

**NEW ISSUE  
BANK QUALIFIED**

**S&P Rating: Requested**

*In the opinion of Briggs and Morgan, Professional Association, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, at the time of their issuance and delivery to the original Purchaser, interest on the Bonds is excluded from gross income for purposes of United States income tax and is excluded, to the same extent, in computing both gross and taxable net income for purposes of State of Minnesota income tax (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. No opinion will be expressed by Bond Counsel 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. See "TAX EXEMPTION" and "OTHER FEDERAL TAX CONSIDERATIONS" herein.*

**\$2,055,000\***  
**City of Blue Earth, Minnesota**  
**General Obligation Improvement Bonds, Series 2019A**  
**(Book Entry Only)**

**Dated Date: Date of Delivery**

**Interest Due: Each February 1 and August 1,  
commencing August 1, 2020**

The Bonds will mature February 1 in the years and amounts\* as follows:

2021	\$115,000	2024	\$130,000	2027	\$135,000	2030	\$140,000	2033	\$150,000
2022	\$125,000	2025	\$130,000	2028	\$135,000	2031	\$145,000	2034	\$155,000
2023	\$125,000	2026	\$130,000	2029	\$140,000	2032	\$145,000	2035	\$155,000

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above.

The City may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029 at a price of par plus accrued interest.

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the Bonds. The proceeds will be used to finance street improvement projects within the City.

Proposals shall be for not less than \$2,034,450 plus accrued interest, if any, on the total principal amount of the Bonds. Proposals shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Following receipt of proposals, a good faith deposit will be required to be delivered to the City by the lowest bidder as described in the "Terms of Proposal" herein. Award of the Bonds will be made on the basis of True Interest Cost (TIC).

The City will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, and the Bonds will not be subject to the alternative minimum tax for individuals.

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Bonds purchased. (See "Book Entry Only" herein.) U.S. Bank National Association, Saint Paul, Minnesota will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about December 4, 2019.

**PROPOSALS RECEIVED: Monday, November 4, 2019 until 10:30 A.M., Central Time**  
**CONSIDERATION OF AWARD: City Council meeting commencing at 5:00 P.M., Central Time on**  
**Monday, November 4, 2019**



Further information may be obtained from Baker Tilly Municipal Advisors, LLC,  
380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887 (651) 223-3000.

The information contained in this Preliminary Official Statement is deemed by the City to be final as of the date hereof; however, the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, 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.

\* Preliminary; subject to change.

# **CITY OF BLUE EARTH, MINNESOTA**

## **CITY COUNCIL**

Richard Scholtes	Mayor
Marty Cassem	Councilmember
Wendy Cole	Councilmember
Russ Erichsrud	Councilmember
Glenn Gaylord	Councilmember
John Huisman	Councilmember
Dan Warner	Councilmember

## **CITY ADMINISTRATOR**

Timothy Ibisch

## **DEPUTY CITY CLERK**

Echo Roggenkamp

## **MUNICIPAL ADVISOR**

Baker Tilly Municipal Advisors, LLC  
Saint Paul, Minnesota

## **BOND COUNSEL**

Briggs and Morgan, Professional Association  
Minneapolis, Minnesota

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the City from time to time, may be treated as a Preliminary Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the City.

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded copies of the Final Official Statement in the amount specified in the Terms of Proposal.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT NOR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

Any CUSIP numbers for the Bonds included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Bonds are assigned by an organization unaffiliated with the City. The City is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Bonds or as set forth in the Final Official Statement. No assurance can be given by the City that the CUSIP numbers for the Bonds will remain the same after the delivery of the Final Official Statement or the date of issuance and delivery of the Bonds.

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**THE CITY HAS AUTHORIZED BAKER TILLY MUNICIPAL ADVISORS, LLC TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:**

**TERMS OF PROPOSAL**

**\$2,055,000\***

**CITY OF BLUE EARTH, MINNESOTA**

**GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2019A**

**(BOOK ENTRY ONLY)**

Proposals for the above-referenced obligations (the “Bonds”) will be received by the City of Blue Earth, Minnesota (the “City”) on Monday, November 4, 2019 (the “Sale Date”) until 10:30 A.M., Central Time at the offices of Baker Tilly Municipal Advisors, LLC (“Baker Tilly MA”), 380 Jackson Street, Suite 300, Saint Paul, Minnesota, 55101, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at its meeting commencing at 5:00 P.M., Central Time, of the same day.

**SUBMISSION OF PROPOSALS**

Baker Tilly MA will assume no liability for the inability of a bidder to reach Baker Tilly MA prior to the time of sale specified above. All bidders are advised that each proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the proposal is submitted.

(a) ***Sealed Bidding.*** Proposals may be submitted in a sealed envelope or by fax (651) 223-3046 to Baker Tilly MA. Signed proposals, without final price or coupons, may be submitted to Baker Tilly MA prior to the time of sale. The bidder shall be responsible for submitting to Baker Tilly MA the final proposal price and coupons, by telephone (651) 223-3000 or fax (651) 223-3046 for inclusion in the submitted proposal.

**OR**

(b) ***Electronic Bidding.*** Notice is hereby given that electronic proposals will be received via PARITY®. For purposes of the electronic bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all proposals submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of the Terms of Proposal.* Neither the City, its agents, nor PARITY® shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents, nor PARITY® shall be responsible for a bidder’s failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY®. The City is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY® is not an agent of the City.

If any provisions of this Terms of Proposal conflict with information provided by PARITY®, this Terms of Proposal shall control. Further information about PARITY®, including any fee charged, may be obtained from:

PARITY®, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018  
Customer Support: (212) 849-5000

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\* *Preliminary; subject to change.*

## DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery, and will bear interest payable on February 1 and August 1 of each year, commencing August 1, 2020. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature February 1 in the years and amounts\* as follows:

2021	\$115,000	2024	\$130,000	2027	\$135,000	2030	\$140,000	2033	\$150,000
2022	\$125,000	2025	\$130,000	2028	\$135,000	2031	\$145,000	2034	\$155,000
2023	\$125,000	2026	\$130,000	2029	\$140,000	2032	\$145,000	2035	\$155,000

\* *The City reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds or the amount of any maturity or maturities in multiples of \$5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per \$1,000 of Bonds as that of the original proposal. Gross spread for this purpose is the differential between the price paid to the City for the new issue and the prices at which the proposal indicates the securities will be initially offered to the investing public.*

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above. In order to designate term bonds, the proposal must specify “Years of Term Maturities” in the spaces provided on the proposal form.

## BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The lowest bidder (the “Purchaser”), as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

## REGISTRAR

The City will name the registrar which shall be subject to applicable regulations of the Securities and Exchange Commission. The City will pay for the services of the registrar.

## OPTIONAL REDEMPTION

The City may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City 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 interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

## SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the Bonds. The proceeds will be used to finance street improvement projects within the City.

## BIDDING PARAMETERS

Proposals shall be for not less than \$2,034,450 plus accrued interest, if any, on the total principal amount of the Bonds. No proposal can be withdrawn or amended after the time set for receiving proposals on the Sale Date 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. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

## ESTABLISHMENT OF ISSUE PRICE

In order to provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the City in establishing the issue price of the Bonds and shall complete, execute, and deliver to the City prior to the closing date, a written certification in a form acceptable to the Purchaser, the City, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Baker Tilly MA.

The City intends that the sale of the Bonds pursuant to this Terms of Proposal shall constitute a "competitive sale" as defined in the Regulation based on the following:

- (i) the City shall cause this Terms of Proposal to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (ii) all bidders shall have an equal opportunity to submit a bid;
- (iii) the City reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
- (iv) the City anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest true interest cost, as set forth in this Terms of Proposal (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the City and Baker Tilly MA if 10% of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which it was sold. The

City will treat such sale price as the “issue price” for such maturity, applied on a maturity-by-maturity basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly described as the “hold-the-offering-price” requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and Baker Tilly MA the prices at which 10% of such maturities are sold to the public; provided such determination shall be made and the City and Baker Tilly MA notified of such prices whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a maturity have been sold.

#### GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit to the City in the amount of \$20,550 (the “Deposit”) no later than 1:30 P.M., Central Time on the Sale Date. The Deposit may be delivered as described herein in the form of either (i) a certified or cashier’s check payable to the City; or (ii) a wire transfer. The Purchaser shall be solely responsible for the timely delivery of its Deposit whether by check or wire transfer. Neither the City nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the City may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

*Certified or Cashier’s Check.* A Deposit made by certified or cashier’s check will be considered timely delivered to the City if it is made payable to the City and delivered to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101 by the time specified above.

*Wire Transfer.* A Deposit made by wire will be considered timely delivered to the City upon submission of a federal wire reference number by the specified time. Wire transfer instructions will be available from Baker Tilly MA following the receipt and tabulation of proposals. The successful bidder must send an e-mail including the following information: (i) the federal reference number and time released; (ii) the amount of the wire transfer; and (iii) the issue to which it applies.

Once an award has been made, the Deposit received from the Purchaser will be retained by the City and no interest will accrue to the Purchaser. The amount of the Deposit will be deducted at settlement from the purchase price. In the event the Purchaser fails to comply with the accepted proposal, said amount will be retained by the City.

#### AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis calculated on the proposal prior to any adjustment made by the City. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The City will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Obligations, (ii) reject all proposals without cause, and (iii) reject any proposal that the City determines to have failed to comply with the terms herein.

#### BOND INSURANCE AT PURCHASER'S OPTION

The City has **not** applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Bonds. If the Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder’s proposal. The City specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest TIC to the City. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the City) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Bonds.



## CUSIP NUMBERS

If the Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Bonds; however, neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

## SETTLEMENT

On or about December 4, 2019, the Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Briggs and Morgan, Professional Association, of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the City, or its agents, the Purchaser shall be liable to the City for any loss suffered by the City by reason of the Purchaser's non-compliance with said terms for payment.

## CONTINUING DISCLOSURE

On the date of actual issuance and delivery of the Bonds, the City will execute and deliver a Continuing Disclosure Undertaking (the "Undertaking") whereunder the City will covenant for the benefit of the owners of the Bonds to provide certain financial and other information about the City and notices of certain occurrences to information repositories as specified in and required by SEC Rule 15c2-12(b)(5).

## OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds, and said Preliminary Official Statement has been deemed final by the City as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101, telephone (651) 223-3000.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts, and interest rates of the Bonds, together with any other information required by law. By awarding the Bonds to the Purchaser, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the Purchaser up to 25 copies of the Final Official Statement. The City designates the Purchaser as its agent for purposes of distributing copies of the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its proposal is accepted by the City, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

Dated October 7, 2019

BY ORDER OF THE CITY COUNCIL

/s/ Timothy Ibsch  
City Administrator

## OFFICIAL STATEMENT

**\$2,055,000\***

### **CITY OF BLUE EARTH, MINNESOTA GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2019A**

**(BOOK ENTRY ONLY)**

#### **INTRODUCTORY STATEMENT**

This Official Statement contains certain information relating to the City of Blue Earth, Minnesota (the “City”) and its issuance of \$2,055,000\* General Obligation Improvement Bonds, Series 2019A (the “Bonds”). The Bonds are general obligations of the City for which it pledges its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the Bonds.

Inquiries may be directed to Mr. Timothy Ibisch, City Administrator, City of Blue Earth, 125 West 6th Street, Blue Earth, Minnesota 56013-0038, by telephoning (507) 526-7336, or by emailing [tibisch@becity.org](mailto:tibisch@becity.org). Inquiries may also be made to Baker Tilly Municipal Advisors LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887, by telephoning (651) 223-3000, or by emailing [bond\\_services@bakertilly.com](mailto:bond_services@bakertilly.com). If information of a specific legal nature is desired, requests may be directed to Ms. Mary Ippel, Briggs and Morgan, Professional Association, Minneapolis, Minnesota, Bond Counsel, by telephoning (612) 977-8122, or by emailing [mippel@briggs.com](mailto:mippel@briggs.com).

#### **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with SEC Rule 15c2-12 (the “Rule”), pursuant to the Award Resolution and Continuing Disclosure Undertaking to be executed on behalf of the City on or before closing, the City has and will covenant (the “Undertaking”) for the benefit of holders or beneficial owners of the Bonds to provide certain financial information and operating data relating to the City to certain information repositories annually, and to provide notices of the occurrence of certain events enumerated in the Rule to certain information repositories or the Municipal Securities Rulemaking Board and to any state information depository. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, is set forth in the Undertaking in substantially the form attached hereto as Appendix II, subject to such modifications thereof or additions thereto as: (i) consistent with requirements under the Rule, (ii) required by the purchaser of the Bonds from the City, and (iii) acceptable to the Mayor and Administrator of the City.

The City believes it has complied for the past five years in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule, except to the extent the following is deemed to be material. In reviewing its past disclosure practices, the City notes the following:

- Prior continuing disclosure undertakings entered into by the City included language stating that the City’s audited financial statements would be filed “as soon as available.” Although not always filed “as soon as available,” the audited financial statements were filed within the required twelve (12) month timeframe as required in each undertaking.

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\* *Preliminary; subject to change.*

A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders or other beneficial owners of the Bonds will have the sole remedy of bringing an action for specific performance). Nevertheless, such a 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. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

## **THE BONDS**

### **General Description**

The Bonds are dated as of the date of delivery and will mature annually on February 1 as set forth on the front cover of this Official Statement. The Bonds are issued in book entry form. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2020. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar on the fifteenth day of the calendar month next preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Bonds will be paid as described in the section herein entitled “Book Entry System.” U.S. Bank National Association, Saint Paul, Minnesota will serve as Registrar for the Bonds, and the City will pay for registrar services.

### **Redemption Provisions**

Thirty days’ written notice of redemption shall be given to the registered owner(s) of the Bonds. Failure to give such written notice to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

### **Optional Redemption**

The City may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all the Bonds of a maturity are called for redemption, the City 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 interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

### **Book Entry System**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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"). 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](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds 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 its agent on the 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 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 its 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.

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

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, certificates will be printed and delivered to DTC.

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.

#### **AUTHORITY AND PURPOSE**

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475. The proceeds of the Bonds will be used to finance street improvement projects within the City.

#### **SOURCES AND USES OF FUNDS**

The composition of the Bonds is estimated to be as follows:

Sources of Funds:	
Principal Amount	<u>\$2,055,000</u>
Total Sources of Funds	\$2,055,000
Uses of Funds:	
Deposit to Project Fund	\$1,994,497
Costs of Issuance	39,953
Allowance for Discount Bidding	<u>20,550</u>
Total Uses of Funds	\$2,055,000

## **SECURITY AND FINANCING**

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the Bonds. Special assessments in the principal amounts of approximately \$643,848 are expected to be filed in fall of 2019 for first collection in 2020. Assessments will be filed over a term of 15 years with level annual payments of principal and interest. Interest on the unpaid balance will be charged at an interest rate estimated to be 4.079%.

The City will also levy taxes for repayment of a portion of the Bonds, and will make its first levy in 2019 for collection in 2020. Each year's collection of taxes and special assessments, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 of the collection year and the principal and interest payment due February 1 of the following year.

## **FUTURE FINANCING**

The City does not anticipate issuing any additional long-term general obligation debt for at least the next 90 days.

## **LITIGATION**

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or its ability to meet its financial obligations.

## **LEGALITY**

The Bonds are subject to approval as to certain matters by Briggs and Morgan, Professional Association, of Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify, any of the financial or statistical statements, or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix I herein will be delivered at closing.

## **TAX EXEMPTION**

At closing Briggs and Morgan, Professional Association, Bond Counsel, will render an opinion that, at the time of their issuance and delivery to the original purchaser, under present federal and State of Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), the interest on each Bond is excluded from gross income for purposes of United States income tax and is excluded, to the same extent, in computing both gross income and taxable net income for purposes of State of Minnesota income tax (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions), and that interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals or the Minnesota alternative minimum tax applicable to individuals, estates or trusts. No

opinion will be expressed by Bond Counsel regarding other federal or state tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. Preservation of the exclusion of interest on the Bonds from federal gross income and state gross and taxable net income, however, depends upon compliance by the City with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from federal gross income and state gross and taxable net income.

The City will covenant to comply with requirements necessary under the Code to establish and maintain the Bonds as tax-exempt under Section 103 thereof, including without limitation, requirements relating to temporary periods for investments and limitations on amounts invested at a yield greater than the yield on the Bonds.

## **OTHER FEDERAL TAX CONSIDERATIONS**

### **Property and Casualty Insurance Companies**

Property and casualty insurance companies are required to reduce the amount of their loss reserve deduction by 15% of the amount of tax-exempt interest received or accrued during the taxable year on certain obligations acquired after August 7, 1986, including interest on the Bonds.

### **Foreign Insurance Companies**

Foreign companies carrying on an insurance business in the United States are subject to a tax on income which is effectively connected with their conduct of any trade or business in the United States, including "net investment income." Net investment income includes tax-exempt interest such as interest on the Bonds.

### **Branch Profits Tax**

A foreign corporation is subject to a branch profits tax equal to 30% of the "dividend equivalent amount" for the taxable year. The "dividend equivalent amount" is the foreign corporation's "effectively connected earnings and profits" adjusted for increase or decrease in "U.S. net equity." A branch's earnings and profits may include tax-exempt municipal bond interest, such as interest on the Bonds.

### **Passive Investment Income of S Corporations**

Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than 25% of the gross receipts of such S corporation is passive investment income.

### **Financial Institutions**

For federal income tax purposes, financial institutions are unable to deduct any portion of the interest expense allocable to the ownership of certain tax-exempt obligations acquired after August 7, 1986, including the Bonds but for the designation as Qualified Tax-Exempt Obligations. See "Bank-Qualified Tax-Exempt Obligations" herein.

## **General**

The preceding is not a comprehensive list of all federal tax consequences which may arise from the receipt or accrual of interest on the Bonds. The receipt or accrual of interest on the Bonds may otherwise affect the federal income tax (or Minnesota income tax or franchise tax) liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items of income or deductions. 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.

## **BANK-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, 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.

## **RATING**

An application for a rating of the Bonds has been made to S&P Global Ratings (“S&P”), 55 Water Street, New York, New York. If a rating is assigned, it will reflect only the opinion of S&P. Any explanation of the significance of the rating may be obtained only from S&P.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised or withdrawn if, in the judgment of S&P, circumstances so warrant. A revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

## **MUNICIPAL ADVISOR**

The City has retained Baker Tilly Municipal Advisors, LLC, of Saint Paul, Minnesota as municipal advisor in connection with certain aspects of the issuance of the Bonds. In preparing this Official Statement, Baker Tilly Municipal Advisors, LLC has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement. Baker Tilly Municipal Advisors, LLC has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. Baker Tilly Municipal Advisors, LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **CERTIFICATION**

The City has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Bonds and a Final Official Statement following award of the Bonds. The Purchaser will be furnished with a certificate signed by the appropriate officers of the City stating that the City examined each document and that, as of the respective date of each and the date of such certificate, each document did not and does not contain any untrue statement of material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.



## CITY PROPERTY VALUES

### Trend of Values<sup>(a)</sup>

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio <sup>(b)</sup>	Economic Market Value <sup>(c)</sup>	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2018/19	\$152,572,600	87.8%	\$172,737,313	\$23,809,200	\$127,980,100	\$1,564,442
2017/18	151,593,700	97.0	157,317,768	23,934,700	126,867,600	1,554,087
2016/17	151,665,800	96.6	156,941,700	24,025,500	127,138,500	1,553,055
2015/16	149,076,600	93.2	159,805,571	24,147,100	124,427,700	1,502,120
2014/15	146,276,000	84.6	172,645,604	24,303,800	121,113,700	1,438,270

(a) For a description of the Minnesota property tax system, see Appendix III.

(b) Sales Ratio Study for the year of assessment as posted by the Minnesota Department of Revenue, <https://www.revenue.state.mn.us/economic-market-values>.

(c) Economic market values for the year of assessment as posted by the Minnesota Department of Revenue, <https://www.revenue.state.mn.us/economic-market-values>.

Source: Faribault County, Minnesota, September 2019, except as otherwise noted.

### 2018/19 Adjusted Taxable Net Tax Capacity: \$1,564,442

Real Estate:		
Residential Homestead	\$ 725,176	46.2%
Commercial/Industrial, Railroad, and Public Utility	602,601	38.4
Residential Non-Homestead	206,435	13.1
Agricultural	16,292	1.0
Personal Property	<u>19,634</u>	<u>1.3</u>
2018/19 Net Tax Capacity	\$1,570,138	100.0%
Less: Captured Tax Increment Tax Capacity	<u>(5,696)</u>	
2018/19 Adjusted Taxable Net Tax Capacity	\$1,564,442	

**Ten of the Largest Taxpayers**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2018/19 Net Tax Capacity</u>
Seneca Foods Corporation	Industrial Land and Buildings	\$ 61,206
United Hospital District	Commercial	50,934
Nextera Properties LLC	Commercial	41,348
Nuvex Ingredients Inc.	Industrial	36,139
Juba Properties LLC	Commercial	24,319
Blue Earth Economic Development Authority	Industrial	22,662
Blue Earth Valley Communications Inc.	Telephone Communications	22,561
St. Luke's Lutheran Care Center	Skilled Nursing Care Facilities	22,283
WLM Retail Trust Estate	Commercial	20,646
Touchdown Investments	Industrial	<u>20,060</u>
Total		\$322,158*

\* Represents 20.6% of the City's 2018/19 adjusted taxable net tax capacity.

**CITY INDEBTEDNESS**

**Legal Debt Limit and Debt Margin\***

Legal Debt Limit (3% of 2018/19 Estimated Market Value)	\$4,577,178
Less: Outstanding Debt Subject to Limit	<u>(2,615,000)</u>
Debt Margin as of December 4, 2019	\$1,962,178

\* The legal debt margin is referred to statutorily as the "Net Debt Limit" and may be increased by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year.

NOTES: Certain types of debt are not subject to the legal debt limit. See Appendix III – Debt Limitations.

**General Obligation Debt Supported Solely by Taxes\***

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 12-4-19</u>
6-15-12	\$1,560,000	Swimming Pool Refunding	2-1-2027	\$1,020,000
3-27-13	990,000	Capital Improvements	2-1-2027	595,000
7-18-18	1,000,000	Capital Improvements	2-1-2039	<u>1,000,000</u>
Total				\$2,615,000

\* These issues are subject to the legal debt limit.

### General Obligation Special Assessment Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 12-4-19</u>
12-15-09	\$1,345,000	Refunding	2-1-2022	\$ 385,000
8-15-10	1,775,000	Improvements	2-1-2026	930,000
6-23-11	1,150,000	Refunding	4-1-2020	50,000
6-15-12	2,395,000	Improvements	2-1-2028	1,510,000
9-11-13	1,565,000	Improvements	2-1-2029	1,125,000
7-1-14	3,765,000	Improvements	2-1-2030	2,895,000
9-17-15	1,905,000	Improvements	2-1-2031	1,605,000
11-3-16	2,310,000	Improvements	2-1-2032	2,040,000
7-18-18	3,095,000	Improvements	2-1-2034	3,085,000
12-4-19	2,055,000	Improvements (the Bonds)	2-1-2035	<u>2,055,000</u>
Total				\$15,680,000

### General Obligation Tax Abatement Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 12-4-19</u>
7-1-14	\$ 450,000	Tax Abatements	2-1-2030	\$ 350,000
9-17-15	1,865,000	Tax Abatements	2-1-2031	<u>1,570,000</u>
Total				\$1,920,000

### General Obligation Utility Revenue Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 12-4-19</u>
3-30-00	\$3,290,170	Sewer Revenue Note	8-20-2020	\$ 194,000
9-5-06	305,456	Drinking Water (PFA)	8-20-2026	126,000
3-19-07	1,174,600	Drinking Water (PFA)	8-20-2026	504,000
7-3-07	716,592	Clean Water (PFA)	8-20-2026	305,000
7-20-09	699,230	Clean Water (PFA)	8-20-2029	392,000
7-6-10	1,791,176	Clean Water (PFA)	8-20-2025	745,000
8-15-10	365,000	Refunding	2-1-2020	45,000
4-16-12	592,757	Clean Water (PFA)	8-20-2026	280,000
6-15-12	665,000	Sewer Revenue	2-1-2028	420,000
7-1-13	394,873	Clean Water (PFA)	8-20-2028	258,000
2-5-18	7,691,210	Taxable Sewer Revenue Note (PFA)	8-20-2037	<u>7,167,000</u>
Total				\$10,436,000

## Estimated Calendar Year Debt Service Payments Including the Bonds

Year	G.O. Debt Supported Solely by Taxes		G.O. Special Assessment Debt	
	Principal	Principal & Interest	Principal	Principal & Interest <sup>(a)</sup>
2019 (at 12-4)	(Paid)	(Paid)	(Paid)	(Paid)
2020	\$ 220,000	\$ 284,974	\$ 1,190,000	\$ 1,578,162
2021	230,000	290,379	1,285,000	1,655,451
2022	235,000	290,479	1,335,000	1,672,035
2023	230,000	280,369	1,225,000	1,528,399
2024	245,000	289,903	1,255,000	1,525,960
2025	240,000	279,065	1,295,000	1,531,951
2026	270,000	302,681	1,335,000	1,536,235
2027	275,000	300,643	1,215,000	1,381,656
2028	45,000	66,381	1,255,000	1,388,116
2029	50,000	69,956	1,100,000	1,200,466
2030	50,000	68,456	980,000	1,051,969
2031	50,000	66,925	700,000	749,639
2032	55,000	70,284	555,000	588,329
2033	55,000	68,531	395,000	415,616
2034	55,000	66,744	405,000	414,255
2035	60,000	69,800	155,000	156,744
2036	60,000	67,700		
2037	60,000	65,600		
2038	65,000	68,413		
2039	<u>65,000</u>	<u>66,138</u>		
Total	\$2,615,000 <sup>(b)</sup>	\$3,133,421	\$15,680,000 <sup>(c)</sup>	\$18,374,983

(a) Includes the Bonds at an assumed average annual interest rate of 1.96%.

(b) 78.0% of this debt will be retired within ten years.

(c) 79.7% of this debt will be retired within ten years.

**Estimated Calendar Year Debt Service Payments Including the Bonds  
(Continued)**

<u>Year</u>	<u>G.O. Tax Abatement Debt</u>		<u>G.O. Utility Revenue Debt</u>	
	<u>Principal</u>	<u>Principal &amp; Interest</u>	<u>Principal</u>	<u>Principal &amp; Interest</u>
2019 (at 12-4)	(Paid)	(Paid)	(Paid)	(Paid)
2020	\$ 140,000	\$ 195,050	\$ 987,000	\$ 1,138,206
2021	145,000	196,075	758,000	894,503
2022	145,000	191,875	769,000	893,745
2023	150,000	192,450	781,000	893,782
2024	155,000	192,875	791,000	891,568
2025	160,000	193,150	807,000	895,085
2026	160,000	188,350	687,000	762,313
2027	170,000	193,400	507,000	571,271
2028	175,000	193,225	518,000	574,608
2029	180,000	192,900	444,000	493,430
2030	185,000	192,425	405,000	448,184
2031	155,000	157,325	410,000	448,021
2032			415,000	447,793
2033			421,000	448,502
2034			426,000	448,134
2035			431,000	447,703
2036			437,000	448,207
2037			442,000	447,636
<b>Total</b>	<b>\$1,920,000<sup>(a)</sup></b>	<b>\$2,279,100</b>	<b>\$10,436,000<sup>(b)</sup></b>	<b>\$11,592,691</b>

*(a) 82.3% of this debt will be retired within ten years.*

*(b) 67.5% of this debt will be retired within ten years.*

**Overlapping Debt**

<u>Taxing Unit<sup>(a)</sup></u>	<u>2018/19 Adjusted Taxable Net Tax Capacity</u>	<u>Est. G.O. Debt As of 12-4-19<sup>(b)</sup></u>	<u>Debt Applicable to Tax Capacity in City</u>	
			<u>Percent</u>	<u>Amount</u>
Faribault County	\$29,666,725	\$12,945,000	5.3%	\$ 686,085
ISD No. 2860 (Blue Earth)	16,914,629	6,240,000	9.2	<u>574,080</u>
<b>Total</b>				<b>\$1,260,165</b>

*(a) Only those units with outstanding general obligation debt are shown here.*

*(b) Excludes general obligation tax and aid anticipation certificates and revenue supported debt.*

## Debt Ratios\*

	<u>G.O. Direct Debt</u>	<u>G.O. Direct &amp; Overlapping Debt</u>
To 2018/19 Estimated Market Value (\$152,572,600)	13.25%	14.08%
Per Capita (3,204 – 2018 MN State Demographer Estimate)	\$6,309	\$6,703

\* Excludes general obligation utility revenue debt.

## CITY TAX RATES, LEVIES AND COLLECTIONS

### Tax Capacity Rates for a Resident in the City

	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
Faribault County	28.834%	31.660%	33.414%	36.273%	36.693%
City of Blue Earth	87.026	90.044	92.601	95.812	98.549
ISD No. 2860 (Blue Earth)*	7.108	7.139	8.088	7.868	8.318
Region IX	<u>0.155</u>	<u>0.179</u>	<u>0.175</u>	<u>0.183</u>	<u>0.177</u>
Total	123.123%	129.022%	134.278%	140.136%	143.737%

\* In addition, Independent School District No. 2860 (Blue Earth) has a 2018/19 market value tax rate of 0.12355% spread across the market value of property in support of an excess operating levy.

NOTE: This table includes only net tax capacity rates. Certain other tax rates are based on market value. See Appendix III.

### Tax Levies and Collections

<u>Levy/Collect</u>	<u>Net Levy*</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated As of 5-15-19</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2018/19	\$1,541,051	(In Process of Collection)			
2017/18	1,488,132	\$1,457,348	97.9%	\$1,479,320	99.4%
2016/17	1,437,137	1,413,569	98.4	1,431,935	99.6
2015/16	1,350,408	1,309,059	96.9	1,348,209	99.8
2014/15	1,236,511	1,215,424	98.3	1,234,173	99.8

\* The net levy excludes state aid for property tax relief and fiscal disparities, if applicable. The net levy is the basis for computing tax capacity rates. See Appendix III.

**FUNDS ON HAND  
As of August 31, 2019**

<u>Fund</u>	<u>Cash and Investments</u>
General	\$2,495,334
Debt Service	2,012,633
Enterprise	646,184
Special Revenue	574,755
Street Projects (Capital Outlay)	<u>403,721</u>
Total	\$6,132,627

**INVESTMENTS**

The City has a formal investment policy, and all investments are made in accordance with Minnesota Statutes. The primary objectives of the City's investment policy, in priority order, include safety, liquidity, diversification, and yield. The City Administrator is designated as the primary investment officer and is responsible for overseeing the day-to-day management of the City's investments. Permitted investments include:

1. Obligations of the U.S. Government, its agencies and instrumentalities, and Government-Sponsored Enterprises (including mortgage-backed securities) with a maximum stated maturity of five years . Collateralized mortgage-backed securities must pass the bank test.
2. U.S. Government obligations that carry the full faith and credit guarantee of the United States with a maximum stated maturity of five years.
3. Debt obligations of any U.S. state or governmental entity with a maximum stated maturity of three years. General debt obligations shall be rated A or better and revenue obligations rated AA or better by a nationally recognized bond rating organization.
4. AAA-rated, SEC registered money market mutual funds.
5. Repurchase Agreements with a defined termination date, transacted with a primary dealer, and under an executed Bond Market Master Repurchase Agreement, requiring 102% collateral as authorized by Minnesota Statutes.
6. A1/P1 or equivalent commercial Paper rated by two nationally recognized statistical rating organizations, not to exceed 180 days to stated maturity.
7. FDIC insured or collateralized depository certificates of deposits.
8. FDIC insured brokered certificate of deposit securities from a bank in any U.S. state, delivery versus payment to the City's safekeeping agent, not to exceed one year to maturity.
9. Prime bankers acceptances not to exceed 180 days to stated maturity.
10. Reverse repurchase agreements with primary dealers not to exceed ninety days with reinvestment of proceeds matched to the reverse's maturity. Reverse repurchase agreements will be under an executed Bond Market Master Repurchase Agreement assuring a 102% collateral margin and independent safekeeping.

11. Securities lending agreements with a primary dealer or bank in the State of Minnesota with collateral defined by State law.
12. Minnesota joint powers investment trusts as defined by Minnesota Statutes.
13. Interest bearing demand accounts in Minnesota banks.

As of August 31, 2019, the City had investments with a value of \$1,200,000, and \$4,932,628 in cash held in a general checking account. Funds are invested primarily in certificates of deposit, mortgage-backed U.S. government agency securities, or money market accounts. Effective yields range from 1.90% to 4.65%, maturing no later than September 9, 2024.

## GENERAL INFORMATION CONCERNING THE CITY

The City is located in Faribault County, approximately 125 miles southwest of the Minneapolis/Saint Paul metropolitan area, and encompasses an area of approximately 3.45 square miles (2,210 acres).

### Population

The City's population trend is shown below.

	<u>Population</u>	<u>Percent Change</u>
2018 MN State Demographer Estimate	3,204	(4.4)%
2010 U.S. Census	3,353	(7.4)
2000 U.S. Census	3,621	(3.3)
1990 U.S. Census	3,745	(9.4)
1980 U.S. Census	4,132	--

*Sources: Minnesota State Demographic Center, [mn.gov/admin/demography](http://mn.gov/admin/demography) and United States Census Bureau, <http://www.census.gov/>.*

The City's population by age group for the past five years is as follows:

<u>Data Year/ Report Year</u>	<u>0-17</u>	<u>18-34</u>	<u>35-64</u>	<u>65 and Over</u>
2018/19	640	563	1,077	883
2017/18	661	587	1,108	903
2016/17	680	599	1,125	903
2015/16	659	597	1,123	904
2014/15	677	600	1,112	889

*Sources: Environics Analytics, Claritas, Inc. and The Nielsen Company.*



## Transportation

Interstate Highway 90 and U.S. Highway 169 run through the City as well as Minnesota Highway 16. Blue Earth Municipal Airport is located in the southern portion of the City and public transportation is available through the Faribault County Prairie Express.

## Major Employers

Although the economy of the surrounding area is reliant on agriculture and related business and industries, the City serves as a center for retail trade, medical care, education and small industries. This diversity of the City's economic base, which is evident in the list of the City's major employers, has provided steady growth and stability.

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Employment</u>
Independent School District No. 2860 (Blue Earth)	Public education	255 <sup>(a)</sup>
Kerry Ingredients Incorporated	Cereal/breakfast foods	230 <sup>(b)</sup>
Seneca Foods Corporation	Canned fruits and vegetables	230
United Hospital District – Blue Earth	Medical/surgical hospital	230 <sup>(a)</sup>
Aerospace Systems, Inc.	Household audio and video equipment	210 <sup>(a)</sup>
St. Luke's Lutheran Care Center	Skilled nursing care facilities	190
City of Blue Earth	Municipal government and services	118 <sup>(b)</sup>
Blue Earth Valley Communications	Telephone communications	109
Tafco Equipment Company	Farm machinery and equipment	70
EDI	Medical testing kits	62 <sup>(a)</sup>
Darling International Inc.	Prepared feeds	50
Winnebago Manufacturing Company	Welding repair	36
Bomgaars	Retail	25 <sup>(a)</sup>

(a) Information as of May 2018; most recent information available.

(b) Includes full-time, part-time and seasonal employees.

Sources: This does not purport to be a comprehensive list and is based on a September 2019 telephone survey of individual employers and information available at [www.msrb.emma.org](http://www.msrb.emma.org). Some employers do not respond to inquiries.

## Labor Force Data

	<u>Annual Average</u>				<u>August</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Labor Force:					
Faribault County	7,501	7,341	7,139	7,006	7,173
State of Minnesota	2,997,748	3,033,406	3,057,014	3,070,223	3,130,214
Unemployment Rate:					
Faribault County	4.4%	4.4%	4.1%	3.5%	3.3%
State of Minnesota	3.7	3.9	3.4	2.9	3.0

Source: Minnesota Department of Employment and Economic Development, <https://apps.deed.state.mn.us/lmi/laus/>. 2019 data are preliminary.

## Retail Sales and Effective Buying Income (EBI)

### City of Blue Earth

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2018/19	\$67,221	\$83,646	\$41,747
2017/18	58,473	86,038	42,790
2016/17	59,441	78,742	40,291
2015/16	83,888	69,053	39,204
2014/15	71,464	66,880	36,958

### Faribault County

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2018/19	\$168,451	\$339,506	\$44,560
2017/18	126,336	338,215	44,446
2016/17	150,381	321,823	45,592
2015/16	239,775	307,550	41,401
2014/15	187,104	309,315	41,331

The 2018/19 Median Household EBI for the State of Minnesota was \$58,777. The 2018/19 Median Household EBI for the United States was \$52,468.

Sources: Environics Analytics, Claritas, Inc. and The Nielsen Company.

## Permits Issued by the City

<u>Year</u>	<u>New Single Family Residential</u>		<u>New Commercial/Industrial</u>		<u>Total Value* (All Permits)</u>
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	
2019 (to 8-31)	1	\$200,000	0	0	\$1,016,400
2018	0	0	2	\$1,807,750	3,770,950
2017	3	755,000	0	0	1,251,050
2016	1	100,000	0	0	1,262,100
2015	1	300,900	2	205,000	1,144,900
2014	2	275,000	2	3,200,000	4,214,100
2013	0	0	0	0	1,206,826
2012	3	954,000	1	280,000	2,116,600
2011	0	0	1	140,000	550,675

\* In addition to building permits, the total value includes all other permits issued by the City (i.e. heating, lighting, plumbing, roof replacement, etc.).

Source: City of Blue Earth.

## Recent Development

### Residential

There are approximately 1,487 single-family homes and 47 multifamily units located within the City. The City has developed a 17-lot housing subdivision which was completed in August 2018.

### Industrial Parks

The City has an 80-acre industrial park with eleven enterprises, the larger of which include Kerry Ingredients Incorporate; Aerospace Systems, Inc.; Tafco Equipment Company; and Winnebago Manufacturing Company. The industrial park has all utilities and railroad access. The City has a second 43.6-acre industrial park located at the intersection of Interstate 90 and State Highway 169, which houses Kibble Equipment, BENCO Electric Corporation and Thriving Acres Seed Condition.

### Commercial/Industrial Development

Building construction and commercial/industrial growth completed within the past five years has been as follows:

<u>Name</u>	<u>Product/Service</u>	<u>Description of Construction</u>
Giant Welcome Center	Tourism/Museum	Brick-Vinyl Siding
BENCO Electric Corporation	Rural Electric Coop	Concrete
Kibble Equipment	Farm Machinery Showroom, Sales & Service	Metal
Kibble Equipment	Farm Machinery Warehouse	Metal
Riverside Storage	Storage Units	Metal
B.E. Drug	Retail/Drug Store	Brick-Vinyl Siding
Hope Methodist Church	Religious Sect	Brick-Vinyl Siding
Kerry Ingredients Incorporated Expansion	Cereal Production	Concrete
Law Enforcement Center	County Jail	Concrete block
St. Luke's Lutheran Care Center Addition	Nursing Home	Wood-concrete
United Hospital District – Blue Earth	Medical/Surgical Hospital	Brick
Alltel Communications	Radio Tower & Building	Metal
Faribault County Fair Board	Community Service Facility	Metal

### **Financial Institutions\***

Financial services are provided for City residents by First Bank Blue Earth, which had total deposits of \$200,601,000 as of June 30, 2019 (most recent information available). In addition, branches of Citizens Community Federal National Association and Wells Fargo Bank, National Association are located within the City.

\* *This does not purport to be a comprehensive list.*

Source: Federal Deposit Insurance Corporation, <https://research.fdic.gov/bankfind/>.

## Health Care Services

The following is a summary of health care facilities located in the City:

<u>Facility</u>	<u>Location</u>	<u>No. of Beds</u>
St. Luke's Lutheran Care Center	City of Blue Earth	79 Nursing Home
United Hospital District	City of Blue Earth	43 Hospital 4 Infant Bassinets

Also located in the City are and three home care agencies, two assisted living facilities, and one hospice facility.

Source: Minnesota Department of Health, <http://www.health.state.mn.us/>.

## Education

### Public Education

The following district serves the residents of the City:

<u>School</u>	<u>Location</u>	<u>Grades</u>	<u>2018/19* Enrollment</u>
Independent School District No. 2860 (Blue Earth)	City of Blue Earth	K-12	1,035

\* 2019/20 enrollment figures are not yet available.

Source: Minnesota Department of Education, [www.education.state.mn.us](http://www.education.state.mn.us).

### Post-Secondary Education

Post-secondary educational institutions within commutable distance are the Albert Lea-Mankato Technical College in the City of Mankato, located approximately 40 miles north of the City; Minnesota State University-Mankato, approximately 45 miles north of the City; and Austin Community College in the City of Austin, approximately 60 miles east of the City.

## GOVERNMENTAL ORGANIZATION AND SERVICES

### Organization

The City has been a municipal corporation since 1899 and is governed by a Home Rule Charter adopted in 1967. The City has a Mayor-Council form of government. The Mayor is elected to a two-year term of office and the Councilmembers are elected to four-year overlapping terms of office.

The present Council is comprised of the following members:

		<u>Expiration of Term</u>
Richard Scholtes	Mayor	January 4, 2021
Marty Cassem	Councilmember	January 3, 2023
Wendy Cole	Councilmember	January 3, 2023
Russ Erichsrud	Councilmember	January 3, 2023
Glenn Gaylord	Councilmember	January 4, 2021
John Huisman	Councilmember	January 4, 2021
Dan Warner	Councilmember	January 4, 2021

Mr. Timothy Ibisch is the City Administrator and is responsible for directing the administration of Council policy, maintaining the records and accounts of the City's operations and is responsible for all record-keeping functions of the City. Ms. Echo Roggenkamp serves as the Deputy City Clerk.

The City has 23 full-time, 29 part-time, and 66 seasonal employees.

### **Municipal Services**

Water Utility System. The Water Utility System has approximately 1,649 private and municipal connections served by a 400,000 gallon elevated water storage facility along with two storage tanks at a combined capacity of 1,200,000 gallons. The system has a pumping capacity of 3,750 gallons per minute or 5,400,000 gallons per day. Average demand is 400,000 gallons per day while peak demand reaches 750,000 gallons per day. Total tap water hardness is 48 parts per million. The 2018 operating revenues were \$974,013 with the average charge of \$590 per year for residential and commercial water customers.

Sewer Utility System. The Sewer Utility System has approximately 1,738 private and municipal connections served by a 980,000 gallon per day wastewater treatment facility along with six lift stations. Average flow is 500,000 gallons per day while peak flow reaches 3,250,000 gallons per day.

The 2018 audited operating revenues were \$1,187,281 with the average disposal charge per year per household and commercial connection at approximately \$683. For residential, the sewage use base charge is \$22.44 per month and \$6.71 per thousand gallons thereafter. For commercial, the sewage use base charge is \$28.36 per month and \$8.28 per thousand gallons thereafter.

Electric Utility. The Electric Utility has approximately 1,877 connections. The electric system purchases power from Alliant Energy, the Central Minnesota Municipal Power Agency and the Midwest Independent System Operator and operates seven backup generators. The 2018 audited operating revenues were \$5,900,542 with the average charge per year per household and commercial connection at approximately \$1,483 and \$52,639 for industrial electric.

Liquor Store. The City operates one off-sale municipal liquor store, which had 2018 audited operating revenues of \$1,615,342.

Fire and Rescue/Emergency Department. The City currently operates a 26-member volunteer fire and rescue department consisting of two pumpers, one tanker/pumper, two tankers, one telesquirt, two grass rigs, an emergency rescue/equipment vehicle, and other miscellaneous firefighting and rescue equipment.

Police Department. The City operates its own department with five full-time officers, including the Chief of Police, and 12 part-time officers. The department also has a part-time secretary and owns three fully equipped vehicles. The City provides protection 24 hours per day, 365 days per year. All dispatching is routed through the Faribault County Sheriff's Department.

Park and Recreational Facilities. The City currently has six city parks that encompass approximately 90 acres of designated parkland. Facilities include a municipal swimming pool; nature park and walking trail; a fitness center with a tennis court, a frisbee golf range, a go-cart track, racquetball and weight lifting facilities; picnic areas; camping facilities; baseball/softball fields; basketball courts; hockey/skating rinks; sledding hill; and general miscellaneous playground equipment. The combination of these facilities provides a complete park and recreation system throughout the City.

**Labor Contracts**

The status of labor contracts in the City is as follows:

<u>Bargaining Unit</u>	<u>No. of Employees</u>	<u>Expiration Date of Current Contract</u>
LELS	4	December 31, 2021
AFSCME	<u>8</u>	December 31, 2019
Subtotal	12	
Non-unionized employees	<u>11</u>	
Total employees	23*	

\* Does not include part-time or seasonal employees.

**Employee Pensions**

All full-time employees and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employees 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. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the PEPFF. The City’s contributions to GERF and PEPFF are equal to the contractually required contributions for each year as set by State Statute, and are as follows for the past five years:

	<u>GERF</u>	<u>PEPFF</u>
2018	\$76,300	\$47,929
2017	72,688	48,689
2016	59,920	31,285
2015	66,985	43,982
2014	58,733	37,809

Firemen’s Relief Association

The City was previously required to contribute to the Blue Earth Firemen’s Relief Association (the “Relief Association”), a single-employer public employee retirement system that acts as a common investment and administrator for the City’s firefighters. The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA. City contributions to the Relief Association became optional beginning with

fiscal year ended December 31, 2016. The City has not implemented Governmental Accounting Standards Board Statement (GASB) No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, with respect to the Relief Association.

### GASB 68

GASB has issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment to GASB 68, which revised existing standards for measuring and reporting pension liabilities for pension plans provided to City employees and require recognition of a liability equal to the City’s proportionate share of net pension liability, which is measured as the total pension liability less the amount of the pension plan’s fiduciary net position.

The City’s proportionate shares of the pension costs and the City’s net pension liability for GERF and PEPFF for the past five years are as follows:

	<u>GERF</u>		<u>PEPFF</u>	
	<u>Proportionate Share of Pension Costs</u>	<u>Net Pension Liability</u>	<u>Proportionate Share of Pension Costs</u>	<u>Net Pension Liability</u>
2018	0.0151%	\$ 837,686	0.0281%	\$ 299,517
2017	0.0150	957,590	0.0290	391,535
2016	0.0153	1,242,284	0.0290	1,163,820
2015	0.0146	756,648	0.0280	318,146
2014	0.0173	812,667	0.0290	313,212

For more information regarding GASB 68 with respect to the City, please reference “Note 5, Defined Benefit Pension Plans” and “Required Supplementary Information” of the City’s Annual Financial Statements for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement.

Additional and detailed information about GERF’s net position is available in a separately-issued PERA financial report, which may be obtained at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, Saint Paul, Minnesota, 55103-2088; or by calling 1-800-652-9026.

*Source: City’s Annual Financial Statements.*

### **Other Post-Employment Benefits**

The Government Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), establishing new accounting and financial reporting requirements related to post-employment healthcare and other non-pension benefits (referred to as Other Postemployment Benefits or “OPEB”).

The City’s only OPEB is for health insurance. Retirees and disabilitants are eligible to remain on the City’s group health plan, but the City does not assist with premium payments. The only cost to the City comes from the implicit rate subsidy. Any liability related to postemployment benefits is immaterial to the City’s Annual Financial Statements.

*Source: City’s Annual Financial Statements.*

## General Fund Budget Summary

	2018 <u>Budget</u>	2018 <u>Actual</u>	2019 <u>Budget</u>
<b>Revenues:</b>			
Taxes	\$ 495,267	\$ 596,331	\$ 602,011
Franchise Taxes	266,500	242,337	267,250
Special Assessments	3,500	11,124	2,500
Licenses and Permits	32,143	56,325	30,578
Intergovernmental	2,025,311	2,087,915	2,042,802
Charges for Services	210,280	282,553	222,260
Fines and Forfeits	14,000	1,350	14,600
Interest Earnings	31,970	40,591	45,000
Miscellaneous	<u>41,524</u>	<u>101,992</u>	<u>58,374</u>
<b>Total Revenues</b>	<b>\$3,120,495</b>	<b>\$3,420,518</b>	<b>\$3,285,375</b>
<b>Expenditures:</b>			
General Government	\$ 465,835	\$ 424,747	\$ 457,574
Public Safety	1,056,175	1,017,533	901,307
Public Works	1,109,928	2,021,168	1,160,293
Culture and Recreation	466,631	431,012	525,719
Storm Water	28,100	28,431	25,000
Miscellaneous	0	113,629	0
Debt Service	<u>13,524</u>	<u>40,898</u>	<u>13,524</u>
<b>Total Expenditures</b>	<b>\$3,140,193</b>	<b>\$4,077,418</b>	<b>\$3,083,417</b>
Excess of Revenues over (Under) Expenditures	(19,698)	(656,900)	201,958
<b>Other Financing Sources (Uses):</b>			
Sale of Assets	\$ 0	\$ 886	\$ 0
Proceeds from Bond Issuance	0	1,000,000	0
Transfers In	70,000	120,000	100,000
Transfers Out	<u>0</u>	<u>(379,000)</u>	<u>(300,000)</u>
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 70,000</b>	<b>\$ 741,886</b>	<b>\$ (200,000)</b>
<b>Net Change in Fund Balance</b>	<b>50,302</b>	<b>84,986</b>	<b>1,958</b>
<b>Fund Balance (Beginning)</b>	<b><u>\$2,760,865</u></b>	<b><u>\$2,760,865</u></b>	<b><u>\$2,845,851</u></b>
<b>Fund Balance (Ending)</b>	<b><u>\$2,811,167</u></b>	<b><u>\$2,845,851</u></b>	<b><u>\$2,847,809</u></b>

Sources: The City and the City's 2019 Budget.

## Major General Fund Revenue Sources

<u>Revenue</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Intergovernmental	\$1,972,840	\$2,017,841	\$1,987,168	\$2,029,516	\$2,087,915
Proceeds from Bond Issuance	-	-	-	-	1,000,000
Property Taxes	469,629	492,793	283,832	536,318	596,331
Charges for Services	231,137	230,877	267,844	241,301	282,553
Franchise Taxes	272,138	267,983	267,421	249,471	242,337
Transfers In	10,132	1,052,016	93,975	231,500	120,000
Miscellaneous	144,068	183,798	185,561	109,340	73,579
Licenses and Permits	50,143	32,602	35,180	26,323	56,325

Sources: City's Annual Financial Statements.



## PROPOSED FORM OF LEGAL OPINION



2200 IDS Center  
 80 South 8th Street  
 Minneapolis, MN 55402  
 OFC 612-977-8400  
 FAX 612-977-8650  
 URL Briggs.com

\$2,055,000\*  
 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2019A  
 CITY OF BLUE EARTH  
 FARIBAULT COUNTY  
 MINNESOTA

We have acted as bond counsel in connection with the issuance by the City of Blue Earth, Faribault County, Minnesota (the "Issuer"), of its \$2,055,000\* General Obligation Improvement Bonds, Series 2019A, bearing a date of original issue of December 4, 2019 (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.

\* Preliminary; subject to change.

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. 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.

BRIGGS AND MORGAN  
Professional Association

**PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING**

This Continuing Disclosure Undertaking (the "Disclosure Undertaking") is executed and delivered by the City of Blue Earth, Minnesota (the "Issuer"), in connection with the issuance of its \$2,055,000\* General Obligation Improvement Bonds, Series 2019A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted on November 4, 2019 (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 November \_\_, 2019, prepared in connection with the Bonds.

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

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\* Preliminary; subject to change.

"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, 2019, the Issuer shall, or shall cause the Dissemination Agent to provide to the MSRB by filing at [www.emma.msrb.org](http://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, 2020, and by December 31 of each year thereafter.

B. If the Issuer is unable to provide to the MSRB an Annual Report by the date 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: City Property Values; City Indebtedness; and City Tax Rates, Levies and Collections.

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](http://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 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: \_\_\_\_\_, 2019.

CITY OF BLUE EARTH, MINNESOTA

By \_\_\_\_\_  
Its Mayor

By \_\_\_\_\_  
Its Administrator

## SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS, AND MINNESOTA REAL PROPERTY VALUATION

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

### **Property Valuations (Chapter 273, Minnesota Statutes)**

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate, and (ii) multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to \$413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a, and causes a decrease in the Issuer's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

### **Property Tax Payments and Delinquencies (Chapters 275, 276, 277, 279-282 and 549, Minnesota Statutes)**

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on nonhomestead property is assessed at a rate of 4% until May 31 and increased to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on nonhomestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for nonhomestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

### **Property Tax Credits (Chapter 273, Minnesota Statutes)**

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

### **Debt Limitations**

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.



2. Warrants or orders having no definite or fixed maturity.
3. Obligations payable wholly from the income from revenue producing conveniences.
4. Obligations issued to create or maintain a permanent improvement revolving fund.
5. Obligations issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.
6. Debt service loans and capital loans made to a school district under the provisions of Minnesota Statutes, Sections 126C.68 and 126C.69.
7. Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under this subdivision.
8. Obligations to repay loans made under Minnesota Statutes, Section 216C.37.
9. Obligations to repay loans made from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations.
10. Obligations issued to pay pension fund or other postemployment benefit liabilities under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
11. Obligations issued to pay judgments against the municipality under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
12. All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

**Levies for General Obligation Debt  
(Sections 475.61 and 475.74, Minnesota Statutes)**

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

**STATUTORY FORMULAE: CONVERSION OF TAXABLE MARKET VALUE (TMV) TO  
NET TAX CAPACITY FOR MAJOR PROPERTY CLASSIFICATIONS**

<u>Property Type</u>	<u>Local Tax Payable 2015-2019</u>
<b>Residential Homestead (1a)</b>	
Up to \$500,000	1.00%
Over \$500,000	1.25%
<b>Residential Non-homestead</b>	
Single Unit (4bb)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
1-3 unit and undeveloped land (4b1)	1.25%
<b>Market Rate Apartments</b>	
Regular (4a)	1.25%
Low-Income (4d)	
Up to \$139,000 <sup>(c)</sup>	0.75%
Over \$139,000 <sup>(c)</sup>	0.25%
<b>Commercial/Industrial/Public Utility (3a)</b>	
Up to \$150,000	1.50% <sup>(a)</sup>
Over \$150,000	2.00% <sup>(a)</sup>
Electric Generation Machinery	2.00%
<b>Commercial Seasonal Residential</b>	
Homestead Resorts (1c)	
Up to \$600,000	0.50%
\$600,000 - \$2,300,000	1.00%
Over \$2,300,000	1.25% <sup>(a)</sup>
Seasonal Resorts (4c)	
Up to \$500,000	1.00% <sup>(a)</sup>
Over \$500,000	1.25% <sup>(a)</sup>
<b>Non-Commercial (4c12)</b>	
Up to \$500,000	1.00% <sup>(a)(b)</sup>
Over \$500,000	1.25% <sup>(a)(b)</sup>
<b>Disabled Homestead (1b)</b>	
Up to \$50,000	0.45%
<b>Agricultural Land &amp; Buildings</b>	
Homestead (2a)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
Remainder of Farm	
Up to \$1,900,000 <sup>(d)</sup>	0.50% <sup>(b)</sup>
Over \$1,900,000 <sup>(d)</sup>	1.00% <sup>(b)</sup>
Non-homestead (2b)	1.00% <sup>(b)</sup>

<sup>(a)</sup> State tax is applicable to these classifications.

<sup>(b)</sup> Exempt from referendum market value based taxes.

<sup>(c)</sup> Legislative increases, payable 2019. Historical valuations are: Payable 2018 - \$121,000; Payable 2017 - \$115,000; Payable 2016 - \$106,000; and Payable 2015 - \$100,000.

<sup>(d)</sup> Legislative increases, payable 2019. Historical valuations are: Payable 2018 - \$1,940,000; Payable 2017 - \$2,050,000; Payable 2016 - \$2,140,000; and Payable 2015 - \$1,900,000.

**NOTE:** For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First \$76,000 – 0.40%; \$76,000 to \$500,000 – 1.00%; and over \$500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in Saint Paul are exempt under this provision).

**EXCERPT OF 2018 ANNUAL FINANCIAL STATEMENTS**

Data on the following pages was extracted from the City's Annual Financial Statements for fiscal year ended December 31, 2018. The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here.

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Blue Earth  
Blue Earth, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Blue Earth, Minnesota (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Blue Earth's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Blue Earth Board of Public Works. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and qualified audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Unmodified
Discretely Presented Component Units	Unmodified
Governmental Funds	Unmodified
Proprietary Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities

The City has not implemented Governmental Accounting Standards Board Statement (GASB) No. 68, Accounting and Financial Reporting for Pensions -- an Amendment of GASB Statement No. 27, with respect to the fire relief association. Accounting principles generally accepted in the United States of America require that the City report deferred inflows of resources, deferred outflows of resources and a net pension liability or asset measured in accordance with GASB Statement No. 68 within the governmental activities opinion unit. The amount by which this departure would affect the governmental activities opinion unit has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion on Governmental Activities paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities opinion unit, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Blue Earth, Minnesota as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of employer's share of net pension liability, and the schedule of employer's contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blue Earth, Minnesota's financial statements. The combining and individual fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 such 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 July 1, 2019, on our consideration of the City of Blue Earth'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 result of that testing, and not to provide an opinion on the effectiveness of the City of Blue Earth's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Blue Earth's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

CliftonLarsonAllen LLP

Rochester, Minnesota  
July 1, 2019

**CITY OF BLUE EARTH, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

	Primary Government			Board of Public Works Component Unit
	Governmental Activities	Business-Type Activities	Totals	
<b>ASSETS</b>				
Cash and Investments	\$ 7,675,309	\$ 845,684	\$ 8,520,993	\$ 1,547,618
Restricted Cash and Investments:				
Economic Development	1,543	-	1,543	-
Customer Deposits	-	-	-	34,588
Receivables:				
Taxes	43,992	-	43,992	-
Special Assessments	2,501,156	97,254	2,598,410	55,346
Accounts	69,298	193,991	263,289	694,264
Interest	5,780	-	5,780	-
Notes	561,497	-	561,497	-
Due from Component Unit	25,891	-	25,891	-
Prepaid Items	37,880	8,541	46,421	130,876
Inventory	-	257,787	257,787	592,021
Land Held for Resale	299,921	-	299,921	-
Other Assets	-	-	-	25,509
Capital Assets:				
Land and Construction in Progress	4,555,896	7,374,799	11,930,695	140,526
Other Capital Assets, Net of Depreciation	30,299,336	8,715,923	39,015,259	16,429,140
Total Assets	<u>46,077,499</u>	<u>17,493,979</u>	<u>63,571,478</u>	<u>19,649,888</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related	533,809	58,210	592,019	239,028
OPEB Related	-	-	-	56,367
Total Deferred Outflows of Resources	<u>533,809</u>	<u>58,210</u>	<u>592,019</u>	<u>295,395</u>
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 574,586	\$ 299,462	\$ 874,048	\$ 231,409
Other Payables	-	-	-	14,283
Accrued Vacation and Sick Leave	-	-	-	104,551
Accrued Salaries and Wages	33,471	17,958	51,429	33,102
Unearned Revenue	-	-	-	395,094
Interest Payable	196,166	51,217	247,383	44,694
Total Current Liabilities	<u>804,223</u>	<u>368,637</u>	<u>1,172,860</u>	<u>823,133</u>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>				
Customer Deposits Payable	-	-	-	34,588
<b>NONCURRENT LIABILITIES</b>				
Net Pension Liability	830,615	306,588	1,137,203	765,567
Post Employment Benefit	-	-	-	297,625
Due Within One Year	1,232,297	896,626	2,128,923	624,071
Due in More Than One Year	16,000,172	8,979,050	24,979,222	4,177,667
Total Noncurrent Liabilities	<u>18,063,084</u>	<u>10,182,264</u>	<u>28,245,348</u>	<u>5,864,930</u>
Total Liabilities	18,867,307	10,550,901	29,418,208	6,722,651
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	<u>730,617</u>	<u>78,066</u>	<u>808,683</u>	<u>291,279</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	19,322,759	6,232,150	25,554,909	11,774,802
Restricted:				
Debt Service	5,112,968	-	5,112,968	-
Other Purposes	1,640,797	-	1,640,797	34,588
Unrestricted	936,860	691,072	1,627,932	1,121,963
Total Net Position	<u>\$ 27,013,384</u>	<u>\$ 6,923,222</u>	<u>\$ 33,936,606</u>	<u>\$ 12,931,353</u>

See accompanying Notes to Financial Statements.

**CITY OF BLUE EARTH, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENED DECEMBER 31, 2018**

Functional/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Component Unit Business-Type Activities
					Primary Government			
					Governmental Activities	Business-Type Activities	Totals	
<b>PRIMARY GOVERNMENT</b>								
Governmental Activities:								
General Government	\$ 392,146	\$ 106,787	\$ -	\$ -	\$ (285,359)	\$ -	\$ (285,359)	
Public Safety	957,017	47,088	73,565	-	(836,364)	-	(836,364)	
Streets and Highways	1,077,802	164,078	78,235	347,305	(488,184)	-	(488,184)	
Culture and Recreation	408,691	52,818	-	294,000	(61,873)	-	(61,873)	
Housing and Economic Development	916,064	36,479	-	-	(879,585)	-	(879,585)	
Interest and Other Charges on Long-Term Debt	483,304	-	-	-	(483,304)	-	(483,304)	
Total Governmental Activities	4,235,024	407,250	151,800	641,305	(3,034,669)	-	(3,034,669)	
Business-Type Activities:								
Sewer	884,851	1,184,908	-	-	-	300,057	300,057	
Liquor	1,538,195	1,615,342	-	-	-	77,147	77,147	
Fitness Center	161,240	217,771	-	-	-	56,531	56,531	
Total Business-Type Activities	2,584,286	3,018,021	-	-	-	433,735	433,735	
Total Primary Government	\$ 6,819,310	\$ 3,425,271	\$ 151,800	\$ 641,305	(3,034,669)	433,735	(2,600,934)	
Component Unit:								
Electric	\$ 6,005,614	\$ 6,159,929	\$ -					\$ 154,315
Water	934,566	980,372	66,933					112,739
Total Component Unit	\$ 6,940,180	\$ 7,140,301	\$ 66,933					267,054
<b>GENERAL REVENUES</b>								
Taxes:								
Property Taxes					936,990	-	936,990	-
Special Assessments					636,389	-	636,389	-
State Aid					2,080,692	-	2,080,692	-
Franchise Tax					242,337	-	242,337	-
Fees and Fines					1,350	-	1,350	-
License and Permits					56,325	-	56,325	-
Donations					7,509	-	7,509	-
Earnings on Investments					121,233	28,742	149,975	85,281
Lease Payments					296,126	-	296,126	2,608
Miscellaneous					109,315	2,981	112,296	48,536
Transfers					300,000	(300,000)	-	-
Total General Revenue and Transfers					4,788,266	(268,277)	4,519,989	136,425
<b>CHANGE IN NET POSITION</b>					1,753,597	165,458	1,919,055	403,479
Net Position – Beginning of Year					25,259,787	6,757,764	32,017,551	12,527,874
<b>NET POSITION – END OF YEAR</b>					\$ 27,013,384	\$ 6,923,222	\$ 33,936,606	\$ 12,931,353

**CITY OF BLUE EARTH, MINNESOTA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2018**

	General Fund	Economic Development Authority	Airport Fund	Capital Projects	General Obligation 2014A	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and Investments	\$ 2,884,958	\$ 339,322	\$ -	\$ 1,043,255	\$ 204,185	\$ 3,203,589	\$ 7,675,309
Restricted Cash for Economic Development	-	1,543	-	-	-	-	1,543
Receivables:							
Taxes	18,172	2,215	16	-	1,797	21,792	43,992
Special Assessments	127,833	-	-	-	843,771	1,529,552	2,501,156
Interest	5,780	-	-	-	-	-	5,780
Accounts	58,845	22,588	13,037	-	-	719	95,189
Notes	-	199,298	-	-	-	362,199	561,497
Due from Other Funds	221,612	-	-	-	-	-	221,612
Land Held for Resale	-	185,420	-	-	-	114,501	299,921
Prepaid Items	26,214	1,003	10,663	-	-	-	37,880
<b>Total Assets</b>	<b>\$ 3,343,414</b>	<b>\$ 751,389</b>	<b>\$ 23,716</b>	<b>\$ 1,043,255</b>	<b>\$ 1,049,753</b>	<b>\$ 5,232,352</b>	<b>\$ 11,443,879</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 320,153	\$ 87,402	\$ 3,265	\$ 163,266	\$ -	\$ 500	\$ 574,586
Accrued Salaries and Wages	31,405	1,791	-	-	-	275	33,471
Due to Other Funds	-	-	221,612	-	-	-	221,612
<b>Total Liabilities</b>	<b>351,558</b>	<b>89,193</b>	<b>224,877</b>	<b>163,266</b>	<b>-</b>	<b>775</b>	<b>829,669</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue	146,005	201,513	16	-	845,568	1,913,543	3,106,645
<b>FUND BALANCES</b>							
Nonspendable	26,214	186,423	10,663	-	-	114,501	337,801
Restricted	-	274,260	-	879,989	204,185	3,209,940	4,568,374
Assigned	903,022	-	-	-	-	-	903,022
Unassigned	1,916,615	-	(211,840)	-	-	(6,407)	1,698,368
<b>Total Fund Balances</b>	<b>2,845,851</b>	<b>460,683</b>	<b>(201,177)</b>	<b>879,989</b>	<b>204,185</b>	<b>3,318,034</b>	<b>7,507,565</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,343,414</b>	<b>\$ 751,389</b>	<b>\$ 23,716</b>	<b>\$ 1,043,255</b>	<b>\$ 1,049,753</b>	<b>\$ 5,232,352</b>	<b>\$ 11,443,879</b>

IV-5

See accompanying Notes to Financial Statements.

**CITY OF BLUE EARTH, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

**Total Fund Balances for Governmental Funds** **\$ 7,507,565**

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

Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds. 34,855,232

Some of the City's receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows in the funds. 3,106,645

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (196,166)

Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore are not reported in the governmental funds. (196,808)

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period, and therefore are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at year-end are:

General Obligation Bonds Payable	\$ (16,873,856)	
Net Pension Liability	(830,615)	
Unamortized Bond Premium	(186,504)	
Compensated Absence Payable	(61,088)	
Note Payable	<u>(111,021)</u>	
		<u>(18,063,084)</u>

**Total Net Position for Governmental Activities** **\$ 27,013,384**

*See accompanying Notes to Financial Statements.*



**CITY OF BLUE EARTH, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	General Fund	Economic Development Authority	Airport Fund	Capital Projects	General Obligation 2014A	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Property Taxes	\$ 596,331	\$ 79,843	\$ 5	\$ -	\$ 54,772	\$ 762,010	\$ 1,492,961
Franchise Taxes	242,337	-	-	-	-	-	242,337
Special Assessments	11,124	-	-	-	123,277	503,088	637,489
Fees and Fines	1,350	-	-	-	-	-	1,350
Licenses and Permits	56,325	-	-	-	-	-	56,325
Intergovernmental	2,087,915	340,342	425,540	-	-	-	2,853,797
Charges for Services	282,553	36,479	88,718	-	-	-	407,750
Interest Earnings	40,591	14,597	-	24,078	846	46,610	126,722
Rent Payments	20,904	271,293	-	-	-	-	292,197
Donations	7,509	-	-	-	-	-	7,509
Miscellaneous	73,579	22,034	-	-	-	32,890	128,503
Total Revenues	<u>3,420,518</u>	<u>764,588</u>	<u>514,263</u>	<u>24,078</u>	<u>178,895</u>	<u>1,344,598</u>	<u>6,246,940</u>
<b>EXPENDITURES</b>							
Current:							
General Government	424,747	-	-	-	-	-	424,747
Public Safety	803,826	-	-	-	-	-	803,826
Capital Outlay	213,707	-	-	-	-	-	213,707
Public Works	1,155,218	-	-	-	-	-	1,155,218
Capital Outlay	865,950	-	-	2,594,757	-	-	3,460,707
Culture and Recreation	424,478	-	-	-	-	-	424,478
Capital Outlay	6,534	-	-	-	-	-	6,534
Economic Development	-	613,085	-	-	-	18,426	631,511
Capital Outlay	-	1,015,999	-	-	-	91,105	1,107,104
Storm Water	28,431	-	-	-	-	-	28,431
Airport	-	-	95,482	-	-	-	95,482
Capital Outlay	-	-	68,808	-	-	-	68,808
Miscellaneous	113,629	-	-	-	557	73,296	187,482
Debt Services:							
Principal	13,524	-	-	-	160,160	972,899	1,146,583
Bond Issuance Costs	27,374	-	-	36,100	500	16,798	80,772
Interest and Other Charges	-	-	-	-	64,719	251,859	316,578
Total Expenditures	<u>4,077,418</u>	<u>1,629,084</u>	<u>164,290</u>	<u>2,630,857</u>	<u>225,936</u>	<u>1,424,383</u>	<u>10,151,968</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(656,900)	(864,496)	349,973	(2,606,779)	(47,041)	(79,785)	(3,905,028)
<b>OTHER FINANCING SOURCES (USES)</b>							
Sale of Assets	886	-	-	-	-	2,796	3,682
Bond Premium	-	-	-	19,383	-	-	19,383
Proceeds from Bond Issuance	1,000,000	-	-	2,976,326	-	108,674	4,085,000
Transfers In	120,000	200,000	-	-	80,000	350,103	750,103
Transfers Out	(379,000)	(71,103)	-	-	-	-	(450,103)
Total Other Financing Sources (Uses)	<u>741,886</u>	<u>128,897</u>	<u>-</u>	<u>2,995,709</u>	<u>80,000</u>	<u>461,573</u>	<u>4,408,065</u>
<b>NET CHANGE IN FUND BALANCES</b>	84,986	(735,599)	349,973	388,930	32,959	381,788	503,037
Fund Balances	<u>2,760,865</u>	<u>1,196,282</u>	<u>(551,150)</u>	<u>491,059</u>	<u>171,226</u>	<u>2,936,246</u>	<u>7,004,528</u>
<b>FUNDS BALANCES – END OF YEAR</b>	<u>\$ 2,845,851</u>	<u>\$ 460,683</u>	<u>\$ (201,177)</u>	<u>\$ 879,989</u>	<u>\$ 204,185</u>	<u>\$ 3,318,034</u>	<u>\$ 7,507,565</u>

See accompanying Notes to Financial Statements.

**CITY OF BLUE EARTH, MINNESOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

<b>Total Net Changes in Fund Balances – Governmental Funds</b>	<b>\$ 503,037</b>
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 statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	6,100,309
Depreciation Expense	(1,358,913)
In governmental funds, issuance of new debt is reported as a source of financing in the amount of proceeds received. However, in the statement of activities, a new debt issuance is not revenue, rather it constitutes a long-term liability in the statement of net position.	
Proceeds from Bond Issuance	(4,085,000)
Bond Premium	(19,383)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.	
	14,891
Because some revenues will not be collected for several months after the City's fiscal year-end, they are not considered "available" revenues and are deferred in the governmental funds.	
	(556,512)
The governmental funds report repayment of long-term debt principal as expenditures. In the statement of net position, however, repayment of principal reduces the liability.	
	1,141,524
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
	(11,168)
In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	
	79,177
Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due.	
	<u>(54,365)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 1,753,597</u></u></b>

See accompanying Notes to Financial Statements.

**CITY OF BLUE EARTH, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2018**

	Sewer	Liquor	Fitness Center	Total
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 42,818	\$ 350,775	\$ 452,091	\$ 845,684
Receivables:				
Special Assessments	97,254	-	-	97,254
Accounts	193,465	526	-	193,991
Prepaid Items	4,896	2,591	1,054	8,541
Inventory	-	257,787	-	257,787
Total Current Assets	<u>338,433</u>	<u>611,679</u>	<u>453,145</u>	<u>1,403,257</u>
Noncurrent Assets:				
Capital Assets Not Being Depreciated:				
Land	119,035	100,000	-	219,035
Construction in Progress	7,155,764	-	-	7,155,764
Capital Assets, Net of Accumulated Depreciation:				
Buildings and Infrastructure	3,847,335	364,920	623,145	4,835,400
Equipment	3,890,868	9,348	(19,693)	3,880,523
Total Noncurrent Assets	<u>15,013,002</u>	<u>474,268</u>	<u>603,452</u>	<u>16,090,722</u>
Total Assets	15,351,435	1,085,947	1,056,597	17,493,979
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Plans	27,534	24,592	6,084	58,210
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	191,784	102,348	5,330	299,462
Accrued Salaries and Wages	20,667	17,765	6,152	44,584
Bonds Payable – Current	845,000	-	25,000	870,000
Interest Payable	46,921	-	4,296	51,217
Total Current Liabilities	<u>1,104,372</u>	<u>120,113</u>	<u>40,778</u>	<u>1,265,263</u>
<b>NONCURRENT LIABILITIES</b>				
Net Pension Liability	145,020	129,522	32,046	306,588
Bonds Payable	8,619,528	-	359,522	8,979,050
Total Noncurrent Liabilities	<u>8,764,548</u>	<u>129,522</u>	<u>391,568</u>	<u>9,285,638</u>
Total Liabilities	9,868,920	249,635	432,346	10,550,901
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Plans	36,926	32,980	8,160	78,066
<b>NET POSITION</b>				
Net Investment in Capital Assets	5,548,474	474,268	209,408	6,232,150
Unrestricted	(75,351)	353,656	412,767	691,072
Total Net Position	<u>\$ 5,473,123</u>	<u>\$ 827,924</u>	<u>\$ 622,175</u>	<u>\$ 6,923,222</u>

See accompanying Notes to Financial Statements.

**CITY OF BLUE EARTH, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	Sewer	Liquor	Fitness Center	Total
<b>OPERATING REVENUES</b>				
Service and Fees	\$ 1,187,281	\$ -	\$ 217,771	\$ 1,405,052
Sales	-	1,615,342	-	1,615,342
<b>Total Operating Revenues</b>	<u>1,187,281</u>	<u>1,615,342</u>	<u>217,771</u>	<u>3,020,394</u>
<b>OPERATING EXPENSES</b>				
Salaries and Benefits	216,070	235,357	67,684	519,111
Costs of Goods Sold	-	1,202,452	-	1,202,452
Supplies	37,922	3,807	8,518	50,247
Utilities	119,467	19,278	19,657	158,402
Other Services and Charges	41,645	5,904	4,141	51,690
Repairs and Maintenance	26,328	5,565	4,015	35,908
Depreciation	302,958	20,648	37,239	360,845
Miscellaneous	35,646	45,184	10,408	91,238
<b>Total Operating Expenses</b>	<u>780,036</u>	<u>1,538,195</u>	<u>151,662</u>	<u>2,469,893</u>
<b>OPERATING INCOME</b>	407,245	77,147	66,109	550,501
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Refunds and Reimbursements	(2,335)	-	-	(2,335)
Interest and Investment Revenue	7,285	12,758	8,699	28,742
Amortization Expense	-	-	866	866
Interest Expense	(104,815)	-	(10,444)	(115,259)
Miscellaneous Revenue	2,943	-	-	2,943
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(96,922)</u>	<u>12,758</u>	<u>(879)</u>	<u>(85,043)</u>
<b>INCOME BEFORE TRANSFERS</b>	310,323	89,905	65,230	465,458
<b>TRANSFERS</b>				
Transfers In	50,000	-	-	50,000
Transfers Out	(30,000)	(320,000)	-	(350,000)
<b>Net Transfers</b>	<u>20,000</u>	<u>(320,000)</u>	<u>-</u>	<u>(300,000)</u>
<b>CHANGE IN NET POSITION</b>	330,323	(230,095)	65,230	165,458
Net Position – Beginning of Year	5,142,800	1,058,019	556,945	6,757,764
<b>NET POSITION – END OF YEAR</b>	<u>\$ 5,473,123</u>	<u>\$ 827,924</u>	<u>\$ 622,175</u>	<u>\$ 6,923,222</u>

See accompanying Notes to Financial Statements.

**CITY OF BLUE EARTH, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2018**

	Sewer	Liquor	Fitness Center	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 1,173,922	\$ 1,616,092	\$ 217,771	\$ 3,007,785
Payments to Employees	(763,281)	(237,497)	(51,088)	(1,051,866)
Payments to Suppliers	(243,822)	(1,308,976)	(65,294)	(1,618,092)
Net Cash Provided by Operating Activities	166,819	69,619	101,389	337,827
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Miscellaneous Receipts	5,316	-	-	5,316
Transfers (In) Out	(413,506)	(320,000)	-	(733,506)
Net Cash Provided (Used) by Noncapital Financing Activities	(408,190)	(320,000)	-	(728,190)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Issuance of long-term debt	6,561,738	-	-	6,561,738
Payments on Long-Term Debt	(653,210)	-	(25,000)	(678,210)
Purchase of Capital Assets	(5,551,416)	(2,339)	(19,874)	(5,573,629)
Interest Paid on Debt	(77,873)	-	(10,650)	(88,523)
Refunds and Reimbursements	(2,335)	-	-	(2,335)
Net Cash Provided (Used) by Capital and Related Financing Activities	276,904	(2,339)	(55,524)	219,041
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Earnings on Investments and Cash	7,285	12,758	8,699	28,742
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	42,818	(239,962)	54,564	(142,580)
Cash and Cash Equivalents – Beginning of Year	-	590,737	397,527	988,264
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 42,818</u>	<u>\$ 350,775</u>	<u>\$ 452,091</u>	<u>\$ 845,684</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income	\$ 407,245	\$ 77,147	\$ 66,109	\$ 550,501
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	302,958	20,648	37,239	360,845
Deferred Outflows – Pension	20,360	12,158	2,237	34,755
Net Pension Liabilities	(39,913)	(12,381)	(85)	(52,379)
Deferred Inflows – Pension	(11,211)	(3,957)	(203)	(15,371)
Changes in Assets and Liabilities:				
Accounts Receivable	(13,359)	750	-	(12,609)
Inventory	-	8,504	-	8,504
Prepaid Items	78	41	1	120
Accounts Payable	(502,351)	(35,331)	(4,350)	(542,032)
Accrued Expense	3,012	2,040	441	5,493
Net Cash Provided (Used) by Operating Activities	<u>\$ 166,819</u>	<u>\$ 69,619</u>	<u>\$ 101,389</u>	<u>\$ 337,827</u>

See accompanying Notes to Financial Statements.

CITY OF BLUE EARTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

CITY OF BLUE EARTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Blue Earth (the City) is a municipal corporation governed by a mayor and a six-member council elected by eligible voters of the City. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant City accounting policies are described below.

**Financial Reporting Entity**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Blue Earth and its component unit. A component unit is a legally separate entity for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component include whether or not the primary government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

**Component Unit**

In conformity with generally accepted accounting principles, the financial statements also include the City's component unit, the Blue Earth Board of Public Works which is also a calendar year-end. The Board of Public Works financial statements are included in the City's reporting entity discretely because of the significance of its operational relationship with the City. Separate financial statements are issued for the Blue Earth Board of Public Works and the complete audited financial statements may be obtained by contacting the City of Blue Earth.

**Government-Wide and Fund Financial Statements**

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Government-Wide and Fund Financial Statements (Continued)**

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. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government reports the following major governmental funds:

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

The *Economic Development Authority (EDA)* special revenue fund which accounts for activity of the City's EDA.

The *Airport* special revenue fund which accounts for activity of the City's Airport.

The *Capital Projects Fund* accounts for the resources used in the construction of street improvement projects.

The *General Obligation 2014A* debt service fund provides for the debt service of the 2014A G.O. Improvement Bonds.

The government reports the following major proprietary funds:

The *Sewer Fund* accounts for the activities of the government's sewage treatment plant, sewage pumping stations, and collection systems.

The *Liquor Fund* accounts for the activities of the government's off sale liquor operations.

The *Fitness Center Fund* accounts for the activities of the government's fitness center facility.

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

All proprietary funds are accounting for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. 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 enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues refunds and reimbursements and penalties. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance**

**Cash and Investments**

Cash balances of the City's funds are combined and invested to the extent available in various deposits and investments authorized by Minnesota State Statutes. Each fund shares in the investment earnings according to its average cash and investments balance. Cash includes amounts in demand deposits, as well as short-term investments with an original maturity date within three months of the date acquired by the City. For the purposes of the statement of cash flows, cash for each fund includes demand deposit account balances, certificates of deposit, and restricted assets.

**Restricted Cash and Investments**

Certain resources in the EDA Fund have been set aside as a restriction as well as customer deposits.

**Receivables and Payables**

Under the modified accrual basis of accounting, some revenues are susceptible to accrual while others are not. Major revenues treated as susceptible to accrual are: property taxes, special assessments, and state and federal aids. All receivables are reported at their gross value and, if appropriate, reduced by the estimated portion that is expected to be uncollectible. The City has determined that no portion of receivables is expected to be uncollectible.

Interest and certain receivables are recorded as revenue in the year that the interest is earned and is available to pay liabilities of the current period.

*Property Taxes.* On or before September 30th of each year, the City Council certifies to the county auditor the dates that it has selected for its public hearing and for the continuation of its hearing, if necessary. If not certified by this date, the county auditor will assign the hearing date. All cities must hold public hearings on their proposed property tax levies.

Beginning on November 29th and through December 20th of each year, the City is required by state law to hold its public hearing on its proposed budgets and proposed property tax levies for the taxes payable in the following year. On or before five business days after December 20th, the City Council certifies its final adopted property taxes payable the following year to the county auditor. If the City has not certified its final property tax by this time, its property tax shall be the amount levied by it in the preceding year.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

Receivables and Payables (Continued)

In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Agricultural land taxes may be paid on November 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities three times a year, in January, June, and November.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables are classified as interfund receivables and payables on the governmental fund balance sheets.

Inventories and Prepaid Items

All inventories are valued using the average cost method. Inventories of the funds are recorded as expenditures when consumed rather than when purchased.

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.

Land Held for Resale

Land held for resale in the governmental funds consists of industrial and commercial lots accounted for in the Economic Development Authority fund.

All land held for resale is valued at the lower of cost or net realizable value.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year an initial, individual cost of more than \$30,000 for buildings; \$25,000 for building improvements; \$100,000 for infrastructure; \$5,000 for machinery, equipment and vehicles; \$10,000 for land/land improvements (\$1,000 and an estimated life in excess of five years for Blue Earth Board of Public Works). 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.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

Capital Assets (Continued)

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

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

<u>Primary Government:</u>	
Buildings	7 – 40 Years
Streets, Bridges, and Improvements	20 – 50 Years
Land Improvements	5 – 30 Years
Collection and Distribution	25 – 50 Years
Vehicles	3 – 50 Years
Machinery and Equipment	5 – 40 Years
Land	Not Depreciated
 <u>Component Unit:</u>	
Buildings and Structures	20 – 50 Years
Generation	20 – 33 Years
Transmission System	20 – 33 Years
Distribution System	20 – 33 Years
General Equipment	5 – 20 Years
Vehicles	7 – 20 Years
Land	Not Depreciated

Deferred Outflows of Resources

The Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The City will not recognize the related outflow until a future event occurs. More detailed information about pension related deferred outflows of resources can be found in Note 5 to the financial statements.

Deferred Inflows of Resources

The City's governmental fund and government-wide financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs. The first type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting. The city does not have deferred inflows of resources to report in its proprietary fund financial statements in the current year. The second type of deferred inflow of resources relates to pension activity as described in Note 5.



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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

Vacation, Sick Leave, and Compensated Absences

Vacation and sick leave is accrued as a liability and recorded as an expense of those funds as the benefits are earned by the employees. Employees are allowed to accrue vacation leave up to a maximum of one and a half times their annual accrual rate. Upon termination of employment, an employee shall receive payment on their earned, but unused, vacation at their current regular rate of pay.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond issue costs are expensed in the year of issuance.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issue costs are recognized during the current period. The face amount of the debt issue is reported as another financing source. Premiums and discounts received on debt issuances are reported as other financing sources and uses, respectively. Bond issuance costs are reported as debt service expenditures.

Pensions

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

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses made on behalf of another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

All interfund transactions are eliminated except for activity between governmental activities and business-type activities for presentation in the government-wide statements of net position and statements of activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

Net Position

In the government-wide financial statements and in the proprietary fund level statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because the City reports all capital assets which make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the City. Unrestricted net position is the remaining net position not included in the previous two categories.

Fund Balance

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable and spendable fund balances. Spendable fund balances include restricted, committed, assigned and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories and prepaid expenditures, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The committed fund balances are self-imposed limitations approved by the City Council, which is the highest level of decision-making authority within the City. Only the City Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has authorized the City Administrator and the Assistant City Administrator to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned. The City's policy is to maintain an unrestricted fund balance in the General Fund an amount not less than 35% or more than 60% of the next year's budgeted expenditures of the General Fund.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

**Fund Balance (Continued)**

The City approved 35% of expected expenditures as a minimum unassigned general fund balance. If resources from more than one fund balance classification could be spent, the City will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the City's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the City's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at year-end. The actual revenues, expenditures, and transfers for the year ended December 31, 2018, have been compared to the City's budget for the year where applicable. Variances which are in parentheses indicate revenues are less than budgeted or expenditures are greater than budgeted. The budget is adopted through passage of a resolution. Administration can authorize transfer of budgeted amounts within any fund per state statutes. Any revisions that alter total expenditures of any fund must be approved by the City Council.

On or before the last Tuesday in August of each year, all departments of the City submit requests for appropriation to the City Administrator so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The City council reviews the budget at both of their regular meetings in September and makes changes as they see fit. All changes are approved by an affirmative vote of a majority of the City council.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**Budgetary Information (Continued)**

Budgetary control is maintained at the object of expenditure category level within each activity, and in compliance with State requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (a) adequate funds were appropriated; (b) the expenditure is still necessary; and (c) funds are available. Budgeted amounts are as originally adopted or as amended by the City Council. Budgeted expenditure appropriations lapse at year-end.

**Expenditures Over Budget**

For the year ended December 31, 2018, expenditures exceeded budget in the following funds:

Fund	Amount	Funding Source to Cover Excess Expenditures
General Fund	\$ 937,226	Proceeds from G.O. Improvement bonds of 2018, Series A were used to cover these expenditures which had not been budgeted for because intent was to offset against loan proceeds.
Special Revenue Funds:		
EDA	1,308,530	Greater than Anticipated Revenues and Available Fund Balance covered these expenditures that were not budgeted for in current year
Airport	83,090	Federal Airport Improvement Grant covered these expenditures that were more than budgeted.

**Deficit Fund Equity**

The following governmental funds had deficit fund equity at December 31, 2018:

Special Revenue Fund:	
Airport	\$ (201,177)
Debt Service Fund:	
TIF 8-1	(6,407)
Total	<u>\$ (207,584)</u>

Deficit fund equity will be eliminated with future revenues or transfers from other funds.

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**NOTE 3 DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**Cash and Investments**

**Cash**

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local governments rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral to be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2018, none of the City's bank balances were exposed to custodial credit risk.

**Investments**

As of December 31, 2018, the City had the following investments:

Investment Type	Level 1	Level 2	Level 3	Total
Federal Home Loan Bank	\$ -	\$ 168,285	\$ -	\$ 168,285
Total Fair Value	<u>\$ -</u>	<u>\$ 168,285</u>	<u>\$ -</u>	<u>\$ 168,285</u>

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

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

**NOTE 3 DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**Cash and Investments (Continued)**

**Investments (Continued)**

*Credit Risk.* The City may invest funds as authorized by Minnesota Statutes Section 118A.04. All funds are invested in accordance with Minnesota Statute. The City has no investment policy that would further limit its investment choices. As of December 31, 2018, the City's Federal Home Loan Bank investments were rated AAA and the City's municipal bond investments were rated AA1 and AAA by Moody's.

*Concentration of Credit Risk.* The City places no limit on the amount the City may invest in any one issuer. More than 5% of the City's investments are in Federal Home Loan Bank (54%), and in municipal bonds issued by Linn County Iowa (24%) and Lakeville, Minnesota G.O Bonds (18%).

Custodial Credit Risk—Investments. For an investment, this is the risk that, in the event of a failure of the counter party, the City will not be able to recover its investment. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have an investment policy for custodial credit risk. As of December 31, 2018, none of the City's investments were exposed to custodial credit risk.

The deposits and investments are presented in the financial statements as follows:

Cash	\$ 7,353,379
Investments	168,285
Certificates of Deposits	1,000,872
Total Cash and Investments	<u>\$ 8,522,536</u>
Cash and Investments	\$ 8,520,993
Restricted Cash and Investments	1,543
Total Cash and Investments	<u>\$ 8,522,536</u>

**Receivables**

The City's Housing Loan fund had notes receivable of \$362,199 at year-end. A balance of \$80,686 represents Housing and Urban Development (HUD) loans due in monthly installments with a rate of interest at 3.25%. All loans are secured by City liens. The remaining balances of \$281,513 represents deferred HUD loans with no interest charged with payments due when the owner sells, transfers, or otherwise conveys the real estate. If the owner does not sell, transfer, or convey the property within 10 or 15 years, depending upon the individual loan agreements the owner shall not have to repay any portion of the grant. Any potential repayment on the loans shall be made on a prorated basis. These loans are secured by liens on the property.

The City's EDA fund had notes receivable of \$199,298 at year-end. Of this amount, \$162,757 represents loans due from businesses in monthly installments with rates of interest ranging from 4.0% to 5.5%. The remaining \$36,541 is for forgivable deferred loans with no interest charged. If the properties are not sold or transferred within the time period of the agreement, the balances will be forgiven. These loans are secured by property.

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**NOTE 3 DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**Capital Assets**

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

General Government	\$ 3,674
Public Safety	137,697
Public Works	788,757
Airport	261,101
Culture and Recreation	114,577
Housing and Economic Development	53,107
Total Depreciation Expense	<u>\$ 1,358,913</u>

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 695,577	\$ 29,143	\$ -	\$ 724,720
Construction in Progress	798,683	4,515,720	1,483,227	3,831,176
Total Capital Assets, Not Being Depreciated	1,494,260	4,544,863	1,483,227	4,555,896
Capital Assets Being Depreciated:				
Buildings	7,886,958	1,604,900	-	9,491,858
Road Network	33,593,281	1,186,192	-	34,779,473
Equipment	2,160,558	218,852	-	2,379,410
Vehicles	1,820,385	28,729	7,250	1,841,864
Total Capital Assets Being Depreciated	45,461,182	3,038,673	7,250	48,492,605
Less: Accumulated Depreciation for:				
Buildings	2,870,438	218,586	-	3,089,024
Road Network	11,915,485	940,302	-	12,855,787
Equipment	1,134,886	98,100	-	1,232,986
Vehicles	920,797	101,925	7,250	1,015,472
Total Accumulated Depreciation	16,841,606	1,358,913	7,250	18,193,269
Total Capital Assets Being Depreciated, Net	28,619,576	1,679,760	-	30,299,336
Governmental Activities Capital Assets, Net	<u>\$ 30,113,836</u>	<u>\$ 6,224,623</u>	<u>\$ 1,483,227</u>	<u>\$ 34,855,232</u>

Depreciation expense was charged to business-type activities as follows:

Sewer	\$ 302,958
Fitness Center	37,239
Liquor	20,648
Total Depreciation Expense	<u>\$ 360,845</u>

**NOTE 3 DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**Capital Assets (Continued)**

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 219,035	\$ -	\$ -	\$ 219,035
Construction in Progress	1,627,935	5,527,829	-	7,155,764
Total Capital Assets, Not Being Depreciated	1,846,970	5,527,829	-	7,374,799
Capital Assets Being Depreciated:				
Buildings and Infrastructure	10,149,607	-	-	10,149,607
Equipment	5,786,792	45,800	-	5,832,592
Total Capital Assets Being Depreciated	15,936,399	45,800	-	15,982,199
Less: Accumulated Depreciation for:				
Buildings and Infrastructure	5,522,551	199,518	-	5,722,069
Equipment	1,382,880	161,327	-	1,544,207
Total Accumulated Depreciation	6,905,431	360,845	-	7,266,276
Total Capital Assets Being Depreciated, Net	9,030,968	(315,045)	-	8,715,923
Governmental Activities Capital Assets, Net	<u>\$ 10,877,938</u>	<u>\$ 5,212,784</u>	<u>\$ -</u>	<u>\$ 16,090,722</u>
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Component Unit</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 240,526	\$ -	\$ 100,000	\$ 140,526
Capital Assets Being Depreciated:				
Production Equipment	5,594,605	71,821	-	5,666,426
Transmission Equipment	2,538,225	33,321	-	2,571,546
Distribution Equipment	20,733,128	915,881	2,815,612	18,833,397
General Equipment	1,981,577	2,583,560	-	4,565,137
Total Capital Assets Being Depreciated	30,847,535	3,604,583	2,815,612	31,636,506
Less: Accumulated Depreciation for:				
Production Equipment	3,021,654	199,170	-	3,220,824
Transmission Equipment	2,111,440	27,036	-	2,138,476
Distribution Equipment	8,751,733	511,954	1,835,218	7,428,469
General Equipment	769,053	1,650,544	-	2,419,597
Total Accumulated Depreciation	14,653,880	2,388,704	1,835,218	15,207,366
Total Capital Assets Being Depreciated, Net	16,193,655	1,215,879	980,394	16,429,140
Governmental Activities Capital Assets, Net	<u>\$ 16,434,181</u>	<u>\$ 1,215,879</u>	<u>\$ 1,080,394</u>	<u>\$ 16,569,666</u>

**CITY OF BLUE EARTH, MINNESOTA  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**Long-Term Debt**

*General Obligation Bonds:* The City issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds and notes payable currently outstanding are as follows:

<u>General Obligation Notes and Bond Issue and Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
G.O. Improvement Bonds of 2016, Series A of \$2,102,025, due in annual installments of \$118,015 to \$159,490 through February 1, 2032. This is the City's share of the bonds with the component unit.	2.0% to 2.2%	\$ 1,984,010
G.O. Bonds of 2009, Series A of \$1,630,000 due in annual installments of \$115,000 to \$155,000 through February 1, 2022.	1.3% to 3.8%	505,000
G.O. Bonds of 2010, Series A of \$2,140,000 due in annual installment of \$80,140 to \$109,685 through February 1, 2026. This is the City's share of the bonds with the component unit.	0.7% to 3.5%	780,725
G.O. Refinancing Bonds of 2011, Series A of \$1,440,000 due in annual installments of \$34,558 to \$74,557 through April 1, 2020. This is the City's share of the bonds with the component unit.	3.0% to 4.8%	72,955
G.O. Improvement Bonds of 2012, Series A of \$2,395,000, due in annual installments of \$118,380 to \$160,659 through February 1, 2028. This is the City's share of the bonds with the component unit.	2.0% to 2.7%	1,872,880
G.O. Refinancing Bonds of 2012, Series A, of \$1,560,000, due in annual installments of \$50,000 to \$190,000 through February 1, 2028.	2.0% to 2.7%	1,130,000
G.O. Refunding Bonds of 2013, Series A, of \$990,000, due in annual installments of \$65,000 to \$85,000 through February 1, 2027.	0.6% to 2.5%	660,000
G.O. Improvement Bonds of 2013, Series B, of \$1,800,000 due in annual installments of \$55,250 to \$110,500 through February 1, 2029.	2.3% to 3.8%	1,041,250
G.O. Equipment Certificate Bonds of 2013, Series B, of \$235,000, due in annual installments of \$45,000 to \$50,000 through February 1, 2019.	3.0%	50,000

**CITY OF BLUE EARTH, MINNESOTA  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**Long-Term Debt (Continued)**

<u>General Obligation (Continued) Notes and Bond Issue and Purpose (Continued)</u>	<u>Interest Rates</u>	<u>Amounts</u>
G.O. Improvement Bonds of 2014, Series A, of \$3,765,000, due in annual installments of \$152,880 to \$222,040 through February 1, 2030. This is the City's share of the bonds with the component unit.	2.0% to 3.0%	\$ 2,271,360
G.O. Improvement Bonds of 2015, Series A, of \$3,204,500 due in annual installments of \$140,250 to \$263,000 through February 1, 2031. This is the City's share of the bonds with the component unit.	3.0%	2,885,676
G.O. Tax Abatement Bonds of 2014, Series A, of \$450,000, due in annual installments of \$25,000 to \$35,000 through February 1, 2030.	2.0% to 3.0%	375,000
Note Payable with the Minnesota Public Facilities Authority of \$760,000, due in annual installments of \$39,000 to \$45,000 through August 20, 2026.	1.4%	346,000
Note Payable with the Minnesota Public Facilities Authority of \$741,656, due in annual installments of \$31,000 to \$44,000 through August 20, 2029.	2.6%	426,000
Note Payable with the Minnesota Public Facilities Authority of \$1,987,000, due in annual installments of \$111,000 to \$129,000 through August 20, 2025.	1.5%	863,000
Note Payable with the Minnesota Public Facilities Authority of \$590,000, due in annual installments of \$36,000 to \$42,000 through August 20, 2026.	2.6%	318,000
Notes Payable with the Minnesota Public Facilities Authority of \$394,873, due in annual installments of \$11,120 to \$30,000 through August 20, 2028.	1.2%	272,000
Note Payable with the Minnesota Public Facilities Authority of \$3,290,170, due in annual installments of \$182,000, \$194,000 through August 20, 2020.	1.3%	385,000
USDA Promissory Note of \$180,000, due in annual installments of \$2,544 to \$13,100 through February 26, 2029.	4.0%	111,021
G.O. Improvement Bonds of 2018, Series A, of \$4,085,000 due in annual installments of \$60,000 to \$305,000 through February 1, 2039.	3.0% to 3.50%	4,085,000
Note Payable with Minnesota Public Facilities Authority of \$6,561,738, due in annual installments of \$352,000 to \$442,000 through August 20, 2037.	1.2% to 2.6%	6,389,528
<b>Total General Obligations Bond and Notes Payable</b>		<b><u>\$ 26,824,405</u></b>

**CITY OF BLUE EARTH, MINNESOTA  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**Long-Term Debt (Continued)**

Discretely Presented Component Unit General Obligation Notes and Bond Issue and Purpose	<u>Interest Rates</u>	<u>Amounts</u>
<u>Electric Fund</u>		
\$479,966 Master Tax Exempt Lease of 2015, due in monthly installments of \$8,421. The purpose of this issue was to improve the Electric infrastructure.	2.04%	\$ 140,218
\$280,363 Master Tax Exempt Lease of 2016, due in monthly installments of \$4,931. The purpose of this issue was to improve the Electric infrastructure.	2.12%	135,369
\$316,096 Master Tax Exempt Lease of 2017, due in monthly installments of \$5,574. The purpose of this issue was to improve the Electric infrastructure.	2.24%	<u>240,630</u>
Total Electric Fund		516,217
<u>Water Fund</u>		
\$47,233 Master Tax Exempt Lease of 2017, due in monthly installments of \$633. The purpose of this issue was to improve the water infrastructure.	2.24%	35,956
\$170,394 Master Tax Exempt Lease of 2015, due in monthly installments of \$2,990. The purpose of this issue was to improve the water infrastructure.	2.04%	50,828
G.O. Bonds of 2010, Series A of \$2,140,000 due in annual installment of \$80,140 to \$109,685 through February 1, 2026. This is the component unit's share of the bonds with the City.	0.7% to 3.5%	359,275
G.O. Improvement Bonds of 2014, Series A, of \$3,765,000, due in annual installments of \$57,120 to \$82,960 through February 1, 2030. This is the component unit's share of the bonds with the City.	2.0% to 3.0%	848,640
G.O. Refinancing Bonds of 2011, Series of \$370,000 due in annual installments of \$6,962 to \$11,603 through April 1, 2020. This is the component unit's share of the bonds with the City.	3.0% to 4.8%	22,045
G.O. Revenue Note of 2007, Series A of \$324,500 due in annual installments of \$6,500 to \$21,000 through August 20, 2026. The purpose of this issue was for the south watermain improvement project.	2.57%	142,000
G.O. Revenue Note of 2007, \$1,174,600 due in annual installments of \$29,600 to \$77,000 through August 20, 2026. The purpose of this issue was to construct a new water tower.	2.40%	569,000

**NOTE 3 DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**Long-Term Debt (Continued)**

Discretely Presented Component Unit General Obligation (Continued) Notes and Bond Issue and Purpose (Continued)	<u>Interest Rates</u>	<u>Amounts</u>
G.O. Revenue Note of 2012, Series A of \$2,395,000 due in annual installments of \$21,620 to \$29,340 through February 1, 2028. The purpose of this issue was to fund 10th Street and Galbraith Street improvements.	2.65%	\$ 257,120
G.O. Refinancing Bonds of 2012, Series A, of \$1,560,000, due in annual installments of \$9,750 to \$19,500 through February 1, 2028.	2.0% to 2.7%	183,750
G.O. Improvement Bonds of 2015, Series A, of \$3,770,000 due in annual installments of \$24,718 to \$46,441 through February 1, 2031. This is the component unit's share of the bonds with the City.	3.0%	508,598
\$63,783 Master Tax Exempt Lease of 2016, due in monthly installments of \$1,119. The purpose of this issue was to improve the water infrastructure.	2.12%	29,772
G.O. Improvement Bonds of 2016, Series A, of \$1,475,000 due in annual installments of \$11,985 to \$15,510 through February 1, 2032. This is the component unit's share of the bonds with the City.	2.0% to 2.2%	195,990
G.O. Improvement Bonds of 2018, Series A, of \$3,085,000 due in annual installments of \$39,196 to \$59,074 through February 1, 2039. This is the component unit's share of the bonds with the City.	3.0%	725,672
G.O. Revenue Note of 2016, of \$404,000 due in annual installments of \$20,000 to \$43,000 through February 1, 2027. The purpose of this issue was to improve the water infrastructure.	2.5%	350,000
Total Water Fund		<u>4,278,646</u>
Total Discretely Presented Component Unit General Obligation Bonds and Lease Payable		<u>\$ 4,794,863</u>

**CITY OF BLUE EARTH, MINNESOTA  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**Long-Term Debt (Continued)**

Annual debt service requirements to maturity for general obligation and revenue bonds and notes payable are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities		Discretely Presented Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,171,210	\$ 457,577	\$ 870,000	\$ 178,781	\$ 624,071	\$ 122,044
2020	1,339,106	422,182	887,000	144,720	595,356	106,706
2021	1,342,299	388,599	700,000	132,082	443,848	94,409
2022	1,383,599	352,828	710,000	121,690	411,225	83,361
2023	1,270,417	317,137	720,000	110,982	362,574	73,515
2024-2028	6,519,857	1,039,292	3,181,000	393,730	1,650,132	215,728
2029-2033	3,344,150	294,188	2,165,000	193,029	648,584	45,421
2034-2038	549,239	42,319	606,528	55,679	59,075	959
2039	65,000	1,138	-	-	-	-
Total	<u>\$ 16,984,877</u>	<u>\$ 3,315,260</u>	<u>\$ 9,839,528</u>	<u>\$ 1,330,693</u>	<u>\$ 4,794,865</u>	<u>\$ 742,143</u>

*Changes in Long-Term Liabilities.* During the year ended December 31, 2018, the following changes occurred in long-term liabilities:

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable:					
General Obligation Bonds	\$ 13,921,915	\$ 4,085,000	\$ 1,133,059	\$ 16,873,856	\$ 1,162,367
Bond Premium	182,012	19,383	14,891	186,504	-
Total Bonds Payable	14,103,927	4,104,383	1,147,950	17,060,360	1,162,367
Note Payable	119,486	-	8,465	111,021	8,843
Compensated Absences	49,920	65,264	54,096	61,088	61,088
Governmental Activities					
Long-Term Liabilities	<u>\$ 14,273,333</u>	<u>\$ 4,169,647</u>	<u>\$ 1,210,511</u>	<u>\$ 17,232,469</u>	<u>\$ 1,232,298</u>
<b>Business-Type Activities</b>					
Bonds Payable:					
G.O. Revenue Bonds	\$ 3,956,000	\$ 6,561,738	\$ 678,210	\$ 9,839,528	\$ 870,000
Bond Premium	10,388	-	866	9,522	-
Total Bonds Payable	3,966,388	6,561,738	679,076	9,849,050	870,000
Compensated Absences	23,440	22,074	18,888	26,626	26,626
Business-Type Activities					
Long-Term Liabilities	<u>\$ 3,989,828</u>	<u>\$ 6,583,812</u>	<u>\$ 697,964</u>	<u>\$ 9,875,676</u>	<u>\$ 896,626</u>
<b>Discretely Presented</b>					
Component Unit:					
G.O. Revenue Bonds	\$ 4,648,403	\$ 892,416	\$ 745,954	\$ 4,794,865	\$ 624,071
Compensated Absences	99,511	5,040	-	104,551	104,551
Discretely Presented					
Component Unit:					
Long-Term Liabilities	<u>\$ 4,747,914</u>	<u>\$ 897,456</u>	<u>\$ 745,954</u>	<u>\$ 4,899,416</u>	<u>\$ 728,622</u>

**CITY OF BLUE EARTH, MINNESOTA  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**Inter-Fund Balances and Transfers**

Inter-fund transfers and balances for the year ended December 31, 2018 consisted of the following:

	Transferred from		Transferred to			Total
	General Fund	General Obligation 2014A	Economic Development Authority	Other Governmental Funds	Enterprise Fund Sewer	
General Fund	\$ -	\$ 70,000	\$ -	\$ 259,000	\$ 50,000	\$ 379,000
Economic Development Authority	-	-	-	71,103	-	71,103
Enterprise Fund - Liquor	120,000	-	200,000	-	-	320,000
Enterprise Fund - Sewer	-	10,000	-	20,000	-	30,000
Total	<u>\$ 120,000</u>	<u>\$ 80,000</u>	<u>\$ 200,000</u>	<u>\$ 350,103</u>	<u>\$ 50,000</u>	<u>\$ 800,103</u>
	Due from		Due to			
			General			
			Fund			
Airport Fund			\$ 221,612			
Total			<u>\$ 221,612</u>			

Purpose for Interfund Transfers and Balances:

- The general fund transferred funds to the 2014A, sewer fund, and the other governmental funds to aid in the payment of bonds and notes.
- The liquor fund transferred funds to the general fund to reflect the budget transfer and to EDA for Green Giant Museum.
- The Airport fund has a due to the general fund as it is awaiting future financing for on-going projects.
- The sewer fund transferred funds to the 2014A and the other governmental funds to aid in the payment of bonds and notes.

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**NOTE 3 DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)**

**Fund Balances and Restricted for Other Purposes Net Position**

Fund Balances as of December 31, 2018:

	General Fund	Economic Development Authority	Airport Fund	Street Improvement Project	General Obligation 2014A	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>							
Land Held for Resale	\$ -	\$ 185,420	\$ -	\$ -	\$ -	\$ 114,501	\$ 299,921
Prepaid Items	26,214	1,003	10,663	-	-	-	37,880
Total Nonspendable	26,214	186,423	10,663	-	-	114,501	337,801
<b>Restricted:</b>							
Debt Service	-	-	-	-	204,185	2,708,039	2,912,224
Economic Development	-	274,260	-	-	-	501,901	776,161
Capital Projects	-	-	-	879,989	-	-	879,989
Total Restricted	-	274,260	-	879,989	204,185	3,209,940	4,568,374
<b>Assigned:</b>							
Special Purpose	25,888	-	-	-	-	-	25,888
Public Safety	14,479	-	-	-	-	-	14,479
Street Infrastructure	846,907	-	-	-	-	-	846,907
Senior Donation	15,748	-	-	-	-	-	15,748
Total Assigned	903,022	-	-	-	-	-	903,022
<b>Unassigned</b>							
	1,916,615	-	(211,840)	-	-	(6,407)	1,698,368
Total Fund Balance	<u>\$ 2,845,851</u>	<u>\$ 460,683</u>	<u>\$ (201,177)</u>	<u>\$ 879,989</u>	<u>\$ 204,185</u>	<u>\$ 3,318,034</u>	<u>\$ 7,507,565</u>

Restricted net position for Other Purposes Balance in Net Position as of December 31, 2018:

Restricted for EDA	\$ 662,196
Restricted for Housing Loan	978,601
Total	<u>\$ 1,640,797</u>

**NOTE 4 FRANCHISE FEE**

During 1994, the Board of Public Works and the City of Blue Earth agreed to a new method of figuring the franchise fee, which is in lieu of taxes. The agreement states that the franchise fee is to be calculated by multiplying a base factor of .0035 (3.5 mills), per kilowatt hour sold of all retail sales of kilowatt hours sold within the utility service territory rounded to the nearest 1,000 kilowatt hour. The payment for 2018 was \$187,061.

**NOTE 5 DEFINED BENEFIT PENSION PLANS**

**A. Plan Description**

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax-qualified plans under Section 401 (a) of the Internal Revenue Code.

**1. General Employees Retirement Plan (GERF)**

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan, and are covered by Social Security.

**2. Public Employees Police and Fire Plan (PEFPF)**

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

**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.

**1. GERF Benefits**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.



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**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

**1. GERP Benefits (Continued)**

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90% funded, or have fallen below 80%, benefit recipients are given a 1% increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a prorata increase.

**2. PEPFP Benefits**

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Plan benefit recipients receive a future annual 1.0% increase. An annual adjustment will equal 2.5% any time the plan exceeds a 90% funded ratio for two consecutive years. If the adjustment is increased to 2.5% and the funded ratio falls below 80% for one year or 85% for two consecutive years, the postretirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a prorata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

**C. Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

**1. GERP Contributions**

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2018 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018 were \$72,688. The City's contributions were equal to the required contributions as set by state statute.

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**C. Contributions (Continued)**

**2. PEPFP Contributions**

Plan members were required to contribute 10.8% of their annual covered salary and the City was required to contribute 16.20% of pay for members in fiscal year 2018. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018 were \$124,248. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

**1. GERP Pension Costs**

At December 31, 2018, the City reported a liability of \$837,686 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 to the fund in 2018. The state of Minnesota is considered a nonemployer contributing entity and the state's contributions 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 \$27,486. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At December 31, 2018, the City's proportionate share was 0.0151%, a decrease of 0.0001% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$13,570 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$6,410 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, 2018, the City reported its proportionate share of the GERP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**1. GERF Pension Costs (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 22,172	\$ 24,432
Changes in Actuarial Assumptions	80,020	94,123
Difference Between Projected and Actual Investment Earnings	-	85,598
Change in Proportion and Differences Between Contributions Made and City's Proportionate Share of Contributions	14,515	9,146
City's Contributions to GERP Subsequent to the Measurement Date	42,341	-
Total	\$ 159,048	\$ 213,299

\$42,341 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, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2019	\$ 35,524
2020	(48,270)
2021	(66,361)
2022	(17,485)
Total	\$ (96,592)

**2. Police and Fire Fund Pension Costs**

At December 31, 2018, the City reported a liability of \$299,517 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At December 31, 2018, the City's proportion was 0.0281%, which is a decrease of 0.0009% from its proportion measured as of June 30, 2017. The City also recognized \$2,529 for the year ended December 31, 2018 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the state of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

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DECEMBER 31, 2018**

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. Police and Fire Fund Pension Costs (Continued)**

For the year ended December 31, 2018, the City recognized pension expense of \$8,739 for its proportionate share of the PEPFF's pension expense.

At December 31, 2018, the City reported its proportionate share of the PEPFF'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	\$ 12,157	\$ 73,479
Changes in Actuarial Assumptions	387,546	440,928
Difference Between Projected and Actual Investment Earnings	-	62,735
Change in Proportion and Differences Between Contributions Made and City's Proportionate Share of Contributions	6,525	18,242
City's Contributions to PEPFF Subsequent to the Measurement Date	26,743	-
Total	\$ 432,971	\$ 595,384

\$26,743 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2019	\$ 5,174
2020	(23,990)
2021	(43,992)
2022	(122,606)
2023	(3,742)

**CITY OF BLUE EARTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**CITY OF BLUE EARTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

	GERF	PEPPF
Inflation	2.50 Percent per Year	2.50 Percent per Year
Active Member Payroll Growth	3.25 Percent per Year	3.25 Percent per Year
Investment Rate of Return	7.50 Percent	7.50 Percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and 1.0% per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

**General Employees Fund**

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

**Police and Fire Fund**

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year, thereafter, to 1.0% for all years, with no trigger.

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36 %	5.10%
International Stocks	17	5.30%
Private Markets	25	5.90%
Fixed Income	20	0.75%
Cash	2	0.00%
Totals	<u>100 %</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2018 was 7.5%. 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 Fund and the Police and Fire Fund 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.

**G. 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:

Description	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's Proportionate Share of the General Employee's Plan Net Pension Liability	\$ 1,361,347	\$ 837,686	\$ 405,419
City's Proportionate Share of the Police and Fire Plan Net Pension Liability	\$ 642,183	\$ 299,517	\$ 16,146

**CITY OF BLUE EARTH, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**CITY OF BLUE EARTH, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2018**

**NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**H. Aggregate Pension Costs**

At December 31, 2018, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

	General Employees Retirement Plan	Public Employees Police and Fire Fund	Total
Net Pension Liability	\$ 837,686	\$ 299,517	\$ 1,137,203
Deferred Outflows of Resources	159,048	432,971	592,019
Deferred Inflows of Resources	213,299	595,384	808,683
Pension Expense	13,570	8,739	22,309

**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](http://www.mnpera.org).

**NOTE 6 OTHER INFORMATION**

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City accounts for and reports risk management activities in the General Fund within the constraints of the modified accrual basis of accounting.

**Contingencies**

The City participates in a number of federal and state programs that are either partially or fully funded by grants or aids received from these agencies or other governmental units. Such programs are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the City believes that any disallowed costs as a result of such audits will be immaterial.

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes:				
Property	\$ 495,267	\$ 495,267	\$ 596,331	\$ 101,064
Franchise	266,500	266,500	242,337	(24,163)
Special Assessments	3,500	3,500	11,124	7,624
Licenses and Permits	32,143	32,143	56,325	24,182
Intergovernmental Revenue:				
Local Government Aid	1,876,088	1,876,088	1,876,089	1
Residential Market Value Credit	500	500	868	368
Other State Aids and Grants	93,723	93,723	117,975	24,252
Police Aid	36,000	36,000	42,775	6,775
Fire Aid	35,000	35,000	30,790	(4,210)
Federal Revenue	-	-	19,418	19,418
Charges for Services:				
General Government	6,000	6,000	16,946	10,946
Police and Fire Contracts	43,550	43,550	47,088	3,538
Garbage and Recycling	66,500	66,500	76,153	9,653
Parks and Recreation	57,500	57,500	66,506	9,006
Storm Water	85,000	85,000	75,860	(9,140)
Fines and Forfeits	3,500	3,500	1,350	(2,150)
Interest Earnings	31,970	31,970	40,591	8,621
Miscellaneous Revenue:				
Rental	19,604	19,604	20,904	1,300
Miscellaneous	48,150	48,150	73,579	25,429
Donations	-	-	7,509	7,509
Total Revenues	3,200,495	3,200,495	3,420,518	220,023
<b>EXPENDITURES</b>				
General Government:				
Mayor and Council	31,650	31,650	28,874	(2,776)
Administration and Finance	326,553	326,553	318,745	(7,808)
Other General Government	75,020	75,020	77,128	2,108
Public Safety:				
Police:				
Current Expenditures	625,825	625,825	609,702	(16,123)
Capital Outlay	42,500	42,500	43,861	1,361
Fire:				
Current Expenditures	207,850	207,850	194,124	(13,726)
Capital Outlay	180,000	180,000	169,846	(10,154)
Public Works:				
Streets and Highways:				
Street Maintenance	921,280	921,280	1,048,032	126,752
Sanitation and Health	36,350	36,350	29,712	(6,638)
Street Lighting	70,000	70,000	80,474	10,474
Street - Other Capital Outlay	20,000	20,000	862,950	842,950

**CITY OF BLUE EARTH, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND (CONTINUED)  
YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>EXPENDITURES (CONTINUED)</b>				
Culture and Recreation:				
Library – Current Expenditures	\$ 205,657	\$ 205,657	\$ 183,595	\$ (22,062)
Library – Capital Outlay	1,000	1,000	6,055	5,055
Senior Center – Current Expenditures	79,333	79,333	88,101	8,768
Senior Center – Capital Outlay	2,000	2,000	479	(1,521)
Swimming Pool – Current Expenditures	151,141	151,141	152,782	1,641
Swimming Pool – Capital Outlay	27,500	27,500	-	(27,500)
Storm Water	28,100	28,100	28,431	331
Debt Service:				
Principal	13,524	13,524	13,524	-
Bond Issuance Costs	-	-	27,374	27,374
All Other – Current Expenditures	94,909	94,909	113,629	18,720
Total Expenditures	<u>3,140,192</u>	<u>3,140,192</u>	<u>4,077,418</u>	<u>937,226</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	60,303	60,303	(656,900)	(717,203)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond issuance	-	-	1,000,000	1,000,000
Sale of Capital Assets	(500)	(500)	886	1,386
Transfers In	(70,000)	(70,000)	120,000	190,000
Transfers Out	20,000	20,000	(379,000)	(399,000)
Total Other Financing Sources (Uses)	<u>(50,500)</u>	<u>(50,500)</u>	<u>741,886</u>	<u>792,386</u>
<b>NET CHANGE IN FUND BALANCES</b>	9,803	9,803	84,986	75,183
Fund Balances – Beginning of Year	3,060,413	3,060,413	2,760,865	(299,548)
<b>FUND BALANCES – END OF YEAR</b>	<u>\$ 3,070,216</u>	<u>\$ 3,070,216</u>	<u>\$ 2,845,851</u>	<u>\$ (224,365)</u>

**CITY OF BLUE EARTH, MINNESOTA  
BUDGETARY COMPARISON SCHEDULES  
EDA AND AIRPORT FUNDS  
YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>EDA FUND</b>				
<b>REVENUES</b>				
Property Taxes	\$ 80,650	\$ 80,650	\$ 79,843	\$ (807)
Charges for Services	3,000	3,000	36,479	33,479
Rent Payments	250,000	250,000	271,293	21,293
Interest Received	-	-	14,597	14,597
Miscellaneous	20,000	20,000	22,034	2,034
Total Revenues	<u>353,650</u>	<u>353,650</u>	<u>764,588</u>	<u>410,938</u>
<b>EXPENDITURES</b>				
Economic Development	320,554	320,554	613,085	292,531
Capital Outlay	-	-	1,015,999	1,015,999
Total Expenditures	<u>320,554</u>	<u>320,554</u>	<u>1,629,084</u>	<u>1,308,530</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	33,096	33,096	(864,496)	(897,592)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	200,000	200,000
Transfers Out	-	-	(71,103)	(71,103)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>128,897</u>	<u>128,897</u>
<b>NET CHANGE IN FUND BALANCES</b>	33,096	33,096	(735,599)	(768,695)
Fund Balances – Beginning of Year	1,498,953	1,498,953	1,196,282	(302,671)
<b>FUND BALANCES – END OF YEAR</b>	<u>\$ 1,532,049</u>	<u>\$ 1,532,049</u>	<u>\$ 460,683</u>	<u>\$ (1,071,366)</u>
<b>AIRPORT FUND</b>				
<b>REVENUES</b>				
State Aid and Grants	\$ 17,500	\$ 17,500	\$ 425,545	\$ 408,045
Charges for Services	84,370	84,370	88,718	4,348
Total Revenues	<u>101,870</u>	<u>101,870</u>	<u>514,263</u>	<u>412,393</u>
<b>EXPENDITURES</b>				
Airport – Current	81,200	81,200	95,482	14,282
Capital Outlay	-	-	68,808	68,808
Total Expenditures	<u>81,200</u>	<u>81,200</u>	<u>164,290</u>	<u>83,090</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	20,670	20,670	349,973	329,303
Fund Balances – Beginning of Year	(249,315)	(249,315)	(551,150)	(301,835)
<b>FUND BALANCES – END OF YEAR</b>	<u>\$ (228,645)</u>	<u>\$ (228,645)</u>	<u>\$ (201,177)</u>	<u>\$ 27,468</u>

**CITY OF BLUE EARTH, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018**

**CITY OF BLUE EARTH, MINNESOTA  
SCHEDULE OF EMPLOYER'S SHARE OF COLLECTIVE NET PENSION LIABILITY AND  
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS  
YEAR ENDED DECEMBER 31, 2018**

**NOTE 1 BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at year-end. The actual revenues, expenditures, and transfers for the year ended December 31, 2018, have been compared to the City's budget for the year where applicable. Variances which are in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Administration can authorize transfer of budgeted amounts within any fund per state statutes. Any revisions that alter total expenditures of any fund must be approved by the City Council.

On or before the last Tuesday in August of each year, all agencies of the government submit requests for appropriation to the government's manager so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The City Council reviews the budget at both of their regular meetings in September and makes changes as they see fit. All changes are approved by an affirmative vote of a majority of the government's council.

Budgetary control is maintained at the object of expenditure category level within each activity, and in compliance with State requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (a) adequate funds were appropriated; (b) the expenditure is still necessary; and (c) funds are available. Budgeted amounts are as originally adopted or as amended by the City Council. Budgeted expenditure appropriations lapse at year-end.

Pension Plan	Measurement Date	City's Proportion (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Total (d) (a+b)	City's Covered Payroll (e)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (d/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
GERF	09/30/18	0.0151%	\$ 837,886	\$ 27,486	\$ 865,372	\$ 1,017,585	85.0%	75.9%
GERF	09/30/17	0.0150%	957,590	12,076	969,666	969,595	100.0%	75.9%
GERF	09/30/16	0.0153%	1,242,284	16,225	1,258,509	882,750	140.7%	78.2%
GERF	09/30/15	0.0146%	756,648	N/A	756,648	893,140	84.7%	78.2%
GERF	09/30/14	0.0173%	812,667	N/A	812,667	885,808	94.7%	78.9%
PEPFF	09/30/18	0.0281%	299,517	N/A	299,517	295,860	101.2%	88.8%
PEPFF	09/30/17	0.029%	391,533	N/A	391,533	300,552	130.3%	85.4%
PEPFF	09/30/16	0.029%	1,163,820	N/A	1,163,820	276,502	420.9%	86.6%
PEPFF	09/30/15	0.028%	318,146	N/A	318,146	271,492	117.2%	86.6%
PEPFF	09/30/14	0.029%	313,212	N/A	313,212	247,116	126.7%	87.1%

  

Pension Plan	Year Ending	Statutory Required Contribution (a)	Contributions in Relation to the Statutory Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
GERF	12/31/18	\$ 76,300	\$ 76,300	\$ -	\$ 1,017,585	7.5%
GERF	12/31/17	72,888	72,888	-	969,595	7.5%
GERF	12/31/16	59,920	59,920	-	821,842	6.5%
GERF	12/31/15	66,985	66,985	-	994,471	6.7%
GERF	12/31/14	64,454	64,454	-	935,709	6.9%
PEPFF	12/31/18	47,929	47,929	-	295,860	16.2%
PEPFF	12/31/17	48,689	48,689	-	300,552	16.2%
PEPFF	12/31/16	31,285	31,285	-	289,675	10.8%
PEPFF	12/31/15	43,982	43,982	-	370,968	11.9%
PEPFF	12/31/14	37,809	37,809	-	336,580	11.2%

**NOTE 2 EXCESS OF EXPENDITURES OVER BUDGET**

For the year ended December 31, 2018, expenditures exceed budget in the following funds:

Fund	Amount	Funding Source to Cover Excess Expenditures
General Fund	\$ 937,226	Proceeds from G.O. Improvement bonds of 2018, Series A were used to cover these expenditures which had not been budgeted for because intent was to offset against loan proceeds.
Special Revenue Funds:		
EDA	1,308,530	Greater than Anticipated Revenues and Available Fund Balance covered these expenditures that were not budgeted for in current year.
Airport	83,090	Federal Airport Improvement Grant covered these expenditures that were more than budgeted.

City of Blue Earth, Minnesota
\$2,055,000\* General Obligation Improvement Bonds, Series 2019A

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$\_\_\_\_\_ (which may not be less than \$2,034,450) plus accrued interest, if any, to the date of delivery.

Table with 8 columns: Year, Interest Rate (%), Yield (%), Dollar Price, Year, Interest Rate (%), Yield (%), Dollar Price. Rows for years 2021-2035.

Designation of Term Maturities

Years of Term Maturities \_\_\_\_\_

In making this offer on the sale date of November 4, 2019 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated October 11, 2019 including the City's right to modify the principal amount of the Bonds.

By submitting this proposal, we confirm that we have an established industry reputation for underwriting municipal bonds such as the Bonds.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$\_\_\_\_\_

TRUE INTEREST RATE: \_\_\_\_\_ %

The Bidder [ ] will not [ ] will purchase municipal bond insurance from \_\_\_\_\_.

Account Members

Account Manager
By: \_\_\_\_\_
Phone: \_\_\_\_\_

The foregoing proposal has been accepted by the City.

Attest: \_\_\_\_\_ Date: \_\_\_\_\_

\* Preliminary; subject to change.