	527,442
Total net position - governmental activities	$ 51,527,905

City of Mendota Heights
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2025

	General Fund	Special Assessments Debt Service	Capital Projects: Street Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	$ 10,804,573	$ 1,702,597	$ -	$ 919,926	$ 13,427,096
Tax increments	-	-	-	327,954	327,954
Franchise fees	416,343	-	-	-	416,343
Special assessments	-	532,454	867,418	-	1,399,872
Licenses and permits	748,913	-	-	-	748,913
Intergovernmental	942,328	-	514,391	123,622	1,580,341
Charges for services	792,746	-	-	543,132	1,335,878
Fines and forfeitures	51,813	757	-	-	52,570
Miscellaneous revenue					
Investment income	457,435	101,958	78,946	210,382	848,721
Refunds and reimbursements	-	-	1,666,235	-	1,666,235
Other	242,902	-	-	440,436	683,338
Total revenues	14,457,053	2,337,766	3,126,990	2,565,452	22,487,261
Expenditures					
Current					
General government	2,420,939	-	-	187,780	2,608,719
Public safety	6,193,211	-	-	-	6,193,211
Public works	4,099,905	-	-	355,936	4,455,841
Economic development	-	-	-	341,095	341,095
Debt service					
Principal	158,050	1,835,000	-	420,000	2,413,050
Interest and other charges	-	556,707	-	164,725	721,432
Capital outlay					
General government	71,603	-	-	59,996	131,599
Public safety	299,807	-	-	1,015,013	1,314,820
Public works	5,100	-	4,808,407	681,573	5,495,080
Total expenditures	13,248,615	2,391,707	4,808,407	3,226,118	23,674,847
Excess of revenues over (under) expenditures	1,208,438	(53,941)	(1,681,417)	(660,666)	(1,187,586)
Other Financing Sources (Uses)					
Issuance of debt	-	2,625,000	-	-	2,625,000
Bond premium	-	268,059	-	-	268,059
Insurance recoveries	60,776	-	-	-	60,776
Transfers in	47,550	47,119	4,555,092	2,252,075	6,901,836
Transfers out	(1,254,451)	(2,827,747)	(1,455,117)	(240,462)	(5,777,777)
Total other financing sources (uses)	(1,146,125)	112,431	3,099,975	2,011,613	4,077,894
Net change in fund balances	62,313	58,490	1,418,558	1,350,947	2,890,308
Fund Balances					
Beginning of year	13,470,037	3,380,276	2,124,940	4,373,334	23,348,587
End of year	$ 13,532,350	$ 3,438,766	$ 3,543,498	$ 5,724,281	$ 26,238,895

See notes to basic financial statements.

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

Net change in fund balances - governmental funds	$ 2,890,308
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:	
Capital outlays	6,872,623
Depreciation expense	(3,121,828)
Loss on disposal of capital assets	(2,220,609)
Assets contributed to enterprise funds	(505,039)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	239,481
OPEB are not reported as expenditures in the governmental funds because they do not require the use of current financial resources; instead, they are expensed in the Statement of Activities.	(358,985)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	2,413,050
Premiums on the issuance of long-term debt provide current financial resources to governmental funds and have no effect on net position. These amounts are reported in the governmental funds as an other financing source and constitute long-term liabilities in the Statement of Net Position.	(268,059)
Premiums are recognized when debt is issued in the governmental funds but amortized over the life of the debt in the Statement of Activities.	134,205
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(28,960)
Proceeds from long-term debt are recognized as an other financing source in the governmental funds but have no effect on net position in the Statement of Activities:	
Bonds payable	(2,625,000)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	583,668
Activities of the internal service funds are presented separately from the governmental funds. However, the functions, from a government-wide perspective, are governmental.	(5,353)
Change in net position - governmental activities	$ 3,999,502

See notes to basic financial statements.

City of Mendota Heights
Budget and Actual - General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	$ 10,887,020	$ 10,804,573	$ (82,447)
Franchise fees	350,000	416,343	66,343
Licenses and permits	464,200	748,913	284,713
Intergovernmental	753,750	942,328	188,578
Charges for services	757,349	792,746	35,397
Fines and forfeitures	67,500	51,813	(15,687)
Miscellaneous revenues			
Investment income	50,000	457,435	407,435
Other	150,000	242,902	92,902
Total revenues	13,479,819	14,457,053	977,234
Expenditures			
Current			
General government	2,511,213	2,420,939	(90,274)
Public safety	6,551,992	6,193,211	(358,781)
Public works	4,306,114	4,099,905	(206,209)
Debt service:			
Principal	158,050	158,050	-
Capital outlay			
General government	-	71,603	71,603
Public safety	-	299,807	299,807
Public works	-	5,100	5,100
Total expenditures	13,527,369	13,248,615	(278,754)
Excess of revenues over (under) expenditures	(47,550)	1,208,438	1,255,988
Other Financing Sources (Uses)			
Insurance recoveries	-	60,776	60,776
Transfers in	47,550	47,550	-
Transfers out	-	(1,254,451)	(1,254,451)
Total other financing sources (uses)	47,550	(1,146,125)	(1,193,675)
Net change in fund balance	$ -	62,313	$ 62,313
Fund Balance			
Beginning of year		13,470,037	
End of year		$ 13,532,350	

See notes to basic financial statements.

City of Mendota Heights
Statement of Net Position - Proprietary Funds
December 31, 2025

	Sewer Utility	Storm Water Utility	Total	Internal Service Funds
Assets				
Current assets				
Cash and investments	$ 2,120,459	$ 1,007,164	$ 3,127,623	$ 1,057,987
Special assessment receivable				
Delinquent	5,462	-	5,462	-
Deferred	52,310	-	52,310	-
Accounts receivable	704,191	191,817	896,008	-
Interest receivable	7,043	3,272	10,315	633
Due from other governments	2,299	-	2,299	-
Prepaid expenses	168,804	-	168,804	8,642
Total current assets	3,060,568	1,202,253	4,262,821	1,067,262
Noncurrent assets				
Capital assets not being depreciated				
Land	-	-	-	25,000
Construction in progress	31,087	-	31,087	-
Capital assets being depreciated				
Buildings	-	-	-	2,279,024
Sewer main lines and storm sewers	15,796,757	6,156,659	21,953,416	-
Improvements other than buildings	-	-	-	48,431
Machinery and equipment	769,264	-	769,264	66,969
Total capital assets	16,597,108	6,156,659	22,753,767	2,419,424
Less accumulated depreciation	(6,589,053)	(879,342)	(7,468,395)	(1,954,593)
Net capital assets	10,008,055	5,277,317	15,285,372	464,831
Total noncurrent assets	10,008,055	5,277,317	15,285,372	464,831
Total assets	13,068,623	6,479,570	19,548,193	1,532,093
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	16,702	3,213	19,915	9,304
Deferred outflows of resources related to OPEB	241	41	282	183
Total deferred outflows of resources	16,943	3,254	20,197	9,487
Total assets and deferred outflows of resources	$ 13,085,566	$ 6,482,824	$ 19,568,390	$ 1,541,580
Liabilities and Net Position				
Current liabilities				
Accounts payable	$ 33,711	$ 29,044	$ 62,755	$ 5,929
Developers' escrow deposits	-	185,324	185,324	-
Salaries and benefits payable	13,670	554	14,224	5,538
Due to other governments	5,375	1,520	6,895	129
Noncurrent liabilities due within one year	30,217	-	30,217	594,811
Total current liabilities	82,973	216,442	299,415	606,407
Noncurrent liabilities				
Compensated absences	47,686	-	47,686	942,152
OPEB payable	13,701	2,331	16,032	10,397
Net pension liability	52,177	10,038	62,215	29,063
Less amount due within one year	(30,217)	-	(30,217)	(594,811)
Total noncurrent liabilities	83,347	12,369	95,716	386,801
Total liabilities	166,320	228,811	395,131	993,208
Deferred Inflows of Resources				
Deferred inflows of resources related to OPEB	4,216	717	4,933	3,200
Deferred inflows of resources related to pensions	31,830	6,124	37,954	17,730
Total deferred inflows of resources	36,046	6,841	42,887	20,930
Net Position				
Investment in capital assets	10,008,055	5,277,317	15,285,372	464,831
Unrestricted	2,875,145	969,855	3,845,000	62,611
Total net position	12,883,200	6,247,172	19,130,372	527,442
Total liabilities, deferred inflows of resources, and net position	$ 13,085,566	$ 6,482,824	$ 19,568,390	$ 1,541,580

See notes to basic financial statements.

City of Mendota Heights
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2025

	Sewer Utility	Storm Water Utility	Total	Internal Service Funds
Operating Revenues				
Charges for services	$ 2,702,018	$ 743,159	$ 3,445,177	$ 260,000
Total operating revenues	2,702,018	743,159	3,445,177	260,000
Operating Expenses				
Wages and salaries	199,582	28,322	227,904	86,890
Employee benefits	53,632	6,400	60,032	34,772
Materials and supplies	30,565	-	30,565	-
Repairs and maintenance	156,572	64,300	220,872	-
Professional services	35,649	129,613	165,262	4,994
Insurance	11,357	-	11,357	7,896
Utilities	26,269	-	26,269	48,198
Depreciation	216,784	61,567	278,351	35,285
Travel	17	-	17	-
Miscellaneous	26,259	39,936	66,195	56,850
Sewer charges - MCES	1,443,499	-	1,443,499	-
Total operating expenses	2,200,185	330,138	2,530,323	274,885
Operating income (loss)	501,833	413,021	914,854	(14,885)
Nonoperating Revenues (expenses)				
Investment income	106,076	49,279	155,355	9,532
Fines and forfeitures	869	-	869	-
Special assessments	7,054	-	7,054	-
Other income	40,963	-	40,963	-
Total nonoperating revenues	154,962	49,279	204,241	9,532
Change in net position before capital contributions and transfers	656,795	462,300	1,119,095	(5,353)
Capital contributions	75,465	429,574	505,039	-
Transfers out	(749,341)	(374,718)	(1,124,059)	-
Change in net position	(17,081)	517,156	500,075	(5,353)
Net Position				
Beginning of year	12,900,281	5,730,016	18,630,297	532,795
End of year	$ 12,883,200	$ 6,247,172	$ 19,130,372	$ 527,442

Net change in the net position reported above	$ 500,075
Amounts reported for business-type activities in the Statement of Activities are different because:	
Transfers in of capital assets from governmental activities	505,039
Capital contributions reported above	(505,039)
Change in net position of business-type activities	$ 500,075

See notes to basic financial statements.

City of Mendota Heights
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2025

	Sewer Utility	Storm Water Utility	Total	Internal Service Funds
Cash Flows - Operating Activities				
Receipts from customers and users	$ 2,654,222	$ 717,439	$ 3,371,661	$ 260,000
Payments to suppliers	(1,800,266)	(228,524)	(2,028,790)	(102,460)
Payments to employees	(261,293)	(38,444)	(299,737)	(23,905)
Miscellaneous revenue	33,395	-	33,395	-
Net cash flows - operating activities	626,058	450,471	1,076,529	133,635
Cash Flows - Noncapital Financing Activities				
Transfer to other funds	(749,341)	(374,718)	(1,124,059)	-
Due to other funds	-	-	-	-
Due from other funds	-	-	-	-
Net cash flows - noncapital financing activities	(749,341)	(374,718)	(1,124,059)	-
Cash Flows - Capital and Related Financing Activities				
Acquisition of capital assets	(115,815)	-	(115,815)	(7,650)
Cash Flows - Investing Activities				
Interest and dividends received	103,015	47,920	150,935	9,280
Net change in cash and cash equivalents	(136,083)	123,673	(12,410)	135,265
Cash and Cash Equivalents				
Beginning of year	2,256,542	883,491	3,140,033	922,722
End of year	$ 2,120,459	$ 1,007,164	$ 3,127,623	$ 1,057,987
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities				
Operating income (loss)	$ 501,833	$ 413,021	$ 914,854	$ (14,885)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities				
Operating activities				
Miscellaneous revenue	33,395	-	33,395	-
Depreciation expense	216,784	61,567	278,351	35,285
Accounts receivable	(48,940)	(25,720)	(74,660)	-
Due from other governments	1,144	-	1,144	-
Prepaid items	(33,900)	-	(33,900)	1,041
Developers' excrow deposits	-	22,319	22,319	-
Accounts and contracts payable	(34,816)	(16,994)	(51,810)	14,414
Due to other governmental units	(1,363)	-	(1,363)	23
Salaries payable	4,212	(869)	3,343	1,107
OPEB payable	1,775	399	2,174	1,332
Pension related items	(14,737)	(3,252)	(17,989)	(6,914)
Compensated absences payable	671	-	671	102,232
Total adjustments	124,225	37,450	161,675	148,520
Net cash flows - operating activities	$ 626,058	$ 450,471	$ 1,076,529	$ 133,635
Noncash Investing, Capital, and Financing Activities				
Contributions of capital assets	$ 75,465	$ 429,574	$ 505,039	$ -

See notes to basic financial statements.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

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

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

As a result of applying the component unit definition criteria above, the City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

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.

The Internal Service Funds are presented in the internal service fund financial statements. Because the principal user of internal services is the City's governmental activities, the financial statements of the Internal Service Fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. 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. Under this basis of accounting, transactions are recorded in the following manner.

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences, and claims and judgments are recognized when payment is due.

The City applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds:

Major Governmental Funds:

General Fund – This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Assessments Debt Service Fund – This fund receives all special assessment payments and is dedicated for the repayment of debt incurred on a specific project.

Street Capital Projects Fund – This fund is used to account for the proceeds and disbursements of funds for street improvement expenditures.

Proprietary Funds:

Sewer Utility Fund – This fund is used to account for the City's sewer utility.

Storm Water Utility Fund – This fund is used to account for the City's storm water utility.

Additional Fund Types:

Internal Service Funds – These funds account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. The City's Internal Service Funds account for compensated absences and City Hall expenses.

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

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds and Internal Service Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. 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. Investments for the City are reported at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Continued)

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

Minnesota Statutes requires all deposits made by cities with financial institutions to be collateralized in an amount equal to 110% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

Certain investments for the City are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

2. Receivables and Payables

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Dakota County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

3. Inventories

Inventories are valued at cost, which approximates market, using the first in, first out (FIFO) method. Inventory consists of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Inventories (Continued)

Inventory – land held for resale represents land owned by the City with the intent to sell to developers. This land is recorded at the expected net realizable value.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

5. Capital Assets

Capital assets, which include property, plant, equipment, intangible, and infrastructure assets (e.g., roads, sidewalks, easements, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $25,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Assets	Years
Buildings	15 - 100
Other improvements	10 - 40
Machinery and equipment	3 - 25
Infrastructure	30 - 100

Capital assets not being depreciated include land and land improvement and construction in progress.

6. Lease Receivable

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Lease Receivable (Continued)

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

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

The City determines the discount rate for leases based on the applicable State and Local Government Securities (SLGS) rate. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City presents deferred outflows of resources on the Statements of Net Position for deferred outflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four items that qualify for reporting in this category. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and state shared tax. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statements of Net Position for deferred inflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to lease receivable is reported in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet.

8. Compensated Absences\Severance

The City allows employees to accrue vacation based on years of service to carry over to the next year. Accrued vacation shall be used in the year following the year which said time is earned and any time accrued will be paid out at termination. At the end of the year the vacation balance cannot exceed 200 hours.

All permanent full-time employees accrue personal leave at the rate of 4 hours per month, to a maximum of 320 hours. Any balances in excess of 320 hours will be converted to cash compensation or additional vacation time at a ratio of 50%.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Compensated Absences\Severance (Continued)

All compensated absences 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 as a result of employee termination or similar circumstances. These liabilities are paid by the governmental fund the employee provided most of its service to. The unused vacation and sick leave of the proprietary funds is included in accrued liabilities of the respective fund.

The liability for compensated absences reported in the Statement of Net Position consists of leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

10. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the relief association and additions to/deductions from PERA's and the relief association's fiduciary net position have been determined on the same basis as they are reported by PERA and the relief association except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Fund Equity

a. Classification

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

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact.

- Restricted Fund Balances – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

- Committed Fund Balances – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.

- Assigned Fund Balances – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City's Administrator or Finance Director based on the City Council's direction.

- Unassigned Fund Balances – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

b. Minimum Fund Balance

- The City will strive to maintain a General Fund unassigned fund balance of 75% of the following year's budgeted operating expenditures.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The City Council adopts an annual budget for the General Fund and certain special revenue and capital project funds. The American Rescue Plan Act special revenue fund is not budgeted for. The amounts shown in the financial statements as "budget" represent the original budgeted amount, and all revisions made during the year. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator prepares and presents to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget included proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The City Council deliberates on and adopts the budget on a basis consistent with accounting principles generally accepted in the United States of America and legally enacts the budget by passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year.
5. The City Council must approve any budget appropriation transfers between departments and any increases in budget appropriations to the extent actual revenues exceed estimated revenues.
6. Reported budget amounts are as originally adopted or as amended by the City Council approved supplemental appropriations and budget transfers.

Annual appropriations lapse at year-end. No revisions were made to the budgets during the year.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balances

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

Other Nonmajor Capital Projects Fund	
Pilot Knob Improvement	$ 85,248

NOTE 3 – DEPOSITS AND INVESTMENTS

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

A. Deposits

In accordance with applicable *Minnesota Statutes*, the City maintains deposits at depository banks authorized by the City Council.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Custodial Credit Risks – Deposits: This is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City addresses custodial credit risk by having the authority from the City Council to maintain deposits with various financial institutions that are members of the Federal Reserve System. The City's policy states all deposits must be collateralized in compliance with *Minnesota Statutes* § 118A. As of December 31, 2025, the City's bank balance was not exposed to custodial credit risk because it was insured through the Federal Deposit Insurance Corporation (FDIC) and fully collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

As of December 31, 2025, the City had deposits as follows:

Checking	$ 1,152,609
Total deposits	$ 1,152,609

B. Investments

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

Investment Type	Credit Ratings	Fair Value 12/31/25	Investment Maturities Less Than 1 Year	Investment Maturities 1 - 5 Years
Negotiable CD's	NR	$ 4,482,793	$ 783,908	$ 3,698,885
US Government Securities	AA+	3,031,735	1,385,228	1,646,507
Mutual Funds	NR	2,661,047	2,661,047	-
Money Market Funds	NR	19,010,780	19,010,780	-
Total		$ 29,186,355	$ 23,840,963	$ 5,345,392

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments based on type. The City's investment policy addresses credit quality by allowing the City to invest only in instruments permitted by *Minnesota Statutes* § 118A.04-05.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's policy states the City will attempt to diversify its investments according to type and maturity. The policy states the portfolio will contain both short-term and long-term investments and will attempt to match its investments with anticipated cash flow requirements.

Custodial Credit Risk – Investments: This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states that to ensure safety when considering an investment, it is verified to make certain funds in excess of insurance are not made at the same institution. The City's brokers carry SIPC and private insurance to cover the City's investment holdings; however, given the size of the City's portfolio in relation to the insurance, it is unlikely the City would receive the full value of their investments upon default of the counterparty.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy states the City will hold investments with laddered maturities so that funds become available on a regular schedule.

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

- $21,671,827 investments are valued using calculated Net Asset Value (Level 1 inputs)
- $7,514,528 of investments are valued using a matrix pricing model (Level 2 inputs)

C. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	$ 1,152,609
Investments (Note 3.B.)	29,186,355
Petty cash	700
Total cash and investments	$ 30,339,664

Deposits and investments are presented in the December 31, 2025, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 30,339,664

NOTE 4 – INTERFUND ACTIVITIES

A. Interfund Receivables and Payable

The following is a summary of the City's due to/due from other funds at December 31, 2025:

Fund	Due to	Due from	Reason
General Fund	$ -	$ 82,201	
Other governmental funds	82,201	-	Cash deficit
Total	82,201	82,201	

The balances above will be repaid as financing becomes available.

B. Interfund Transfers

The composition of interfund transfers as of December 31, 2025, was as follows:

	Transfer In				
	General	Special Assessments Debt Service	Street Capital Projects	Other Governmental Funds	Total
Transfers out					
General	$ -	$ -	$ -	$ 1,254,451	$ 1,254,451
Special assessments debt service	22,250	-	2,805,497	-	2,827,747
Street capital projects	-	-	683,773	771,344	1,455,117
Other governmental funds	4,500	47,119	14,911	173,932	240,462
Sewer utility	11,150	-	714,985	23,206	749,341
Storm Water Utility	9,650	-	335,926	29,142	374,718
Total	$ 47,550	$ 47,119	$ 4,555,092	$ 2,252,075	$ 6,901,836

The purpose of the above transfers is to distribute bond proceeds and to provide funding for capital improvement projects, capital outlay, and operating purposes.

NOTE 5 – LEASE RECEIVABLE

The City leases three cell towers. Revenue from these leases for the year ended December 31, 2025, was $148,585.

Year Ending December 31,	Lease Receivable	
	Principal	Interest
2026	$ 36,076	$ 124,946
2027	46,619	121,837
2028	56,733	119,506
2029	67,697	116,686
2030	79,572	113,337
2031-2035	612,396	494,662
2036-2040	579,828	349,299
2041-2045	854,316	179,956
2046-2050	385,327	23,980
Total	$ 2,718,564	$ 1,644,209

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land and improvements	$ 8,790,170	$ -	$ -	$ 8,790,170
Construction in progress	7,805,247	4,911,791	6,689,357	6,027,681
Total capital assets not being depreciated /amortized	16,595,417	4,911,791	6,689,357	14,817,851
Capital assets being depreciated/amortized				
Buildings and structures	12,946,005	405,864	-	13,351,869
Machinery and equipment	8,002,731	1,917,416	250,792	9,669,355
Leased equipment	884,778	-	89,996	794,782
Subscription asset	93,246	-	-	93,246
Other improvements	3,915,578	201,763	7,549	4,109,792
Infrastructure	45,617,600	3,489,839	381,859	48,725,580
Total capital assets being depreciated /amortized	71,459,938	6,014,882	730,196	76,744,624
Less accumulated depreciation/ amortization for				
Buildings and structures	5,168,064	335,581	-	5,503,645
Machinery and equipment	4,506,081	612,953	168,101	4,950,933
Leased equipment	328,730	49,580	89,996	288,314
Subscription asset	31,082	31,082	-	62,164
Other improvements	2,254,477	144,221	7,549	2,391,149
Infrastructure	27,279,143	1,983,696	381,859	28,880,980
Total accumulated depreciation/amortization	39,567,577	3,157,113	647,505	42,077,185
Total capital assets being depreciated/amortized, net	31,892,361	2,857,769	82,691	34,667,439
Governmental activities capital assets, net	$ 48,487,778	$ 7,769,560	$ 6,772,048	$ 49,485,290

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ -	$ -	$ -	$ -
Construction in progress	-	31,087	-	31,087
Total capital assets not being depreciated	-	31,087	-	31,087
Capital assets being depreciated				
Machinery and equipment	769,265	-	-	769,265
Sewer main lines and storm sewers	21,363,648	589,768	-	21,953,416
Total capital assets being depreciated	22,132,913	589,768	-	22,722,681
Less accumulated depreciation for				
Machinery and equipment	270,409	35,170	-	305,579
Sewer main lines and storm sewers	6,919,636	243,181	-	7,162,817
Total accumulated depreciation	7,190,045	278,351	-	7,468,396
Total capital assets being depreciated, net	14,942,868	311,417	-	15,254,285
Business-type activities capital assets, net	$ 14,942,868	$ 342,504	$ -	$ 15,285,372

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

Governmental activities	
General government	$ 194,137
Public safety	650,717
Public works	2,276,974
Internal service funds	35,285
Total depreciation/amortization expense - governmental activities	$ 3,157,113
Business-type activities	
Sewer utility	$ 216,784
Storm water utility	61,567
Total depreciation expense - business-type activities	$ 278,351

NOTE 7 – LONG-TERM DEBT

A. G.O. Bonds

The City issues G.O. Bonds to provide for financing street improvements, major capital equipment purchases and utility improvements. Debt service is funded through property taxes, special assessments, and utility charges.

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

B. Components of Long-Term Liabilities

	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities					
Government activities					
G.O. Improvement Bonds, including Refunding Bonds					
G.O. Improvement Bonds, Series 2014A	0.85%-3.40%	$ 1,030,000	02/01/35	$ 310,000	$ 85,000
G.O. Refunding Bond, Series 2014B	1.50%-3.00%	885,000	02/01/27	145,000	70,000
G.O. Improvement Bonds 2015A	.90%-3.00%	1,200,000	02/01/36	590,000	50,000
G.O. Refunding Bond, Series 2015C	2.00%-2.50%	1,995,000	02/01/28	505,000	165,000
G.O. Reconstruction Bonds, Series 2016A	1.00%-2.50%	1,020,000	02/01/37	470,000	80,000
G.O. Improvement Bonds of 2017A	2.00%-2.50%	1,340,000	02/01/30	655,000	130,000
G.O. Improvement Bonds of 2018A	3.00%-4.00%	1,080,000	02/01/30	560,000	115,000
G.O. Improvement Bonds of 2019A	2.00%-3.00%	3,035,000	02/01/31	1,445,000	250,000
G.O. Improvement Bonds of 2020A	1.20%-2.00%	3,295,000	02/01/32	2,165,000	325,000
G.O. Improvement Bonds of 2021A	2.00%-3.00%	2,420,000	02/01/34	1,675,000	225,000
G.O. Improvement Bonds of 2022A	5.00%-4.00%	1,880,000	02/01/33	1,695,000	190,000
G.O. Improvement Bonds of 2023A	4.00%-5.00%	1,015,000	02/01/34	1,015,000	95,000
G.O. Improvement Bonds of 2024A	5.00%	2,755,000	02/01/35	2,755,000	80,000
G.O. Improvement Bonds of 2025A	4.00-5.00%	2,625,000	02/01/37	2,625,000	
Total improvement bonds				16,610,000	1,860,000
G.O. Bonds, including refunding bonds					
G.O. Capital Improvement Plan Bonds	3.00%-4.00%	7,000,000	02/01/35	5,050,000	435,000
Lease Liability				466,525	128,044
Subscription Liability				31,065	31,065
Net Premium on Bonds				1,281,199	-
Compensated absences payable				942,152	594,811
Total governmental activities				24,380,941	3,048,920
Business-type activities					
Compensated absences payable				47,686	30,217
Total all long-term liabilities				$ 24,428,627	$ 3,079,137

Long-term bonded indebtedness listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues.

Debt Service Funds will be used to pay general government principal and interest liabilities. The General Fund and Sewer Utility Fund will pay for the corresponding compensated absence liability. The General Fund will pay the lease liability.

NOTE 7 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds Payable					
G.O. Improvements Bonds	$ 15,820,000	$ 2,625,000	$ 1,835,000	$ 16,610,000	$ 1,860,000
G.O. Bonds	5,470,000	-	420,000	5,050,000	435,000
Leases Liability	594,753	-	128,228	466,525	128,044
Subscription Liability	60,887	-	29,822	31,065	31,065
Unamortized premium	1,147,345	268,059	134,205	1,281,199	-
Compensated absences payable *	839,920	102,232	-	942,152	594,811
Total governmental activities	23,932,905	2,995,291	2,547,255	24,380,941	3,048,920
Business-type activities					
Compensated absences payable *	47,015	671	-	47,686	30,217
Total government	$ 23,979,920	$ 2,995,962	$ 2,547,255	$ 24,428,627	$ 3,079,137

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

D. Long-Term Debt

The annual requirements to amortize all bonded debt outstanding follows:

	Governmental Activities					
Year Ending	Improvement Bonds			G.O. Bonds		
December 31,	Principal	Interest	Total	Principal	Interest	Total
2026	$ 1,860,000	$ 532,558	$ 2,392,558	$ 435,000	$ 147,150	$ 582,150
2027	2,010,000	501,364	2,511,364	455,000	131,625	586,625
2028	2,200,000	430,558	2,630,558	470,000	117,750	587,750
2029	2,010,000	357,070	2,367,070	480,000	103,500	583,500
2030	2,020,000	287,770	2,307,770	495,000	88,875	583,875
2031-2035	5,905,000	626,053	6,531,053	2,715,000	208,575	2,923,575
2036-2037	605,000	19,849	624,849	-	-	-
Total	$ 16,610,000	$ 2,755,222	$ 19,365,222	$ 5,050,000	$ 797,475	$ 5,847,475

The City leases squad cars and vehicle and body camera equipment under noncancelable leases. The City also has an agreement with Saint Paul Regional Water Services that the City pays half of the cell tower revenue for those located on the water tower to SPRWS.

NOTE 7 – LONG-TERM DEBT (CONTINUED)

D. Long-Term Debt (Continued)

The following is a schedule by years of future minimum payments required under the leases as of December 31, 2025:

Year Ending December 31,	Lease Payable		
	Principal	Interest	Total
2026	$ 128,044	$ 20,229	$ 148,273
2027	72,377	15,271	87,648
2028	53,323	12,605	65,928
2029	19,354	10,200	29,554
2030	21,856	9,175	31,031
2031-2035	154,458	25,583	180,041
2036-2040	17,113	215	17,328
Total	$ 466,525	$ 93,278	$ 559,803

Year Ending December 31,	Subscription Payable		
	Principal	Interest	Total
2026	$ 31,065	$ 1,295	$ 32,359
Total	$ 31,065	$ 1,295	$ 32,359

NOTE 8 – CONDUIT DEBT

From time-to-time, the City has issued Industrial Development and Housing Mortgage Revenue Bonds in accordance with the Minnesota Municipal Industrial Development Act. These obligations are issued to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The obligations are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the obligations, ownership of the acquired facilities transfers to the private-sector entity served by the debt issuance. Neither the City, the State of Minnesota, nor any political subdivision thereof, is obligated in any manner for the repayment of the obligations. Accordingly, the Bonds are not reported as liabilities in the accompanying financial statements.

The aggregate amount of all conduit debt obligations outstanding as of December 31, 2025, was $10,570,000.

NOTE 9 – FUND BALANCE DETAIL

Fund equity balances are classified below to reflect the limitations and restrictions of the respective Funds.

	General Fund	Special Assessment Debt Service	Street Capital Projects	Other Governmental Funds	Total
Nonspendable					
Inventories	$ 22,068	$ -	$ -	$ -	$ 22,068
Prepaid items	325,172	-	-	7,343	332,515
Restricted					
Park dedication fees	-	-	-	525,305	525,305
Capital projects	-	-	3,543,498	155,094	3,698,592
Street light maintenance	-	-	-	42,468	42,468
Police	-	-	-	31,641	31,641
Debt service	-	3,438,766	-	862,195	4,300,961
Grant Funding	-	-	-	125,244	125,244
Tax increment financing	-	-	-	118,466	118,466
Committed					
Water system maintenance	-	-	-	1,465,210	1,465,210
Par 3 golf course	-	-	-	240,823	240,823
Emergency preparedness and civil defense	-	-	-	148,018	148,018
Assigned					
Capital projects	-	-	-	2,087,722	2,087,722
Unassigned	13,185,110	-	-	(85,248)	13,099,862
Total	$ 13,532,350	$ 3,438,766	$ 3,543,498	$ 5,724,281	$ 26,238,895

NOTE 10 – RISK MANAGEMENT

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

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

Workers compensation coverage is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to LMCIT. For workers compensation, the City is not subject to a deductible. The City's workers compensation coverage is not retrospectively rated. However, the actual premium is adjusted based on audited payroll amounts.

NOTE 11 – PENSION PLANS

The City participates in various pension plans. Total pension expense for the year ended December 31, 2025, was $464,402. The components of pension expense are noted in the following plan summaries.

The General Fund and Sewer and Stormwater Funds typically liquidate the liability related to the pensions.

Public Employees' Retirement Association

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes* Chapters 353, 353D, 353E, 353G, and 356. *Minnesota Statutes* Chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

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

Public Employees 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* § 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 City'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.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989, or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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

Police and Fire Plan Benefits

Benefits for the 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 10 years. After five years, vesting increase by 10% each full year of service until members are 100% vested after 10 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 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 reduced prorated increase.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2025, and the City was required to contribute 7.5% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were $257,060. 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 11.8% of their annual covered salary in fiscal year 2025 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2025, were $433,555. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2025, the City reported a liability of $1,184,752 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 $28,580.

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 0.0358% at the end of the measurement period and 0.0330% for the beginning of the period.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

City's proportionate share of the net pension liability	$ 1,184,752
State of Minnesota's proportionate share of the net pension liability associated with the City	28,580
Total	$ 1,213,332

For the year ended December 31, 2025, the City recognized pension expense of $31,181 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized $(4,384) 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 its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 106,750	$ -
Changes in actuarial assumptions	28,545	244,583
Net difference between projected and actual investment earnings	-	462,326
Changes in proportion	115,428	15,840
Contributions paid to PERA subsequent to the measurement date	128,530	-
Total	$ 379,253	$ 722,749

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The $128,530 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:

Year Ending December 31,	Pension Expense Amount
2026	$ (94,331)
2027	(163,810)
2028	(129,671)
2029	(84,214)
Total	$ (472,026)

Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of $1,740,248 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 0.1485% at the end of the measurement period and 0.1616% for the beginning of the period.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

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 $60,326.

City's proportionate share of the net pension liability	$ 1,740,248
State of Minnesota's proportionate share of the net pension liability associated with the City	60,326
Total	$ 1,800,574

For the year ended December 31, 2025, the City recognized pension expense of $433,221 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized $29,188 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $9 million to the Police and Fire Fund.

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 $13,368 for the year ended December 31, 2025, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2025, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the following page.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 844,336	$ -
Changes in actuarial assumptions	1,434,441	2,300,383
Net difference between projected and actual investment earnings	-	788,168
Changes in proportion	68,700	298,060
Contributions paid to PERA subsequent to the measurement date	216,778	-
Total	$ 2,564,255	$ 3,386,611

The $216,778 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:

Year Ending December 31,	Pension Expense Amount
2026	$ 396,165
2027	(437,092)
2028	(956,540)
2029	(58,605)
2030	16,938
Total	$ (1,039,134)

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs (Continued)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial 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 7.0%. The 7.0% assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan and the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.5% for the General Employees Plan and 1% for the Police and Fire Plan.

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

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

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

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

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 used of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Assumptions (Continued)

Police and Fire Fund (Continued)

Changes in Actuarial Assumptions (Continued)

- 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, 2048 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 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees and Police and Fire plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the General Employees Fund net pension liability	$ 2,877,572	$ 1,184,752	$ (188,510)

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the Police and Fire Fund net pension liability	$ 4,559,819	$ 1,740,248	$ (575,064)

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.

Defined Contribution Pension Plan – Volunteer Firefighter's Relief Association

The Mendota Heights Firefighter's Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Mendota Heights Fire Department per *Minnesota State Statutes*.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Mendota Heights Firefighter's Association, 2121 Dodd Road Mendota Heights, Minnesota 55120 or by calling 651-249-7640.

The City contributes to the Mendota Heights Volunteer Fire Department Relief Association (the "Association") that provides pension benefits to its members under a single employer defined contribution plan. Since fire department members are volunteers, contributions to the Association are not based on payroll but rather on years of active service. All active firefighters may apply for membership in the Association and shall become a member immediately upon approval by the Board of Trustees.

NOTE 11 – PENSION PLANS (CONTINUED)

Defined Contribution Pension Plan – Volunteer Firefighter's Relief Association (Continued)

Under an Annual Contribution Agreement, the City's contribution to the Association is determined by multiplying $7,500 by the number of years of active service completed by members of the Association for the plan year, prorated by months for members who did not complete a full year of active service. The City also contributes a portion of the Association's administrative fees each year. For 2025, that contribution was $249,375. Required and actual employer contributions to the plan during 2025 were $249,375. In addition, the City passes through state aid allocated to the plan in accordance with state statutes. For 2025, the state aid was $175,939. Members of the Association are not allowed to make voluntary contributions to the plan.

Members are not vested in their accounts until they attain 10 years of active service, at which time they become 60% vested. Thereafter, the vested portion of their accounts increases by 4% annually until they achieve 100% vesting after having served for 20 years.

Plan provisions were established and may only be amended by amendments to the Association bylaws which require a majority vote by the Board of Trustees.

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The City provides a single employer defined benefit healthcare plan to eligible retirees (as required by *Minnesota Statue* § 471.61) and police or firefighters disabled in the line of duty (as required by *Minnesota Statute* § 299A.465). The required contributions are based on projected pay-as-you-go financing requirements. As of January 1, 2025, there were 17 retirees participating in the City's healthcare plan.

B. Benefits Provided

Retirees and their spouses contribute to the healthcare plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Blue Cross Blue Shield and Delta Dental.

C. Contributions

The City makes direct subsidy payments towards retiree health insurance premiums. For the year 2025, the City contributed $151,506.

D. Members

As of January 1, 2024, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Active employees	43
Total	60

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Inflation	2.50%
Healthcare cost trend increases	6.25% initially, grading to 5% over five years and then to 4.00% over the next 48 years
Mortality assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale

The actuarial assumptions used in the January 1, 2024, valuation were based on the results of an actuarial experience study for the period January 1, 2023, through January 1, 2024.

The discount rate used to measure the total OPEB liability was 4.20% based on 20-year municipal G.O. Bonds.

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability

The City's total OPEB liability of $3,288,399 was measured as of January 1, 2025, and was determined by an actuarial valuation as of January 1, 2024.

	Total OPEB Liability
Balance at January 1, 2024	$ 3,455,270
Changes for the year	
Service cost	18,947
Interest	125,684
Changes of assumptions	(155,370)
Differences between expected and actual experience	-
Benefit payments	(156,132)
Net changes	(166,871)
Balance at January 1, 2025	$ 3,288,399

Changes of assumptions and other inputs reflect the following changes:

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

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 4.20% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability/(Asset)		
1% Decrease in Discount Rate (3.20%)	Current in Discount Rate (4.20%)	1% Increase in Discount Rate (5.20%)
$ 3,614,736	$ 3,288,399	$ 3,006,709

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

Total OPEB Liability/(Asset)		
1% Decrease in Trend Rate (5.25% Decreasing to 4.0%)	Current Trend Rate (6.25% Decreasing to 5.0%)	1% Increase in Trend Rate (7.25% Decreasing to 6.0%)
$ 2,986,077	$ 3,288,399	$ 3,634,960

H. 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 $514,000. At December 31, 2025, the Distract 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
Liability losses	$ 2,066,899	$ -
Assumption changes	156,255	180,419
Subsequent contributions	151,506	-
Total	$ 2,374,660	$ 180,419

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The $151,506 reported as deferred outflows of resources related to post employment benefits 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 post-employment benefits will be recognized in pension expense as follows:

Year Ending December 31,	OPEB Expense Amount
2026	$ 369,372
2027	371,869
2028	365,231
2029	361,920
2030	292,690
Thereafter	281,653
Total	$ 2,042,735

NOTE 13 – JOINT VENTURES

A. Dakota 911

The City is a member of Dakota 911. Dakota 911 was created by a joint powers agreement between Dakota County and several cities. Its purposes include the establishment, operation, and maintenance of joint law enforcement, fire, EMS, and other emergency communications systems. Members are obligated to pay their proportional share of operating and capital expenditures on an annual basis. The City paid $286,092 for 2025. Members do not maintain an equity interest other than if Dakota 911 were to terminate. Withdrawing members forfeit any interest in Dakota 911. Information regarding Dakota 911 can be obtained at the website www.dakota911mn.gov.

B. Local Government Information Systems Association (LOGIS)

The consortium of approximately 30 government entities provides computerized data processing and support services to its members. LOGIS is a legally separate entity; the entities appoint a voting majority of its board, and the consortium is fiscally independent of the City. For 2025, the City paid $412,302 for computer application support and computer hardware for the City's network. Complete financial statements of the consortium may be obtained at the LOGIS offices located at 5750 Duluth Street, Golden Valley, Minnesota 55422.

NOTE 14 – CONTINGENCIES

The City has various claims and litigation that arise in the normal course of business. The City has evaluated the impact of these items for the December 31, 2025, financial statements and determined they do not have a material effect on financial position or changes in financial position.

NOTE 15 – COMMITED CONTRACTS

At December 31, 2025, the City had commitments of $4,294,552 for uncompleted construction contracts.

NOTE 16 – TAX INCREMENT FINANCING

The City has entered into Tax Increment Financing agreements which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures.* The City's authority to enter into these agreements comes from *Minnesota Statute* § 469. The City entered into this agreement for the purpose of redevelopment.

Under these agreements, the City and developer agree on an amount of development costs to be reimbursed to the developer by the City though tax revenues from the additional taxable value of the property generated by the development (tax increment). A "pay-as-you-go" note is established for this amount, on which the City makes payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs.

During the year ended December 31, 2025, the City generated $327,954 in tax increment revenue and made $295,159 in payments to developers.

NOTE 17 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 103, *Financial Reporting Model Improvements*. The changes required by this Statement provide clarity, enhance the relevance of information, provide more useful information for decision-making and provide for greater comparability amongst government entities. This Statement will be effective for the year ending December 31, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets. This Statement will be effective for the year ending December 31, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

City of Mendota Heights
Schedule of Changes in Total OPEB Liability
and Related Ratios

	December 31, 2025	December 31, 2024	December 31, 2023	December 31, 2022
Total OPEB Liability				
Service cost	$ 18,947	$ 19,961	$ 18,147	$ 24,213
Interest	125,684	38,126	23,338	14,864
Differences between expected and actual experience	-	2,387,617	-	540,952
Changes of assumptions	(155,370)	176,395	(67,149)	12,919
Benefit payments	(156,132)	(198,102)	(182,694)	(143,921)
Net change in total OPEB liability	(166,871)	2,423,997	(208,358)	449,027
Beginning of year	3,455,270	1,031,273	1,239,631	790,604
Total OPEB Liability	$ 3,288,399	$ 3,455,270	$ 1,031,273	$ 1,239,631
Covered-employee payroll	$ 4,292,252	$ 4,167,235	$ 3,600,817	$ 3,495,939
Total OPEB liability as a percentage of covered-employee payroll	76.61%	82.92%	28.64%	35.46%

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

See notes to required supplementary information.

December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
$ 20,191	$ 17,009	$ 22,733	$ 24,002
23,267	31,249	30,230	31,883
-	22,848	-	-
26,487	30,297	(20,053)	-
(122,081)	(126,784)	(115,317)	(94,257)
(52,136)	(25,381)	(82,407)	(38,372)
842,740	868,121	950,528	988,900
$ 790,604	$ 842,740	$ 868,121	$ 950,528
$ 3,469,012	$ 3,359,818	$ 3,460,084	$ 3,359,305
22.79%	25.08%	25.09%	28.30%

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

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liablility and the State's Proportionate Share of the Net Pension Liablility Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0315%	$ 2,557,644	$ 33,392	$ 2,591,036	$ 1,954,600	130.85%	68.91%
2017	0.0290%	1,851,341	23,303	1,874,644	1,870,160	98.99%	75.90%
2018	0.0281%	1,558,873	51,096	1,609,969	1,887,853	82.57%	79.53%
2019	0.0291%	1,608,874	49,998	1,658,872	2,058,880	78.14%	80.23%
2020	0.0296%	1,774,655	54,701	1,829,356	2,113,013	83.99%	79.06%
2021	0.0319%	1,362,273	41,634	1,403,907	2,294,880	59.36%	87.00%
2022	0.0324%	2,566,091	75,343	2,641,434	2,430,307	105.59%	76.67%
2023	0.0316%	1,767,037	48,604	1,815,641	2,509,800	70.41%	83.10%
2024	0.0330%	1,221,526	31,586	1,253,112	2,796,493	43.68%	89.08%
2025	0.0358%	1,184,752	28,580	1,213,332	3,237,907	36.59%	90.78%

Schedule of City's Proportionate Share
of Net Pension Liability
Public Employees Police and Fire Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liablility and the State's Proportionate Share of the Net Pension Liablility Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.1550%	$ 6,220,420	N/A	$ 6,220,420	$ 1,496,272	415.7%	63.88%
2017	0.1500%	2,011,679	N/A	2,011,679	1,543,389	130.3%	85.43%
2018	0.1527%	1,613,882	N/A	1,613,882	1,609,556	100.3%	88.84%
2019	0.1643%	1,726,959	N/A	1,726,959	1,733,152	99.6%	89.26%
2020	0.1686%	2,207,154	$ 52,363	2,259,517	1,902,465	116.0%	87.19%
2021	0.1575%	1,201,558	54,662	1,256,220	1,902,228	63.2%	93.66%
2022	0.1628%	7,084,413	309,465	7,393,878	1,977,853	358.2%	70.53%
2023	0.1568%	2,707,732	109,059	2,816,791	2,059,107	131.5%	86.47%
2024	0.1616%	2,125,799	81,035	2,206,834	2,237,503	95.0%	90.17%
2025	0.1485%	1,740,248	60,326	1,800,574	2,254,169	77.2%	91.78%

See notes to required supplementary information.

City of Mendota Heights
Schedule of City Contributions -
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	$ 139,806	$ 139,806	$ -	$ 1,864,080	7.50%
2017	137,806	137,806	-	1,837,413	7.50%
2018	146,272	146,272	-	1,950,293	7.50%
2019	157,416	157,416	-	2,098,880	7.50%
2020	166,196	166,196	-	2,215,947	7.50%
2021	178,657	178,657	-	2,382,093	7.50%
2022	186,921	186,921	-	2,492,280	7.50%
2023	193,712	193,712	-	2,582,827	7.50%
2024	226,381	226,381	-	3,018,413	7.50%
2025	257,060	257,060	-	3,427,467	7.50%

Schedule of City Contributions -
Public Employees Police and Fire Retirement Fund
Last Ten Years

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	$ 245,917	$ 245,917	$ -	$ 1,518,006	16.20%
2017	251,584	251,584	-	1,552,988	16.20%
2018	266,168	266,168	-	1,643,012	16.20%
2019	311,718	311,718	-	1,839,044	16.95%
2020	344,654	344,654	-	1,947,198	17.70%
2021	349,826	349,826	-	1,976,418	17.70%
2022	350,782	350,782	-	1,981,819	17.70%
2023	382,877	382,877	-	2,163,147	17.70%
2024	394,207	394,207	-	2,227,158	17.70%
2025	433,555	433,555	-	2,449,463	17.70%

See notes to required supplementary information.

General Employees Fund

2025 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2024 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period for 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 equal to 2.5% minus the actual adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

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

General Employees Fund (Continued)

2022 Changes

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- 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 changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

General Employees Fund (Continued)

2019 Changes (Continued)
Changes in Plan Provisions
- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. This does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions
- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed annual increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

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

2016 Changes
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.

General Employees Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Police and Fire Fund

2025 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Changes in Plan Provisions

- 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% 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% 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).

Police and Fire Fund (Continued)

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Additional one-time direct state aid contribution of $19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time non-compounding benefit increase of 3.0% 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.
- A total and permanent duty disability benefit was added, effective July 1, 2023.

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- 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 MP-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 resulted 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 resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Police and Fire Fund (Continued)

2021 Changes (Continued)
Changes in Plan Provisions
- There have been no changes since the prior valuation.

2020 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2019 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2018 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2016 to MP-2017.

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

2017 Changes
Changes in Actuarial Assumptions
- Assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% 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.

Police and Fire Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed termination rates were decreased to 3% 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% to 60%.
- 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 annual increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

OPEB

2025 Changes
Changes in Actuarial Assumptions
- The discount rate was changed from 3.70% to 4.20%.

2024 Changes
Changes in Actuarial Assumptions
- The discount rate was changed from 4.00% to 3.70%.

2023 Changes
Changes in Actuarial Assumptions
- The discount rate was changed from 2.00% to 4.00%.
- The inflation rate was changed from 2.00% to 2.50%.

2022 Changes
Changes in Actuarial Assumptions
- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The salary increase rates were updated to reflect the latest experience study.
- The retirement and withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.

2021 Changes
Changes in Actuarial Assumptions
- The discount rate decreased from 2.90% in 2020 to 2.00% in 2021.

2020 Changes
Changes in Actuarial Assumptions
- The discount rate decreased from 3.80% in 2019 to 2.90% in 2020.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

2019 Changes
Changes in Actuarial Assumptions
- The discount rate increased from 3.30% in 2018 to 3.80% in 2019.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

2018 Changes
Changes in Actuarial Assumptions
- The discount rate decreased from 4.00% in 2017 to 3.30% in 2018.

There are no assets accumulated in a trust.

SUPPLEMENTARY INFORMATION

City of Mendota Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2025

	Special Revenue			
	Water Revenue	Special Park	Civil Defense	Street Lighting
Assets				
Cash and investments	$ 1,458,036	$ 524,265	$ 147,351	$ 48,290
Taxes receivable - delinquent	-	-	170	1,109
Special assessments receivable				
Deferred	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	3,778	1,040	381	60
Due from other governments	3,396	-	286	-
Prepaid items	-	-	-	-
Land held for resale	-	-	-	-
Total assets	$ 1,465,210	$ 525,305	$ 148,188	$ 49,459
Liabilities				
Accounts and contracts payable	$ -	$ -	$ -	$ 5,882
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Salaries and benefits payable	-	-	-	-
Total liabilities	-	-	-	5,882
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	170	1,109
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	-	-	170	1,109
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	525,305	-	42,468
Committed	1,465,210	-	148,018	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	1,465,210	525,305	148,018	42,468
Total liabilities, deferred inflows of resources, and fund balances	$ 1,465,210	$ 525,305	$ 148,188	$ 49,459

Special Revenue				Debt Service	
Par 3 Golf Course	Police Forfeiture Fund	American Rescue Plan Act	Local Affordable Housing Aid	Par 3 G.O. Bonds	Fire Station Bonds
$ 245,167	$ 31,554	$ 862	$ 124,382	$ 133,344	$ 720,342
-	-	-	-	175	4,117
-	-	-	-	-	-
56	-	-	-	-	-
540	87	-	-	360	1,046
-	-	-	-	85	7,018
7,343	-	-	-	-	-
-	-	-	-	-	-
$ 253,106	$ 31,641	$ 862	$ 124,382	$ 133,964	$ 732,523
$ 542	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
512	-	-	-	-	-
3,886	-	-	-	-	-
4,940	-	-	-	-	-
-	-	-	-	175	4,117
-	-	-	-	-	-
-	-	-	-	175	4,117
7,343	-	-	-	-	-
-	31,641	862	124,382	133,789	728,406
240,823	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
248,166	31,641	862	124,382	133,789	728,406
$ 253,106	$ 31,641	$ 862	$ 124,382	$ 133,964	$ 732,523

City of Mendota Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2025

	Capital Projects			
	Equipment Replacement Reserve	Infrastructure Reserve	Facility Reserve	Water Tower Capital Project
Assets				
Cash and investments	$ 1,096,287	$ 13,281	$ 152,607	$ 676,260
Taxes receivable - delinquent	1,005	8	-	-
Special assessments receivable				
Deferred	-	-	-	-
Accounts receivable	-	-	-	-
Interest receivable	2,152	-	347	1,826
Due from other governments	2,632	-	-	-
Prepaid items	-	-	-	-
Land held for resale	-	-	-	-
Total assets	$ 1,102,076	$ 13,289	$ 152,954	$ 678,086
Liabilities				
Accounts and contracts payable	$ 35,427	$ -	$ 24,478	$ -
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Salaries and benefits payable	-	-	-	-
Total liabilities	35,427	-	24,478	-
Deferred Inflows of Resources				
Unavailable revenue - property taxes	1,005	8	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	1,005	8	-	-
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	1,065,644	13,281	128,476	678,086
Unassigned	-	-	-	-
Total fund balances	1,065,644	13,281	128,476	678,086
Total liabilities, deferred inflows of resources, and fund balances	$ 1,102,076	$ 13,289	$ 152,954	$ 678,086

Capital Projects					
Pilot Knob Improvement	Pre-1998 Non-Increment	Special Assessment Capital Project	TIF District No. 2	Fire Hall Remodel
$ -	$ 105,491	$ 142,482	$ 227,502	$ 304
111	-	-	-	132
-	-	11,858	-	-
-	-	11,032	-	-
-	340	1,653	327	-
293	-	-	-	-
-	-	-	-	-
-	96,100	-	-	-
$ 404	$ 201,931	$ 167,025	$ 227,829	$ 436
$ 3,340	$ -	$ 73	$ 120,510	$ -
82,201	-	-	-	-
-	-	-	-	-
-	-	-	-	-
85,541	-	73	120,510	-
111	-	-	-	132
-	-	11,858	-	-
111	-	11,858	-	132
-	-	-	-	-
-	-	155,094	107,319	-
-	-	-	-	-
-	201,931	-	-	304
(85,248)	-	-	-	-
(85,248)	201,931	155,094	107,319	304
$ 404	$ 201,931	$ 167,025	$ 227,829	$ 436

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City of Mendota Heights
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2025

	Capital Projects	
	TIF District No. 3	Nonmajor Governmental Funds
Assets		
Cash and investments	$ 44,231	$ 5,892,038
Taxes receivable - delinquent	-	6,827
Special assessments receivable		
Deferred	-	11,858
Accounts receivable	-	11,088
Interest receivable	40	13,977
Due from other governments	-	13,710
Prepaid items	-	7,343
Land held for resale	-	96,100
Total assets	$ 44,271	$ 6,052,941
Liabilities		
Accounts and contracts payable	$ 33,124	$ 223,376
Due to other funds	-	82,201
Due to other governments	-	512
Salaries and benefits payable	-	3,886
Total liabilities	33,124	309,975
Deferred Inflows of Resources		
Unavailable revenue - property taxes	-	6,827
Unavailable revenue - special assessments	-	11,858
Total deferred inflows of resources		18,685
Fund Balances		
Nonspendable	-	7,343
Restricted	11,147	1,860,413
Committed	-	1,854,051
Assigned	-	2,087,722
Unassigned	-	(85,248)
Total fund balances	11,147	5,724,281
Total liabilities, deferred inflows of resources, and fund balances	$ 44,271	$ 6,052,941

City of Mendota Heights
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2025

	Special Revenue			
	Water Revenue	Special Park	Civil Defense	Street Lighting
Revenues				
Property taxes	$ -	$ -	$ 24,290	$ 84,716
Tax increments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	160,535	-	-	-
Miscellaneous				
Investment income	56,903	15,656	5,718	904
Other	-	324,000	-	4,375
Total revenues	217,438	339,656	30,008	89,995
Expenditures				
Current				
General government	-	-	20,129	23,147
Public works	300	10,892	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	12,396	47,600
Public safety	-	-	-	-
Public works	-	46,833	-	-
Total expenditures	300	57,725	32,525	70,747
Excess of revenues over (under) expenditures	217,138	281,931	(2,517)	19,248
Other Financing Sources (Uses)				
Transfers in	-	29,142	-	-
Transfers out	(17,911)	(1,500)	-	-
Total other financing sources (uses)	(17,911)	27,642	-	-
Net change in fund balances	199,227	309,573	(2,517)	19,248
Fund Balances				
Beginning of year	1,265,983	215,732	150,535	23,220
End of year	$ 1,465,210	$ 525,305	$ 148,018	$ 42,468

Special Revenue				Debt Service	
Par 3 Golf Course	Police Forfeiture Fund	American Rescue Plan Act	Local Affordable Housing Aid	Par 3 G.O. Bonds	Equipment Certficates
$ -	$ -	$ -	$ -	$ 100	$ -
-	-	-	-	-	-
-	-	-	123,622	-	-
382,597	-	-	-	-	-
8,130	1,305	-	-	5,419	1
177	-	-	-	-	-
390,904	1,305	-	123,622	5,519	1
-	-	-	-	-	-
300,569	-	-	-	-	-
-	-	-	43,876	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
300,569	-	-	43,876	-	-
90,335	1,305	-	79,746	5,519	1
-	-	-	-	-	-
-	-	-	-	-	(47,119)
-	-	-	-	-	(47,119)
90,335	1,305	-	79,746	5,519	(47,118)
157,831	30,336	862	44,636	128,270	47,118
$ 248,166	$ 31,641	$ 862	$ 124,382	$ 133,789	$ -

City of Mendota Heights
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2025

	Debt Service	Capital Projects		
	Fire Station Bonds	Equipment Replacement Reserve	Infrastructure Reserve	Facility Reserve
Revenues				
Property taxes	$ 613,728	$ 177,264	$ -	$ -
Tax increments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous				
Investment income	15,690	32,410	-	5,219
Other	-	-	111,884	-
Total revenues	629,418	209,674	111,884	5,219
Expenditures				
Current				
General government	-	-	-	-
Public works	-	19,047	-	23,228
Economic development	-	-	-	-
Debt service				
Principal	420,000	-	-	-
Interest and other charges	164,725	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	678,767	-	336,246
Public works	-	428,204	111,893	69,618
Total expenditures	584,725	1,126,018	111,893	429,092
Excess of revenues over (under) expenditures	44,693	(916,344)	(9)	(423,873)
Other Financing Sources (Uses)				
Transfers in	-	1,281,971	-	169,618
Transfers out	-	-	-	-
Total other financing sources (uses)	-	1,281,971	-	169,618
Net change in fund balances	44,693	365,627	(9)	(254,255)
Fund Balances				
Beginning of year	683,713	700,017	13,290	382,731
End of year	$ 728,406	$ 1,065,644	$ 13,281	$ 128,476

Capital Projects					
Water Tower Capital Project	Pilot Knob Improvement	Pre-1998 Non-Increment	Special Assessment Capital Project	TIF District No. 2	Fire Hall Remodel
$ -	$ 19,813	$ -	$ -	$ -	$ 15
-	-	-	-	254,344	-
-	-	-	-	-	-
-	-	-	-	-	-
27,498	-	5,119	24,888	4,919	-
-	-	-	-	-	-
27,498	19,813	5,119	24,888	259,263	15
143	144,361	-	-	-	-
-	-	-	1,900	-	-
-	-	-	-	229,956	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	25,025	-	-
143	144,361	-	26,925	229,956	-
27,355	(124,548)	5,119	(2,037)	29,307	15
-	-	-	771,344	-	-
-	-	(173,932)	-	-	-
-	-	(173,932)	771,344	-	-
27,355	(124,548)	(168,813)	769,307	29,307	15
650,731	39,300	370,744	(614,213)	78,012	289
$ 678,086	$ (85,248)	$ 201,931	$ 155,094	$ 107,319	$ 304

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City of Mendota Heights
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2025

	Capital Projects	
	TIF District No. 3	Total Other Governmental Funds
Revenues		
Property taxes	$ -	$ 919,926
Tax increments	73,610	327,954
Intergovernmental	-	123,622
Charges for services	-	543,132
Miscellaneous		
Investment income	603	210,382
Other	-	440,436
Total revenues	74,213	2,565,452
Expenditures		
Current		
General government	-	187,780
Public works	-	355,936
Economic development	67,263	341,095
Debt service		
Principal	-	420,000
Interest and other charges	-	164,725
Capital outlay		
General government	-	59,996
Public safety	-	1,015,013
Public works	-	681,573
Total expenditures	67,263	3,226,118
Excess of revenues over (under) expenditures	6,950	(660,666)
Other Financing Sources (Uses)		
Transfers in	-	2,252,075
Transfers out	-	(240,462)
Total other financing sources (uses)	-	2,011,613
Net change in fund balances	6,950	1,350,947
Fund Balances		
Beginning of year	4,197	4,373,334
End of year	$ 11,147	$ 5,724,281

City of Mendota Heights
Combining Statement of Net Position - Internal Service Funds
December 31, 2025

	Compensated Absences	City Hall Sinking Fund	Total
Assets			
Current assets			
Cash and investments (including cash equivalents)	$ 922,224	$ 135,763	$ 1,057,987
Interest receivable	-	633	633
Prepaid expenses	-	8,642	8,642
Total current assets	922,224	145,038	1,067,262
Noncurrent assets			
Capital assets			
Land	-	25,000	25,000
Buildings	-	2,279,024	2,279,024
Improvements other than buildings	-	48,431	48,431
Machinery and equipment	-	66,969	66,969
Total capital assets	-	2,419,424	2,419,424
Less accumulated depreciation	-	(1,954,593)	(1,954,593)
Net capital assets	-	464,831	464,831
Total assets	922,224	609,869	1,532,093
Deferred Outflows of Resources			
Deferred outflows of resources related to OPEB	-	183	183
Deferred outflows of resources related to pensions	-	9,304	9,304
Total deferred outflows of resources	-	9,487	9,487
Total assets and deferred outflows of resources	$ 922,224	$ 619,356	$ 1,541,580
Liabilities			
Current liabilities			
Accounts and contracts payable	$ -	$ 5,929	$ 5,929
Salaries and benefits payable	-	5,538	5,538
Due to other governments	-	129	129
Noncurrent liabilities due within one year	586,341	8,470	594,811
Total current liabilities	586,341	20,066	606,407
Noncurrent liabilities			
Compensated absences	922,224	19,928	942,152
OPEB payable	-	10,397	10,397
Net pension liability	-	29,063	29,063
Less amount due within one year	(586,341)	(8,470)	(594,811)
Total noncurrent liabilities	335,883	50,918	386,801
Total liabilities	922,224	70,984	993,208
Deferred Inflows of Resources			
Deferred inflows of resources related to OPEB	-	3,200	3,200
Deferred inflows of resources related to pensions	-	17,730	17,730
Total deferred inflows of resources	-	20,930	20,930
Net Position			
Investment in capital assets	-	464,831	464,831
Unrestricted	-	62,611	62,611
Total net position	-	527,442	527,442
Total liabilities, deferred inflows of resources, and net position	$ 922,224	$ 619,356	$ 1,541,580

City of Mendota Heights
Combining Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Funds
Year Ended December 31, 2025

	City Hall Sinking Fund	Total
Operating Revenues		
Charges for services	$ 260,000	$ 260,000
Operating Expenses		
Wages and salaries	86,890	86,890
Employee benefits	34,772	34,772
Professional services	4,994	4,994
Insurance	7,896	7,896
Utilities	48,198	48,198
Depreciation	35,285	35,285
Miscellaneous	56,850	56,850
Total operating expenses	274,885	274,885
Operating loss	(14,885)	(14,885)
Nonoperating Revenues		
Investment income	9,532	9,532
Change in net position	(5,353)	(5,353)
Net Position		
Beginning of year	532,795	532,795
End of year	$ 527,442	$ 527,442

City of Mendota Heights
Combining Statement of Cash Flows - Internal Service Funds
Year Ended December 31, 2025

	Compensated Absences	City Hall Sinking Fund	Total
Cash Flows - Operating Activities			
Receipts from customers and users	$ -	$ 260,000	$ 260,000
Payments to suppliers	-	(102,460)	(102,460)
Payments to employees	101,189	(125,094)	(23,905)
Net cash flows - operating activities	101,189	32,446	133,635
Cash Flows - Capital And Related Financing Activities			
Acquisition of capital assets	-	(7,650)	(7,650)
Cash Flows - Investing Activities			
Interest and dividends received	-	9,280	9,280
Net change in cash and cash equivalents	101,189	34,076	135,265
Cash and Cash Equivalents			
Beginning of year	821,035	101,687	922,722
End of year	$ 922,224	$ 135,763	$ 1,057,987
Reconciliation of Operating Loss to Net Cash Flows - Operating Activities			
Operating loss	$ -	$ (14,885)	$ (14,885)
Adjustments to reconcile operating Loss to net cash flows - Operating activities			
Depreciation expense	-	35,285	35,285
Prepaid items	-	1,041	1,041
Accounts payable	-	14,414	14,414
Due to other governmental units	-	23	23
Salaries payable	-	1,107	1,107
OPEB payable	-	1,332	1,332
Pension related items	-	(6,914)	(6,914)
Compensated absences payable	101,189	1,043	102,232
Total adjustments	101,189	47,331	148,520
Net cash flows - operating activities	$ 101,189	$ 32,446	$ 133,635

City of Mendota Heights
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund
Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final budget - over (under)
Revenues			
Property taxes	$ 10,887,020	$ 10,804,573	$ (82,447)
Franchise fees	350,000	416,343	66,343
Licenses and permits	464,200	748,913	284,713
Intergovernmental revenue			
Fire aid	140,000	175,939	35,939
Police aid	195,000	251,763	56,763
Other grants and aids	418,750	514,626	95,876
Total intergovernmental revenue	753,750	942,328	188,578
Charges for services	757,349	792,746	35,397
Fines and forfeitures	67,500	51,813	(15,687)
Miscellaneous revenues			
Investment income	50,000	457,435	407,435
Other	150,000	242,902	92,902
Total miscellaneous revenues	200,000	700,337	500,337
Total revenues	13,479,819	14,457,053	977,234
Expenditures			
General government			
Mayor and council			
Salaries and benefits	24,321	24,414	93
Contracted services	36,050	28,134	(7,916)
Administration and finance			
Salaries and benefits	1,232,625	1,234,106	1,481
Materials and supplies	14,700	17,166	2,466
Contracted services	500,550	487,599	(12,951)
Capital outlay	-	26,370	26,370

City of Mendota Heights
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund
Year Ended December 31, 2025
(Continued)

	Budgeted Amounts Original And final	Actual Amounts	Variance with Final budget - Over (under)
Expenditures (Continued)			
General government (continued)			
Elections			
Salaries and benefits	$ 48,401	$ 49,319	$ 918
Materials and supplies	10,300	4,355	(5,945)
Contracted services	5,500	711	(4,789)
Information technology			
Materials and supplies	207,736	174,124	(33,612)
Contracted services	176,952	187,257	10,305
Planning and zoning			
Salaries and benefits	157,728	157,962	234
Materials and supplies	2,000	828	(1,172)
Contracted services	39,750	27,228	(12,522)
Recycling			
Materials and supplies	1,000	390	(610)
Contracted services	53,600	17,995	(35,605)
Miscellaneous			
Contracted services	-	9,351	9,351
Capital outlay	-	45,233	45,233
Total general government	2,511,213	2,492,542	(18,671)
Public safety			
Police protection			
Salaries and benefits	4,028,851	4,014,607	(14,244)
Materials and supplies	328,100	233,265	(94,835)
Contracted services	997,150	781,817	(215,333)
Debt Service	158,050	158,050	-
Capital outlay	-	178,107	178,107
Fire protection			
Salaries and benefits	383,307	373,041	(10,266)
Materials and supplies	221,413	209,061	(12,352)
Contracted services	593,171	581,420	(11,751)
Capital outlay	-	121,700	121,700
Total public safety	6,710,042	6,651,068	(58,974)

City of Mendota Heights
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund
Year Ended December 31, 2025
(Continued)

	Budgeted Amounts Original And final	Actual Amounts	Variance with Final budget - Over (under)
Expenditures (Continued)			
Public works			
Code enforcement			
Materials and supplies	$ 4,250	$ 6,705	$ 2,455
Contracted services	340,375	517,242	176,867
Street maintenance			
Salaries and benefits	1,345,917	1,360,679	14,762
Materials and supplies	184,600	157,916	(26,684)
Contracted services	505,688	363,206	(142,482)
Parks			
Salaries and benefits	1,120,923	1,080,417	(40,506)
Materials and supplies	231,000	209,980	(21,020)
Contracted services	573,361	403,760	(169,601)
Capital outlay	-	5,100	5,100
Total public works	4,306,114	4,105,005	(201,109)
Total expenditures	13,527,369	13,248,615	(278,754)
Excess of revenues over (under) expenditures	(47,550)	1,208,438	1,255,988
Other Financing Sources (Uses)			
Insurance recoveries	-	60,776	60,776
Transfer in	47,550	47,550	-
Transfer out	-	(1,254,451)	(1,254,451)
Total other financing sources (uses)	47,550	(1,146,125)	(1,193,675)
Net change in fund balance	$ -	62,313	$ 62,313
Fund Balance			
Beginning of year		13,470,037	
End of year		$ 13,532,350	

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

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Mendota Heights
Mendota Heights, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mendota Heights, Minnesota as of and for the year ended December 31, 2025, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 9, 2026.

Report on Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Finding and Response on Internal Control that we consider to be a material weakness as audit finding 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*.

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

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

St. Cloud, Minnesota
June 9, 2026

Minnesota Legal Compliance

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Mendota Heights
Mendota Heights, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mendota Heights, Minnesota as of and for the year ended December 31, 2025, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 9, 2026.

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

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.

BerganKDV, Ltd.

St. Cloud, Minnesota
June 9, 2026

City of Mendota Heights
Schedule of Findings and Response on
Internal Control

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING:

Material Weakness:

Audit Finding 2025-001 – Lack of Segregation of Accounting Duties

The City had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Finance Director has the ability to receipt City service revenue, prepares the deposit receipts, is responsible for coding, and prepares the Treasurer's report for the City Council.
- The Utility Billing Clerk enters consumption into the utility billing system, prepares and reviews utility bills, applies payments to customer accounts, and has the ability to make adjustments to customer accounts.
- The Finance Director performs year-end reconciliations and closing entries without review.

In addition to having responsibilities in the cycles listed above, the City's Finance Director has full general ledger access and the ability to write and post In addition to having responsibilities in the cycles listed above, the City's Finance Director has full general ledger access and the ability to write and post journal entries. While we believe this access is necessary to efficiently perform the financial duties required, this access allows the ability to override many of the controls and segregation the City has in place.

During the course of our engagement, we proposed a material audit adjustment that would not have been identified as a result of the City's existing internal control system and, therefore, could have resulted in a material misstatement of the City's financial statements. The material misstatement detected as a result of audit procedures was corrected by management.

The City has implemented certain controls to mitigate the risk due to the lack of segregation of accounting duties, including but not limited to reviewing adjustments to customer accounts before they are posted, having a non-finance employee prepare bank reconciliations and review of all journal entries. However, due to the number of staff needed to properly segregate all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. However, management and the City Council must remain aware of this situation and should continually monitor the accounting system, including changes that occur. We recommend that the City review the internal control process over the year-end closing process to ensure segregation or independent review be implemented whenever practical and cost effective.

City's Response:
The City is aware of the lack of segregation of duties. There are processes in place to have multiple staff perform duties as to ensure one person is not responsible for all parts of any process. The addition of staff to further segregate duties is not cost effective.

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

PROPOSED FORM OF LEGAL OPINION

$_____
GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2026A
CITY OF MENDOTA HEIGHTS
DAKOTA COUNTY
MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Mendota Heights, Dakota County, Minnesota (the "Issuer"), of its $_____ General Obligation Improvement Bonds, Series 2026A, bearing a date of original issue of November 10, 2026 (the "Bonds"). We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws (which excludes any pending legislation which may have a retroactive effect on or before the date hereof), regulations, rulings and decisions, it is our opinion that:

(1) The proceedings show lawful authority for the issuance of the Bonds according to their terms under the Constitution and laws of the State of Minnesota now in force.

(2) The Bonds are valid and binding general obligations of the Issuer, and all of the taxable property within the Issuer's jurisdiction is subject to the levy of an ad valorem tax to pay the same without limitation as to rate or amount; provided that the enforceability (but not the validity) of the Bonds and the pledge of taxes for the payment of the principal and interest thereon is subject to the exercise of judicial discretion in accordance with general principles of equity, to the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

(3) At the time of the issuance and delivery of the Bonds to the original purchaser, the interest on the Bonds is excluded from gross income for United States income tax purposes and is excluded, to the same extent, from both gross income and taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, interest on the Bonds is taken into account in determining "annual adjusted financial statement income" for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income and taxable net income retroactive to the date of issuance of the Bonds.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

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 and be retroactive.

TAFT STETTINIUS & HOLLISTER LLP

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(See following pages)

[Appendix ___ to Official Statement]

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Mendota Heights, Minnesota (the "Issuer"), in connection with the issuance of its $_____ General Obligation Improvement Bonds, Series 2026A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on October 20, 2026 (the "Resolution"). Pursuant to the Resolution and this Disclosure Undertaking, the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Issuer for the benefit of the Owners and in order to assist the Participating Underwriters in complying with SEC Rule 15c2-12(b)(5).

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

"Annual Report" shall mean any annual financial information provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Undertaking.

"Audited Financial Statements" shall mean the financial statements of the Issuer audited annually by an independent certified public accounting firm, prepared pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, modified by governmental accounting standards promulgated by the Government Accounting Standards Board.

"Dissemination Agent" shall mean such party from time to time designated in writing by the Issuer to act as information dissemination agent and which has filed with the Issuer a written acceptance of such designation.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Fiscal Year" shall be the fiscal year of the Issuer.

"Governing Body" shall, with respect to the Bonds, have the meaning given that term in Minnesota Statutes, Section 475.51, Subdivision 9.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Occurrence(s)" shall mean any of the events listed in Section 5 of this Disclosure Undertaking.

"Official Statement" shall be the Official Statement dated _____, 2026, prepared in connection with the Bonds.

"Owners" shall mean the registered holders and, if not the same, the beneficial owners of any Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Resolution" shall mean the resolution or resolutions adopted by the Governing Body of the Issuer providing for, and authorizing the issuance of, the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time or interpreted by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

A. Beginning in connection with the Fiscal Year ending on December 31, 2026, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Undertaking by not later than December 31, 2027, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the dates required in subsection A, the Issuer shall send a notice of such delay and estimated date of delivery to the MSRB.

SECTION 4. Content and Format of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the financial information and operating data pertaining to the Issuer listed below as of the end of the preceding Fiscal Year. The Annual Report may be submitted to the MSRB as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Disclosure Undertaking.

The following financial information and operating data shall be supplied:

A. An update of the operating and financial data of the type of information contained in the Official Statement under the captions: Current Property Valuations; Direct Debt; Tax Levies and Collections; US Census Data/Population Trend; and Employment/Unemployment Data.

B. Audited Financial Statements of the Issuer. The Audited Financial Statements of the Issuer may be submitted to the MSRB separately from the balance of the Annual Report. In the event Audited Financial Statements of the Issuer are not available on or before the date for filing the Annual Report with the MSRB as set forth in Section 3.A. above, unaudited financial statements shall be provided as part of the Annual Report. The accounting principles pursuant to which the financial statements will be prepared will be pursuant to generally accepted accounting principles promulgated by the Financial Accounting Standards Board, as such principles are modified by the governmental accounting standards promulgated by the Government Accounting

Standards Board, as in effect from time to time. If Audited Financial Statements are not provided because they are not available on or before the date for filing the Annual Report, the Issuer shall promptly provide them to the MSRB when available.

SECTION 5. Reporting of Significant Events. This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults, if material;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(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 Bonds, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
(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.

Whenever an event listed above has occurred, the Issuer shall promptly, which may not be in excess of the ten (10) business days after the Occurrence, file a notice of such Occurrence with the MSRB, by filing at www.emma.msrb.org, together with such identifying information as prescribed by the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of a failure by the Issuer to provide the Annual Reports described in Section 4.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Issuer may amend this Disclosure Undertaking, and any provision of this Disclosure Undertaking may be waived, if (a) a change in law or change in the ordinary business or operation of the Issuer has occurred, (b) such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, and (c) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially impair the interests of Owners.

SECTION 9. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of an Occurrence, in addition to that which is required by this Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of an Occurrence in addition to that which is specifically required by this Disclosure Undertaking, the Issuer shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of an Occurrence.

SECTION 10. Default. In the event of a failure of the Issuer to provide information required by this Disclosure Undertaking, any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations to provide information under this Disclosure Undertaking. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Issuer to comply with this Disclosure Undertaking shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Reserved Rights. The Issuer reserves the right to discontinue providing any information required under the Rule if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 8 hereof, to modify the undertaking under this Disclosure Undertaking if the Issuer determines that such modification is required by the Rule or by a court of competent jurisdiction.

Dated: November 10, 2026.

CITY OF MENDOTA HEIGHTS, MINNESOTA

By _____
Its Mayor

By _____
Its City Clerk

APPENDIX E

TERMS OF PROPOSAL

$1,010,000* GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2026A
CITY OF MENDOTA HEIGHTS, MINNESOTA

Proposals for the purchase of $1,010,000* General Obligation Improvement Bonds, Series 2026A (the "Bonds") of the City of Mendota Heights, 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 11:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 11:00 A.M., Central Time, on October 20, 2026, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 6:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475, as amended, by the City, for the purpose of financing the City's 2026 street reconstruction project. The Bonds will be general obligations of the City for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated November 10, 2026, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2029	$95,000	2033	$105,000	2037	$110,000
2030	100,000	2034	105,000	2038	80,000
2031	100,000	2035	105,000		
2032	100,000	2036	110,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2029 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2036 shall be subject to optional redemption prior to maturity on February 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 November 10, 2026, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

By expressing its opinion, Bond Counsel is expressing its professional judgment and does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the applicability of any such state and local taxes.

STATEMENT REGARDING BOND COUNSEL PARTICIPATION

Bond Counsel has neither been engaged nor undertaken to prepare or independently verify the accuracy of any portion of the Official Statement, including the financial or operational information of the Issuer and risks associated with the purchase of the Bonds, except for statements under "TAX EXEMPTION" herein that summarize certain provisions of the Internal Revenue Code of 1986, as amended, the Bonds and any opinion rendered by Bond Counsel. Bond Counsel has prepared the form of legal opinion attached hereto as "APPENDIX B – FORM OF LEGAL OPINION."

SUBMISSION OF PROPOSALS

Proposals must not be for less than $994,850 plus accrued interest on the principal sum of $1,010,000 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 11:00 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 $20,200 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

(1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;

(2) all bidders shall have an equal opportunity to bid;

(3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

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

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

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

(1) the close of the fifth (5^{th}) 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) <u>If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test</u>, the winning bidder agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

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

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

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

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

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

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

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

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

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Debt Issuance 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 Mendota Heights, Minnesota

PROPOSAL FORM

The City Council **October 20, 2026**
City of Mendota Heights, Minnesota (the "City")

RE: $1,010,000* General Obligation Improvement Bonds, Series 2026A (the "Bonds")
DATED: November 10, 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 $994,850) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____	% due	2029	_____	% due	2033	_____	% due	2037
_____	% due	2030	_____	% due	2034	_____	% due	2038
_____	% due	2031	_____	% due	2035			
_____	% due	2032	_____	% due	2036			

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

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2029 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of $20,200 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about November 10, 2026.

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

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

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

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

If the competitive sale requirements are not met, we elect to use either the: _____10% test, or the _____hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from November 10, 2026 of the above proposal is $_____and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Mendota Heights, Minnesota, on October 20, 2026.

By: _____ By: _____

Title: _____ Title: _____