Financial Statements
December 31, 2015
City of Blue Earth
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### CITY COUNCIL

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard Scholtes</td>
<td>Mayor</td>
</tr>
<tr>
<td>Dan Warner</td>
<td>Councilor</td>
</tr>
<tr>
<td>Dan Brod</td>
<td>Councilor</td>
</tr>
<tr>
<td>Glenn Gaylord</td>
<td>Councilor</td>
</tr>
<tr>
<td>John Huisman</td>
<td>Councilor</td>
</tr>
<tr>
<td>Marty Cassem</td>
<td>Councilor</td>
</tr>
<tr>
<td>Russ Erichsrud</td>
<td>Councilor</td>
</tr>
</tbody>
</table>

### ADMINISTRATION

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timothy Ibsch</td>
<td>City Administrator/EDA Director</td>
</tr>
<tr>
<td>Nancy Thompson</td>
<td>City Clerk</td>
</tr>
<tr>
<td>Tom Fletcher</td>
<td>Police Chief</td>
</tr>
<tr>
<td>Roger Davis</td>
<td>Fire Chief</td>
</tr>
<tr>
<td>Jamison Holland</td>
<td>Public Works Supervisor</td>
</tr>
<tr>
<td>Craig Wells</td>
<td>Liquor Manager</td>
</tr>
<tr>
<td>Michelle Hall</td>
<td>Fitness Center and Pool Director</td>
</tr>
<tr>
<td>Steve Anderson</td>
<td>Building Official</td>
</tr>
<tr>
<td>Eva Gaydon</td>
<td>Library Director</td>
</tr>
<tr>
<td>Tim Steier</td>
<td>Airport Manager</td>
</tr>
<tr>
<td>Barb Steier</td>
<td>Airport Manager</td>
</tr>
</tbody>
</table>
Independent Auditor's 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 as of December 31, 2015, 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.

Auditor's 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, Board of Public Works Commission. 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. 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 auditor’s 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 entity’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 entity’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 audit opinions.

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 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 as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.
Adoption of a New Accounting Standard
As discussed in Notes 1 and 7 to the financial statements, the City has adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date, which has resulted in a restatement of the net position as of January 1, 2015. Our opinions are not modified with respect to this matter.

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 require 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 considered 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’s financial statement. The introductory section and combining governmental fund financial statements 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 governmental 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Eide Bailly LLP
Mankato, Minnesota
June 20, 2016
# City of Blue Earth
## Statement of Net Position
### December 31, 2015

<table>
<thead>
<tr>
<th>Assets</th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
<th>Totals</th>
<th>Board of Public Works Component Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>$ 6,653,843</td>
<td>$ 1,443,087</td>
<td>$ 8,096,930</td>
<td>$ 1,553,602</td>
</tr>
<tr>
<td>Restricted cash and investments</td>
<td>75,085</td>
<td>-</td>
<td>75,085</td>
<td>-</td>
</tr>
<tr>
<td>Economic development</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29,342</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29,342</td>
</tr>
<tr>
<td>Receivables</td>
<td>55,622</td>
<td>-</td>
<td>55,622</td>
<td>-</td>
</tr>
<tr>
<td>Taxes</td>
<td>3,029,289</td>
<td>104,311</td>
<td>3,133,600</td>
<td>55,346</td>
</tr>
<tr>
<td>Special assessments</td>
<td>191,272</td>
<td>167,563</td>
<td>358,835</td>
<td>715,009</td>
</tr>
<tr>
<td>Accounts</td>
<td>3,608</td>
<td>-</td>
<td>3,608</td>
<td>-</td>
</tr>
<tr>
<td>Interest</td>
<td>799,743</td>
<td>-</td>
<td>799,743</td>
<td>5,850</td>
</tr>
<tr>
<td>Notes</td>
<td>70,747</td>
<td>-</td>
<td>70,747</td>
<td>-</td>
</tr>
<tr>
<td>Due from component unit</td>
<td>34,530</td>
<td>12,713</td>
<td>47,243</td>
<td>120,886</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>268,797</td>
<td>268,797</td>
<td>515,590</td>
<td>-</td>
</tr>
<tr>
<td>Inventory</td>
<td>131,638</td>
<td>-</td>
<td>131,638</td>
<td>-</td>
</tr>
<tr>
<td>Land held for resale</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>149,511</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital assets not being depreciated</td>
<td>728,312</td>
<td>219,035</td>
<td>947,347</td>
<td>219,376</td>
</tr>
<tr>
<td>Land</td>
<td>1,076,756</td>
<td>-</td>
<td>1,076,756</td>
<td>-</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>11,872,739</td>
<td>-</td>
<td>11,872,739</td>
<td>-</td>
</tr>
<tr>
<td>Capital assets, net of accumulated depreciation</td>
<td>20,432,721</td>
<td>-</td>
<td>20,432,721</td>
<td>-</td>
</tr>
<tr>
<td>Road network</td>
<td>5,592,661</td>
<td>5,045,169</td>
<td>10,637,830</td>
<td>-</td>
</tr>
<tr>
<td>Distribution system</td>
<td>1,076,756</td>
<td>-</td>
<td>1,076,756</td>
<td>3,940,209</td>
</tr>
<tr>
<td>Buildings and infrastructure</td>
<td>754,578</td>
<td>-</td>
<td>754,578</td>
<td>-</td>
</tr>
<tr>
<td>Total assets</td>
<td>40,978,591</td>
<td>11,776,163</td>
<td>52,748,754</td>
<td>19,177,240</td>
</tr>
</tbody>
</table>

### Deferred Outflows of Resources

| Pension plans | 244,175 | 54,912 | 299,087 | 100,043 |

### Liabilities

| Checks issued in excess of deposits | 578,958 | - | 578,958 | - |
| Accounts payable | 211,864 | 144,530 | 356,394 | 335,796 |
| Other payables | 30,611 | - | 30,611 | 133,877 |
| Due to city | - | - | - | 170,747 |
| Accrued vacation and sick leave | 51,179 | 32,002 | 83,181 | 12,618 |
| Accrued salaries and wages | - | 44,244 | 44,244 | 535,664 |
| Unearned revenue | 131,308 | 29,785 | 161,093 | 50,368 |
| Interest payable | - | - | - | - |
| Liabilities Payable from Restricted Assets: | - | - | - | - |
| Customer deposits payable | - | - | - | 29,342 |
| Noncurrent liabilities | 815,037 | 259,757 | 1,074,794 | 720,370 |
| Net pension liability | 906,343 | 494,000 | 1,400,333 | 588,156 |
| Due within one year | 13,241,617 | 4,469,119 | 17,710,736 | 4,244,846 |
| Due in more than one year | 15,966,927 | 5,473,437 | 21,440,364 | 6,905,952 |
| Total liabilities | 15,966,927 | 5,473,437 | 21,440,364 | 6,905,952 |

### Deferred Inflows of Resources

| Pension plans | 279,831 | 60,809 | 340,640 | 82,120 |

### Net Position

| Net investment in capital assets | 15,674,424 | 4,816,573 | 20,490,997 | 11,028,415 |
| Restricted | 4,897,455 | - | 4,897,455 | - |
| Debt service | 2,880,476 | 2,880,476 | 29,342 | - |
| Other purposes | 1,517,653 | 1,480,256 | 2,997,909 | 1,231,454 |
| Unrestricted | - | - | - | - |
| Total net position | $ 24,970,008 | $ 6,296,829 | $ 31,266,837 | $ 12,289,211 |

The notes to the financial statements are an integral part of the financial statements.
## City of Blue Earth
### Statement of Activities
#### Year Ended December 31, 2015

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Program Revenues</th>
<th>Operating Grants and Contributions</th>
<th>Net (Expense) Revenue and Changes in Net Position</th>
<th>Component Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expenses</td>
<td>Charges for Services</td>
<td></td>
<td>Primary Government</td>
</tr>
<tr>
<td><strong>Primary Government</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>311,847</td>
<td>158,463</td>
<td>-</td>
<td>(153,384)</td>
</tr>
<tr>
<td>Public safety</td>
<td>872,698</td>
<td>49,672</td>
<td>84,036</td>
<td>(73,950)</td>
</tr>
<tr>
<td>Streets and highways</td>
<td>2,354,500</td>
<td>60,249</td>
<td>-</td>
<td>(2,264,251)</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>533,682</td>
<td>65,873</td>
<td>-</td>
<td>(456,789)</td>
</tr>
<tr>
<td>Housing and economic development</td>
<td>1,143,452</td>
<td>83,272</td>
<td>-</td>
<td>(1,060,180)</td>
</tr>
<tr>
<td>Interest and other charges on long-term debt</td>
<td>421,623</td>
<td>-</td>
<td>-</td>
<td>(421,623)</td>
</tr>
<tr>
<td><strong>Total governmental activities</strong></td>
<td>5,597,782</td>
<td>418,579</td>
<td>84,036</td>
<td>(5,095,217)</td>
</tr>
<tr>
<td><strong>Business-Type Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewer</td>
<td>972,350</td>
<td>1,696,615</td>
<td>-</td>
<td>123,265</td>
</tr>
<tr>
<td>Liquor</td>
<td>1,402,395</td>
<td>1,535,842</td>
<td>-</td>
<td>133,447</td>
</tr>
<tr>
<td>Fitness Center</td>
<td>120,971</td>
<td>217,215</td>
<td>-</td>
<td>96,247</td>
</tr>
<tr>
<td><strong>Total business-type activities</strong></td>
<td>2,496,716</td>
<td>2,849,675</td>
<td>-</td>
<td>332,959</td>
</tr>
<tr>
<td><strong>Total Primary Government</strong></td>
<td>8,094,498</td>
<td>3,268,304</td>
<td>84,036</td>
<td>(5,095,217)</td>
</tr>
</tbody>
</table>

| Component Unit | Electric | $ 583,942 | $ 881,866 | $ 118,328 | $ 41,974 |
|               | Water    | 875,326   | 813,867   | 118,328   | 105,869  |
|               |          | **6,665,262** | **6,695,733** | **118,328** | **148,839** |

| General Revenues |                  |                                  |                  |                  |                  |        |
|------------------|------------------|----------------------------------|                  |                  |                  |        |
| Property taxes   | 1,127,711        | -                                | 1,127,711        | -                |                  |        |
| Special assessments | 528,546        | -                                | 528,546          | -                |                  |        |
| State aid        | 2,571,178        | -                                | 2,571,178        | -                |                  |        |
| Franchise tax    | 267,983          | -                                | 267,983          | -                |                  |        |
| Fees and fines   | 440              | -                                | 440              | -                |                  |        |
| License and permits | 32,602         | -                                | 32,602           | -                |                  |        |
| Donations        | 90,000           | -                                | 90,000           | -                |                  |        |
| Earnings on investments | 37,387 | 3,588                             | 40,975           | 4,284            |                  |        |
| Lease payments   | 233,866          | -                                | 233,866          | -                |                  |        |
| Gain on sale of assets | 300             | -                                | 300              | -                |                  |        |
| Miscellaneous    | 308,639          | 3,854                            | 312,854          | 58,647           |                  |        |
| Transfers        | (25,829)         | 25,829                           | -                |                  |                  |        |
| **Total general revenues and transfers** | 5,134,314 | 32,571                             | 5,167,885        | 62,931           |                  |        |
| Changes in Net Position | 39,097 | 386,530                             | 425,627          | 211,724          |                  |        |
| Net Position - Beginning as previously reported | 25,934,635 | 6,231,635                         | 32,166,270       | 12,765,309       |                  |        |
| Adoption of a New Accounting Standard | (1,001,724) | (321,336)                         | (1,323,060)      | (684,822)        |                  |        |
| Net Position - Beginning, as restated | 24,933,911 | 5,910,299                         | 30,841,210       | 12,072,487       |                  |        |
| Net Position - Ending | $ 24,970,008 | $ 6,296,829                       | $ 31,266,837     | $ 12,289,711     |                  |        |

The notes to the financial statements are an integral part of the financial statements.
### City of Blue Earth

**Balance Sheet – Governmental Funds**

December 31, 2015

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>Economic Development Authority</th>
<th>Capital Projects</th>
<th>General Obligation 2014A</th>
<th>General Obligation 2012A</th>
<th>General Governmental Funds</th>
<th>Other Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$2,775,595</td>
<td>$1,106,081</td>
<td>$-</td>
<td>$47,130</td>
<td>$536,877</td>
<td>$2,188,950</td>
<td>$6,653,843</td>
<td>$11,150,197</td>
</tr>
<tr>
<td>Restricted cash for economic development</td>
<td>$-</td>
<td>75,085</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$75,085</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>23,225</td>
<td>484</td>
<td>$-</td>
<td>892</td>
<td>9,112</td>
<td>21,909</td>
<td>55,622</td>
<td></td>
</tr>
<tr>
<td>Special assessments</td>
<td>103,762</td>
<td>-</td>
<td>1,067,608</td>
<td>508,370</td>
<td>1,349,549</td>
<td>3,029,289</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>7,745</td>
<td>734</td>
<td>-</td>
<td>-</td>
<td>129</td>
<td>8,608</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts</td>
<td>613,111</td>
<td>103,044</td>
<td>26,602</td>
<td>-</td>
<td>315</td>
<td>191,272</td>
<td>799,743</td>
<td></td>
</tr>
<tr>
<td>Notes</td>
<td>-</td>
<td>480,588</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>319,155</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from component unit</td>
<td>-</td>
<td>-</td>
<td>170,747</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>170,747</td>
<td></td>
</tr>
<tr>
<td>Land held for resale</td>
<td>-</td>
<td>131,638</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>131,638</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid items</td>
<td>32,731</td>
<td>1,619</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>34,350</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$3,004,369</td>
<td>$1,899,273</td>
<td>$197,349</td>
<td>$1,115,630</td>
<td>$1,053,569</td>
<td>$3,880,007</td>
<td>$11,150,197</td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checks issued in excess of deposits</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$273,935</td>
<td>$578,958</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>69,865</td>
<td>10,657</td>
<td>120,947</td>
<td>200</td>
<td>200</td>
<td>10,895</td>
<td>211,864</td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>29,171</td>
<td>1,233</td>
<td>-</td>
<td>-</td>
<td>207</td>
<td>30,611</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued salaries and wages</td>
<td>48,906</td>
<td>1,636</td>
<td>-</td>
<td>637</td>
<td>-</td>
<td>51,479</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$147,942</td>
<td>$13,526</td>
<td>$425,910</td>
<td>$200</td>
<td>$200</td>
<td>$284,834</td>
<td>$872,612</td>
<td></td>
</tr>
<tr>
<td><strong>Deferred Inflows of Resources</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unavailable revenue</td>
<td>$120,981</td>
<td>481,071</td>
<td>-</td>
<td>1,064,726</td>
<td>514,686</td>
<td>1,681,333</td>
<td>3,862,797</td>
<td></td>
</tr>
<tr>
<td><strong>Fund Balances</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonspendable</td>
<td>32,731</td>
<td>133,257</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>165,988</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted</td>
<td>-</td>
<td>1,271,419</td>
<td>-</td>
<td>50,704</td>
<td>538,683</td>
<td>2,193,768</td>
<td>4,054,874</td>
<td></td>
</tr>
<tr>
<td>Assigned</td>
<td>1,169,617</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,169,617</td>
<td></td>
</tr>
<tr>
<td>Unassigned</td>
<td>1,333,098</td>
<td>-</td>
<td>(228,561)</td>
<td>50,704</td>
<td>538,683</td>
<td>1,913,840</td>
<td>6,414,788</td>
<td></td>
</tr>
<tr>
<td><strong>Total fund balances</strong></td>
<td>$2,735,466</td>
<td>$1,404,676</td>
<td>(228,561)</td>
<td>$50,704</td>
<td>$538,683</td>
<td>$1,913,840</td>
<td>$6,414,788</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</strong></td>
<td><strong>$3,004,369</strong></td>
<td><strong>$1,899,273</strong></td>
<td><strong>$197,349</strong></td>
<td><strong>$1,115,630</strong></td>
<td><strong>$1,053,569</strong></td>
<td><strong>$3,880,007</strong></td>
<td><strong>$11,150,197</strong></td>
<td><strong>$11,150,197</strong></td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of the financial statements
Total Fund Balances for Governmental Funds $ 6,414,788

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. The cost of these assets is $44,499,233 and the accumulated depreciation is $14,676,839. 29,822,394

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. 3,862,797

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is $131,308. (131,308)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. (35,656)

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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General obligation bonds payable</td>
<td>$14,012,624</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>815,037</td>
</tr>
<tr>
<td>Note payable</td>
<td>135,346</td>
</tr>
<tr>
<td></td>
<td>(14,963,007)</td>
</tr>
</tbody>
</table>

Total Net Position for Governmental Activities $ 24,970,008

The notes to the financial statements are an integral part of the financial statements.
## City of Blue Earth

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Year Ended December 31, 2015

<table>
<thead>
<tr>
<th>General Fund</th>
<th>Economic Development Authority</th>
<th>Capital Projects</th>
<th>General Obligation 2014A</th>
<th>General Obligation 2012A</th>
<th>Other Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>$492,793</td>
<td>$552</td>
<td>$</td>
<td>$33,433</td>
<td>$220,301</td>
<td>$505,433</td>
</tr>
<tr>
<td>Franchise taxes</td>
<td>257,938</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>267,938</td>
</tr>
<tr>
<td>Special assessments</td>
<td>9,600</td>
<td>-</td>
<td>-</td>
<td>237,161</td>
<td>75,486</td>
<td>207,299</td>
</tr>
<tr>
<td>Fees and fines</td>
<td>440</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>32,602</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>State aid and grants</td>
<td>2,017,841</td>
<td>-</td>
<td>711,660</td>
<td>-</td>
<td>-</td>
<td>2,729,501</td>
</tr>
<tr>
<td>Federal grants</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27,713</td>
<td>-</td>
<td>27,713</td>
</tr>
<tr>
<td>Charges for services</td>
<td>230,877</td>
<td>83,272</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>104,383</td>
</tr>
<tr>
<td>Interest earnings</td>
<td>29,550</td>
<td>2,007</td>
<td>-</td>
<td>-</td>
<td>950</td>
<td>4,880</td>
</tr>
<tr>
<td>Rent payments</td>
<td>-</td>
<td>233,866</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Donations</td>
<td>-</td>
<td>50,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>183,798</td>
<td>21,049</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>103,583</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>$3,264,481</td>
<td>$398,746</td>
<td>$711,660</td>
<td>$269,594</td>
<td>$256,737</td>
<td>$253,288</td>
</tr>
</tbody>
</table>

| **Expenditures** | 
| Current | 
| General government | 411,703 | - | - | - | - | 411,703 |
| Capital outlay | 1,044 | - | - | - | - | 1,044 |
| Public safety | 733,903 | - | - | - | - | 733,903 |
| Capital outlay | 55,198 | - | - | - | - | 55,198 |
| Public works | 916,941 | - | - | - | - | 916,941 |
| Capital outlay | 154,945 | 2,160,745 | - | - | - | 2,315,688 |
| Culture and recreation | 412,820 | - | - | - | - | 412,820 |
| Capital outlay | 2,774 | - | - | - | - | 2,774 |
| Economic development | - | 386,941 | - | - | - | 16,667 | 403,008 |
| Capital outlay | - | 177,742 | - | - | - | 52,113 | 229,855 |
| Storm water | 20,304 | - | - | - | - | 20,304 |
| Airport | - | - | - | 78,994 | - | 78,994 |
| Capital outlay | - | - | - | 97,385 | - | 97,385 |
| Miscellaneous | 95,337 | - | - | 3,989 | 650 | 46,613 | 146,596 |

**Debt Services**
- Principal: 7,427
- Bond issuance costs: - 36,024, 36,857, 450
- Interest and other charges: 6,098
- Total expenditures: 2,818,394

**Excess (deficiency) of revenues over (under) expenditures:**
445,890
(209,961)
(1,488,426)
173,812
(5,232)
(24,938)
(1,108,855)

**Other Financing Sources (Uses)**
- Sale of assets: 441
- Bond issuance: 1,585,250, 1,619,250
- Premium on bond issuance: 67,833, 69,348
- Transfers in: 1,053,016
- Transfers out: (179,010)
- Total other financing sources (uses): 873,447
- Net change in fund balances: 1,319,337
- Fund Balances - Beginning: 1,416,109
- Fund Balances - Ending: $2,735,446

The notes to the financial statements are an integral part of the financial statements.
Total Net Change in Fund Balances - Governmental Funds $ 2,207,438

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($1,700,709) exceeds depreciation expense ($1,156,242) in the current period. 544,467

Sale of capital asset gross proceeds are reported as revenue in the governmental funds. However, in the statement of activities, only the gain or loss is recorded. The difference between the gross proceeds and the gain or loss is the remaining net book value of the assets sold. The gain or loss on the assets sold was $53,052. (53,052)

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. (3,204,500)

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. (131,921)

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. Delinquent taxes and deferred and delinquent special assessment receivables decreased by $31,824, due from component unit decreased by $100,000, and deferred notes receivable decreased by $91,975. (223,801)

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. 768,074

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. 153,031

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. There was $131,308 and $110,669 of accrued interest at December 31, 2015 and 2014, respectively. (20,639)

Change in Net Position of Governmental Activities $ 39,097

The notes to the financial statements are an integral part of the financial statements.
### City of Blue Earth
Statement of Net Position – Proprietary Funds
December 31, 2015

#### Assets

<table>
<thead>
<tr>
<th></th>
<th>Sewer</th>
<th>Liquor</th>
<th>Fitness Center</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$501,655</td>
<td>$668,293</td>
<td>$273,139</td>
<td>$1,443,087</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special assessments</td>
<td>104,311</td>
<td>-</td>
<td>-</td>
<td>104,311</td>
</tr>
<tr>
<td>Accounts</td>
<td>165,422</td>
<td>2,141</td>
<td>-</td>
<td>167,563</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>4,856</td>
<td>4,856</td>
<td>3,001</td>
<td>12,713</td>
</tr>
<tr>
<td>Inventory</td>
<td>268,797</td>
<td></td>
<td>-</td>
<td>268,797</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>776,244</td>
<td>944,087</td>
<td>276,140</td>
<td>1,996,471</td>
</tr>
</tbody>
</table>

|                |       |        |               |           |
| **Noncurrent Assets** |       |        |               |           |
| Capital assets not being depreciated |       |        |               |           |
| Land            | 119,035 | 100,000 |    -         | 219,035   |
| Capital assets, net of accumulated depreciation |       |        |               |           |
| Buildings and infrastructure | 4,060,839 | 377,576 | 606,754 | 5,045,169 |
| Equipment       | 4,426,381 | 39,656  | 49,451       | 4,515,488 |
| **Total noncurrent assets** | 8,606,255 | 517,232 | 656,205 | 9,779,692 |
| **Total assets** | 9,382,499 | 1,461,319 | 932,345 | 11,776,163 |

|                |       |        |               |           |
| **Deferred Outflows of Resources** |       |        |               |           |
| Pension plans  | 29,719 | 20,346 | 4,847        | 54,912    |

#### Liabilities

|                |       |        |               |           |
| **Current Liabilities** |       |        |               |           |
| Accounts payable | 19,575 | 117,074 | 7,881        | 144,530   |
| Accrued salaries and wages | 15,200 | 12,452  | 4,350        | 32,002    |
| Unearned revenue | 44,244 |    -   |    -         | 44,244    |
| Bonds payable - current | 469,000 |    -   | 25,000       | 494,000   |
| Interest payable | 24,870 |    -   | 4,915        | 29,785    |
| **Total current liabilities** | 572,889 | 129,526 | 42,146 | 744,551 |

|                |       |        |               |           |
| **Noncurrent Liabilities** |       |        |               |           |
| Net pension liability | 140,585 | 96,246  | 22,926       | 259,757   |
| Bonds payable | 4,032,000 |    -   | 437,119      | 4,469,119 |
| **Total noncurrent liabilities** | 4,172,585 | 96,246  | 460,045      | 4,728,876 |
| **Total liabilities** | 4,745,474 | 225,772 | 502,191 | 5,473,437 |

|                |       |        |               |           |
| **Deferred Inflows of Resources** |       |        |               |           |
| Pension plans  | 32,911 | 22,531 | 5,367        | 60,809    |

|                |       |        |               |           |
| **Net Position** |       |        |               |           |
| Net investment in capital assets | 4,105,255 | 517,232 | 194,086 | 4,816,573 |
| Unrestricted    | 528,578 | 716,130 | 235,548      | 1,480,256 |
| **Total Net Position** | 4,633,833 | 1,233,362 | 429,634 | 6,296,829 |

The notes to the financial statements are an integral part of the financial statements.
City of Blue Earth
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended December 31, 2015

<table>
<thead>
<tr>
<th>Operating Revenues</th>
<th>Sewer</th>
<th>Liquor</th>
<th>Fitness Center</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service and fees</td>
<td>1,096,615</td>
<td>$</td>
<td>217,218</td>
<td>$ 1,313,833</td>
</tr>
<tr>
<td>Sales</td>
<td>1,535,842</td>
<td>$</td>
<td>1,535,842</td>
<td>2,849,675</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>1,096,615</td>
<td>1,535,842</td>
<td>217,218</td>
<td>2,849,675</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Expenses</th>
<th>Sewer</th>
<th>Liquor</th>
<th>Fitness Center</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and benefits</td>
<td>203,160</td>
<td>158,799</td>
<td>43,250</td>
<td>405,209</td>
</tr>
<tr>
<td>Costs of goods sold</td>
<td>1,131,501</td>
<td>-</td>
<td>-</td>
<td>1,131,501</td>
</tr>
<tr>
<td>Supplies</td>
<td>25,007</td>
<td>7,755</td>
<td>7,405</td>
<td>40,167</td>
</tr>
<tr>
<td>Utilities</td>
<td>88,696</td>
<td>18,153</td>
<td>17,855</td>
<td>124,704</td>
</tr>
<tr>
<td>Other services and charges</td>
<td>44,658</td>
<td>7,614</td>
<td>2,729</td>
<td>55,001</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>34,601</td>
<td>7,195</td>
<td>6,277</td>
<td>48,073</td>
</tr>
<tr>
<td>Depreciation</td>
<td>420,181</td>
<td>20,509</td>
<td>24,251</td>
<td>464,941</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>79,871</td>
<td>50,869</td>
<td>8,172</td>
<td>138,912</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>896,174</td>
<td>1,402,395</td>
<td>109,939</td>
<td>2,408,508</td>
</tr>
</tbody>
</table>

Operating income | 200,441     | 135,447 | 107,279        | 441,167           |

Nonoperating Revenues (Expenses) | Sewer       | Liquor | Fitness Center | Total             |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Refunds and reimbursements</td>
<td>3,854</td>
<td>-</td>
<td>-</td>
<td>3,854</td>
</tr>
<tr>
<td>Interest and investment revenue</td>
<td>1,446</td>
<td>1,565</td>
<td>577</td>
<td>3,588</td>
</tr>
<tr>
<td>Amortization expense</td>
<td>-</td>
<td>-</td>
<td>866</td>
<td>866</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(77,176)</td>
<td>-</td>
<td>(11,898)</td>
<td>(89,074)</td>
</tr>
<tr>
<td>Total nonoperating revenues (expenses)</td>
<td>(71,876)</td>
<td>1,565</td>
<td>(10,455)</td>
<td>(80,766)</td>
</tr>
</tbody>
</table>

Income before other financing sources | 128,565     | 135,012 | 96,824         | 360,401           |

Other financing sources (uses) | Sewer       | Liquor | Fitness Center | Total             |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain (loss) on sale of capital assets</td>
<td>300</td>
<td>-</td>
<td>-</td>
<td>300</td>
</tr>
<tr>
<td>Transfers in</td>
<td>86,903</td>
<td>-</td>
<td>-</td>
<td>86,903</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(52,834)</td>
<td>(8,240)</td>
<td>-</td>
<td>(61,074)</td>
</tr>
<tr>
<td>Total other financing sources (uses)</td>
<td>34,369</td>
<td>(8,240)</td>
<td>-</td>
<td>26,129</td>
</tr>
</tbody>
</table>

Change in net position | 162,934     | 126,772 | 96,824         | 386,530           |

Net Position - Beginning as previously reported | 4,644,812   | 1,225,652 | 361,171        | 6,231,635         |

Adoption of a New Accounting Standard | (173,913)   | (119,062) | (28,361) | (321,336) |

Net Position - Beginning, restated | 4,470,899   | 1,106,590 | 332,810       | 5,910,299         |

Net Position - Ending | $ 4,633,833 | $ 1,233,362 | $ 429,634 | $ 6,296,829 |

The notes to the financial statements are an integral part of the financial statements.
<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities</th>
<th>Sewer</th>
<th>Liquor</th>
<th>Fitness Center</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from customers</td>
<td>$1,099,783</td>
<td>$1,534,670</td>
<td>$217,218</td>
<td>$2,851,671</td>
</tr>
<tr>
<td>Payments to employees</td>
<td>(230,180)</td>
<td>(174,510)</td>
<td>(48,093)</td>
<td>(452,783)</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>(341,401)</td>
<td>(1,223,133)</td>
<td>(42,922)</td>
<td>(1,607,456)</td>
</tr>
<tr>
<td><strong>Net cash provided (used for) operating activities</strong></td>
<td>528,202</td>
<td>137,027</td>
<td>126,203</td>
<td>791,432</td>
</tr>
</tbody>
</table>

| Cash Flows from Noncapital Financing Activities | | | | |
| Transfers from governmental funds | 86,903 | - | - | 86,903 |
| Transfers to governmental funds | (52,834) | (8,240) | - | (61,074) |
| **Net cash provided (used for) noncapital financing activities** | 34,069 | (8,240) | - | 25,829 |

| Cash Flows from Capital and Related Financing Activities | | | | |
| Payments on long-term debt | (538,120) | - | - | (538,120) |
| Purchase of capital assets | (53,537) | - | (18,909) | (72,446) |
| Interest paid on debt | (79,809) | - | (12,891) | (92,700) |
| Gain on sale of fixed assets | 300 | - | - | 300 |
| Refunds and reimbursements | 3,854 | - | - | 3,854 |
| **Net cash provided (used for) capital and related financing activities** | (667,312) | - | (31,800) | (699,112) |

| Cash Flows from Investing Activities | | | | |
| Earnings on investments and cash | 1,446 | 1,565 | 577 | 3,588 |
| Net change in cash and cash equivalents | (103,595) | 130,352 | 94,980 | 121,737 |

| Cash and cash equivalents - January 1 | $605,250 | $537,941 | $178,159 | $1,321,350 |

| Cash and cash equivalents - December 31 | $501,655 | $668,293 | $273,139 | $1,443,087 |

| Reconciliation of Operating Income to Net | | | | |
| Cash Provided by Operating Activities: | | | | |
| Operating income | $200,441 | $133,447 | $107,279 | $441,167 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 420,181 | 20,509 | 24,251 | 464,941 |
| Deferred outflows - pension | (11,840) | (8,106) | (1,931) | (21,877) |
| Net pension liabilities | (10,409) | (7,125) | (1,698) | (19,232) |
| Deferred inflows - pension | (7,887) | (5,400) | (1,286) | (14,573) |
| Changes in assets and liabilities | | | | |
| Accounts receivable | 1,044 | (1,172) | - | (128) |
| Inventory | - | 13,697 | - | 13,697 |
| Special assessments and taxes | 2,124 | - | - | 2,124 |
| Prepaid items | (4,856) | (4,856) | (3,001) | (12,713) |
| Accounts payable | (63,712) | (8,887) | 2,517 | (70,082) |
| Accrued expense | 3,116 | 4,920 | 72 | 8,108 |
| **Net Cash Provided by (Used for) Operating Activities** | $528,202 | $137,027 | $126,203 | $791,432 |

The notes to the financial statements are an integral part of the financial statements.
Note 1 - Summary of Significant Accounting Policies

The City of Blue Earth (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.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The City is the basic level of government which has oversight responsibility and control over all activities related to the government in the City’s area. The City receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental “reporting entity” as defined by the GASB pronouncement’s, since the mayor and council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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.
B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

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 **Capital Projects** capital project fund which accounts for the capital projects of the City.

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

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

The **General Obligation 2012A** debt service fund provides for the debt service of the 2012A 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 inter-fund 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.

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.

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.

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

1. **Cash and Investments**

Cash balances of the City's funds are combined (pooled) 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.

2. **Restricted Cash and Investments**

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds".

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.

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.

4. Inventories and Prepaid Items

All inventories are valued at the lower of cost or market, 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.

5. Land Held for Resale

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

All land held for resale is valued at the lower of cost or market.
6. Contract Negotiation Expenses

The cost of negotiating the contract extension with Alliant Energy is being amortized on the straight line method, over the life of the contract extension, which runs through April 2018. The balance as of December 31, 2015, was $109,067.

7. 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 government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets 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:

<table>
<thead>
<tr>
<th>Primary Government</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>7-40</td>
</tr>
<tr>
<td>Streets, bridges, and improvements</td>
<td>20-50</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>5-30</td>
</tr>
<tr>
<td>Collection and distribution</td>
<td>25-50</td>
</tr>
<tr>
<td>Vehicles</td>
<td>3-50</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>5-40</td>
</tr>
<tr>
<td>Land</td>
<td>Not Depreciated</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Component Unit</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>20-50</td>
</tr>
<tr>
<td>Generation</td>
<td>20-33</td>
</tr>
<tr>
<td>Transmission system</td>
<td>20-33</td>
</tr>
<tr>
<td>Distribution system</td>
<td>20-33</td>
</tr>
<tr>
<td>General equipment</td>
<td>5-20</td>
</tr>
<tr>
<td>Vehicles</td>
<td>7-20</td>
</tr>
<tr>
<td>Land</td>
<td>Not Depreciated</td>
</tr>
</tbody>
</table>

8. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position or governmental balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow (expense/expenditure) until then. The City has two items that qualify for reporting in this category.
They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position or the governmental balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The city has two items that qualify for reporting in this category. Unavailable revenue arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is only reported on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available. The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

9. 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. Costs for governmental compensated absences will be liquidated from the general fund. As of December 31, 2015, $51,179 and $19,434 was included in accrued salaries and wages in the governmental and proprietary funds, respectively.

The Board of Public Works has early retirement agreements with two former employees. The agreements include payouts of accumulated vacation and sick leave on the termination date, as well as continuation of medical insurance until age 65 (currently through August 2018). Insurance benefits are capped at $450 per month ($550 per month for one employee beginning in the calendar year 2010), and were discounted to present value using a three percent interest rate.

10. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Bond premiums and discounts are deferred and amortized over the life of the bonds and issuance costs are expensed in the period incurred. In the fund financial statements, governmental fund types recognize premiums received on debt issuances as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. As a result of implementing this statement, the City changed the classification of certain liabilities to deferred inflows of resources as described above.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA’s fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
12. Implementation of GASB Statements No. 68 and No. 71

As of January 1, 2015, the City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

13. Fund Balance and Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the government-wide financial statements and proprietary fund statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. It is the City’s policy to spend restricted net position before unrestricted net position. Fund balance is reported in classifications that describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. The City has designated the City Administrator.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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.

E. Inter-fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses in the government-wide financial statements and fund financial statements. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Transfers have been removed from the government-wide financial statements.
Note 2 -  Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at year end. The actual revenues, expenditures, and transfers for the year ended December 31, 2015, 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 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.

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.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts or other commitments) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.
B. Excess of Expenditures over Appropriations

For the year ended December 31, 2015, expenditures exceed appropriations in the following funds:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
<th>Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$ 53,178</td>
<td>Greater than anticipated revenues and available fund balance</td>
</tr>
<tr>
<td>Special Revenue Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EDA</td>
<td>491,193</td>
<td>Greater than anticipated revenues, available fund balance, and transfers from the other funds.</td>
</tr>
<tr>
<td>Airport</td>
<td>99,459</td>
<td>Greater than anticipated revenues</td>
</tr>
<tr>
<td>Housing Loan Fund</td>
<td>59,056</td>
<td>Greater than anticipated revenues</td>
</tr>
<tr>
<td>Debt Service Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Obligation 2005B</td>
<td>2,412</td>
<td>Greater than anticipated revenues</td>
</tr>
<tr>
<td>General Obligation 2009A</td>
<td>650</td>
<td>Greater than anticipated revenues</td>
</tr>
<tr>
<td>General Obligation 2006B</td>
<td>200</td>
<td>Greater than anticipated revenues and available fund balance</td>
</tr>
<tr>
<td>General Obligation 2006C</td>
<td>425</td>
<td>Greater than anticipated revenues and available fund balance</td>
</tr>
</tbody>
</table>

A budget was not established for the TIF 7-1 and the Capital projects funds.

C. Deficit Fund Equity

The following governmental funds had deficit fund equity at December 31, 2015:

| Special Revenue Fund     |        |                                                        |
| Airport                  | $ (266,831) |                                                        |
| Debt Service Funds       |        |                                                        |
| General Obligation 2005B | (4,545)  |                                                        |
| General Obligation 2013B | (5,786)  |                                                        |
| TIF 6-1                  | (2,766)  |                                                        |
| Capital Project          |        |                                                        |
| Capital Projects         | (228,561) |                                                        |
| Total                    | $ (508,489) |                                                        |

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

Note 3 - Detailed Notes on All Funds and Account Groups

A. Cash and Investments

1. 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.
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, 2015, none of the City’s bank balances were exposed to custodial credit risk.

2. Investments

As of December 31, 2015, the City had the following investments:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Weighted Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposit</td>
<td>$700,000</td>
<td>1.18</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>$136,766</td>
<td>0.59</td>
</tr>
<tr>
<td>Government bonds</td>
<td>$413,654</td>
<td>1.02</td>
</tr>
<tr>
<td><strong>Total Fair Value</strong></td>
<td><strong>$1,250,420</strong></td>
<td></td>
</tr>
</tbody>
</table>

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.

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, 2015, the City’s Government and Municipal bonds were rated AAA and AA1 by Moody and registered under the Federal Investment Company Act of 1940, meeting the conditions of rule 2a-7 of the SEC. The City’s certificates of deposits are insured by the FDIC and any amounts that exceed the $250,000 level are insured by independent insurance companies or pledged collateral.

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 Certificates of deposit issued by: American Express (15.94%), GE Capital (15.94%), Ally Bank (15.94%), and World Financial Network Bank (7.97%); Government bonds issued by: Federal Home Loan Mtg. Corp. (3.40%); and in Municipal bonds issued by: Linn County Iowa (6.17%).

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, 2015, none of the City’s investments were exposed to custodial credit risk.

B. Receivables

The City’s Housing Loan fund had notes receivable of $319,155 at year-end. A balance of $43,489 represents Housing and Urban Development (HUD) loans due in monthly installments with a rate of interest at 3.25 percent. All loans are secured by City liens. The remaining balances of $275,666 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 were made in amounts ranging from $475 to $22,504 on various dates during 2011 - 2015 and are secured by liens on the property.
The City’s EDA fund had notes receivable of $480,591 at year-end. Of this amount $292,665 represents loans due from businesses in monthly installments with rates of interest ranging from 4 percent to 5.5 percent. A balance of $5,806 represents Small City Development Program (SCDP) loans due in monthly installments with a rate of interest at 3 percent. These loans are secured by related real estate. An additional amount of $15,000 represents a forgivable loan that requires interest only payments at a rate of 3.25 percent. This loan was made during 2012, with 25 percent of the original balance forgiven during years 2, 3, 4, and 5 of the agreement if the property is not sold or transferred. The remaining $167,120 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.

Governmental funds report **deferred inflows** in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of **deferred outflows** and **unearned revenue** reported in the governmental funds were as follows:

<table>
<thead>
<tr>
<th>Unavailable</th>
<th>Unearned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special assessments not yet due (general fund)</td>
<td>$ 75,076</td>
</tr>
<tr>
<td>Special assessments not yet due (debt service funds)</td>
<td>$ 2,712,185</td>
</tr>
<tr>
<td>Delinquent property taxes and special assessments (general fund)</td>
<td>$ 45,905</td>
</tr>
<tr>
<td>Delinquent property taxes and special assessments (debt service funds)</td>
<td>$ 229,296</td>
</tr>
<tr>
<td>Delinquent property taxes (special revenue funds)</td>
<td>$ 591</td>
</tr>
<tr>
<td>Notes receivable (special revenue funds)</td>
<td>$ 799,744</td>
</tr>
<tr>
<td></td>
<td>$ 3,862,797</td>
</tr>
</tbody>
</table>

The following receivables are not expected to be collectible within one year: $2,779,264 of special assessments not yet due and $740,949 of notes receivable.

### C. Capital Assets

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

<table>
<thead>
<tr>
<th>General government</th>
<th>$ 4,780</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public safety</td>
<td>125,321</td>
</tr>
<tr>
<td>Public works</td>
<td>631,417</td>
</tr>
<tr>
<td>Airport</td>
<td>212,834</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>123,687</td>
</tr>
<tr>
<td>Housing and economic development</td>
<td>58,203</td>
</tr>
<tr>
<td><strong>Total Depreciation Expense</strong></td>
<td><strong>$ 1,156,242</strong></td>
</tr>
</tbody>
</table>
Capital asset activity for the year ended December 31, 2015, was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balances</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Assets, Not Being Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$728,312</td>
<td>$-</td>
<td>$-</td>
<td>$728,312</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>79,569</td>
<td>1,011,125</td>
<td>13,938</td>
<td>1,076,756</td>
</tr>
<tr>
<td>Total Capital Assets, Not Being Depreciated</td>
<td>807,881</td>
<td>1,011,125</td>
<td>13,938</td>
<td>1,805,068</td>
</tr>
<tr>
<td><strong>Capital Assets, Being Depreciated</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>8,424,941</td>
<td>28,252</td>
<td>-</td>
<td>8,453,193</td>
</tr>
<tr>
<td>Road network</td>
<td>30,156,633</td>
<td>410,652</td>
<td>-</td>
<td>30,567,285</td>
</tr>
<tr>
<td>Equipment</td>
<td>2,013,804</td>
<td>222,894</td>
<td>98,161</td>
<td>2,138,537</td>
</tr>
<tr>
<td>Vehicles</td>
<td>1,505,141</td>
<td>41,724</td>
<td>11,715</td>
<td>1,535,150</td>
</tr>
<tr>
<td>Total Capital Assets, Being Depreciated</td>
<td>42,100,519</td>
<td>703,522</td>
<td>109,876</td>
<td>42,694,165</td>
</tr>
<tr>
<td>Less Accumulated Depreciation for</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>2,658,847</td>
<td>201,685</td>
<td>-</td>
<td>2,860,532</td>
</tr>
<tr>
<td>Road network</td>
<td>9,361,958</td>
<td>772,606</td>
<td>-</td>
<td>10,134,564</td>
</tr>
<tr>
<td>Equipment</td>
<td>829,599</td>
<td>116,681</td>
<td>45,109</td>
<td>901,171</td>
</tr>
<tr>
<td>Vehicles</td>
<td>727,017</td>
<td>65,270</td>
<td>11,715</td>
<td>780,572</td>
</tr>
<tr>
<td>Total Accumulated Depreciation</td>
<td>13,577,421</td>
<td>1,156,242</td>
<td>56,824</td>
<td>14,676,839</td>
</tr>
<tr>
<td>Total Capital Assets, Being Depreciated, Net</td>
<td>28,523,098</td>
<td>(452,720)</td>
<td>53,052</td>
<td>28,017,326</td>
</tr>
<tr>
<td>Governmental Activities Capital Assets, Net</td>
<td>$29,330,979</td>
<td>$558,405</td>
<td>$66,990</td>
<td>$29,822,394</td>
</tr>
</tbody>
</table>

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

- Sewer: $420,181
- Fitness center: $24,251
- Liquor: $20,509

Total Depreciation Expense: $464,941

21
Capital asset activity for the year ended December 31, 2015, was as follows:

<table>
<thead>
<tr>
<th>Business-Type Activities</th>
<th>Beginning Balances</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Assets, Not Being Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$ 219,035</td>
<td></td>
<td></td>
<td>$ 219,035</td>
</tr>
<tr>
<td>Capital Assets, Being Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>5,760,002</td>
<td>72,446</td>
<td>55,199</td>
<td>5,777,249</td>
</tr>
<tr>
<td>Total Capital Assets, Being Depreciated</td>
<td>15,868,094</td>
<td>72,446</td>
<td>55,199</td>
<td>15,885,341</td>
</tr>
<tr>
<td>Less Accumulated Depreciation for</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and infrastructure</td>
<td>4,750,790</td>
<td>312,133</td>
<td></td>
<td>5,062,923</td>
</tr>
<tr>
<td>Equipment</td>
<td>1,164,152</td>
<td>152,808</td>
<td>55,199</td>
<td>1,261,761</td>
</tr>
<tr>
<td>Total Accumulated Depreciation</td>
<td>5,914,942</td>
<td>464,941</td>
<td>55,199</td>
<td>6,324,684</td>
</tr>
<tr>
<td>Total Capital Assets, Being Depreciated, Net</td>
<td>9,953,152</td>
<td>(392,495)</td>
<td></td>
<td>9,560,657</td>
</tr>
<tr>
<td>Business-Type Activities Capital Assets, Net</td>
<td>$10,172,187</td>
<td>(392,495)</td>
<td></td>
<td>$ 9,779,692</td>
</tr>
</tbody>
</table>

Component Unit:

<table>
<thead>
<tr>
<th>Business-Type Activities</th>
<th>Beginning Balances</th>
<th>Increases</th>
<th>Decreases</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Assets, Not Being Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$ 241,741</td>
<td></td>
<td>22,365</td>
<td>219,376</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>640,860</td>
<td></td>
<td>640,860</td>
<td></td>
</tr>
<tr>
<td>Total Capital Assets, Not Being Depreciated</td>
<td>882,601</td>
<td></td>
<td>665,225</td>
<td>219,376</td>
</tr>
<tr>
<td>Capital Assets, Being Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production equipment</td>
<td>4,213,398</td>
<td>1,212,888</td>
<td></td>
<td>5,426,286</td>
</tr>
<tr>
<td>Transmission equipment</td>
<td>2,515,879</td>
<td></td>
<td></td>
<td>2,515,879</td>
</tr>
<tr>
<td>Distribution equipment</td>
<td>17,789,966</td>
<td>1,766,784</td>
<td>168,346</td>
<td>19,388,404</td>
</tr>
<tr>
<td>General equipment</td>
<td>1,249,707</td>
<td>236,933</td>
<td>178,862</td>
<td>1,307,778</td>
</tr>
<tr>
<td>Total Capital Assets, Being Depreciated</td>
<td>25,768,950</td>
<td>3,216,605</td>
<td>347,208</td>
<td>28,638,347</td>
</tr>
<tr>
<td>Less Accumulated Depreciation for</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production equipment</td>
<td>2,533,045</td>
<td>136,259</td>
<td></td>
<td>2,669,304</td>
</tr>
<tr>
<td>Transmission equipment</td>
<td>2,032,420</td>
<td>28,166</td>
<td></td>
<td>2,058,586</td>
</tr>
<tr>
<td>Distribution equipment</td>
<td>7,233,891</td>
<td>570,775</td>
<td>289,001</td>
<td>7,515,665</td>
</tr>
<tr>
<td>General equipment</td>
<td>540,448</td>
<td>72,390</td>
<td>30,814</td>
<td>582,024</td>
</tr>
<tr>
<td>Total Accumulated Depreciation</td>
<td>12,339,804</td>
<td>805,590</td>
<td>319,815</td>
<td>12,825,579</td>
</tr>
<tr>
<td>Total Capital Assets, Being Depreciated, Net</td>
<td>13,429,146</td>
<td>2,411,015</td>
<td>27,393</td>
<td>15,812,768</td>
</tr>
<tr>
<td>Business-Type Activities Capital Assets, Net</td>
<td>$14,311,747</td>
<td>2,411,015</td>
<td>690,618</td>
<td>$16,022,144</td>
</tr>
</tbody>
</table>
D. 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:

<table>
<thead>
<tr>
<th>General Obligation Notes and Bond Issue and Purpose</th>
<th>Interest Rates</th>
<th>Amounts as of December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>G.O. Improvement Bonds of 2005, Series B of $90,000, due in annual installments of $10,000 through February 1, 2016.</td>
<td>4.0%</td>
<td>$10,000</td>
</tr>
<tr>
<td>G.O. Improvement Bonds of 2006, Series C of $224,000, due in annual installments of $25,000 to $30,000 through February 1, 2018.</td>
<td>4.3% to 4.5%</td>
<td>$80,000</td>
</tr>
<tr>
<td>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.</td>
<td>1.3% to 3.8%</td>
<td>$925,000</td>
</tr>
<tr>
<td>G.O. Bonds of 2010, Series A of $2,140,000, due in annual installments of $80,140 to $109,685 through February 1, 2026. This is the City's share of the bonds with the component unit.</td>
<td>.7% to 3.5%</td>
<td>$1,025,205</td>
</tr>
<tr>
<td>G.O. Refunding Bonds of 2011, Series A of $1,440,000, due in annual installments of $34,558 to $181,878 through April 1, 2020. This is the City's share of the bonds with the component unit.</td>
<td>3.0% to 4.8%</td>
<td>$252,789</td>
</tr>
<tr>
<td>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.</td>
<td>2.0% to 2.7%</td>
<td>$1,788,388</td>
</tr>
<tr>
<td>G.O. Refunding Bonds of 2012, Series A, of $1,560,000, due in annual installments of $50,000 to $190,000 through February 1, 2028.</td>
<td>2.0% to 2.7%</td>
<td>$2,035,000</td>
</tr>
<tr>
<td>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.</td>
<td>0.6% to 2.5%</td>
<td>$860,000</td>
</tr>
<tr>
<td>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.</td>
<td>2.3% to 3.8%</td>
<td>$1,275,000</td>
</tr>
<tr>
<td>G.O. Equip Certificate Bonds of 2013, Series B, of $235,000, due in annual installments of $45,000 to $50,000 through February 1, 2019.</td>
<td>3.0%</td>
<td>$190,000</td>
</tr>
<tr>
<td>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.</td>
<td>2.0% to 3.0%</td>
<td>$2,740,920</td>
</tr>
<tr>
<td>G.O. Improvement Bonds of 2015, Series A, of $3,204,500, due in annual installments of $140,250 to $263,500 through February 1, 2031. This is the City's share of the bonds with the component unit.</td>
<td>3.0%</td>
<td>$3,204,500</td>
</tr>
<tr>
<td>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.</td>
<td>2.0% to 3.0%</td>
<td>$450,000</td>
</tr>
</tbody>
</table>
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% 467,000

Note Payable with the Minnesota Public Facilities Authority of $741,656, due in annual installments of $31,000 to $43,000 through August 20, 2029. 2.6% 522,000

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% 1,207,000

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% 428,000

Note 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% 347,000

Note Payable with the Minnesota Public Facilities Authority of $3,290,170, due in annual installments of $182,000 to $194,000 through August 20, 2020. 1.3% 945,000

USDA Promissory Note of $180,000, due in annual installments of $2,544 to $13,100 through February 26, 2029. 4.0% 135,346

Total General Obligation Bonds $ 18,888,148

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

<table>
<thead>
<tr>
<th>Year Ending December 31</th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Discretely Presented Component Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>Interest</td>
<td>Principal</td>
<td>Interest</td>
</tr>
<tr>
<td>2016</td>
<td>$ 906,353</td>
<td>$ 346,687</td>
<td>$ 494,000</td>
</tr>
<tr>
<td>2017</td>
<td>1,061,385</td>
<td>390,143</td>
<td>501,000</td>
</tr>
<tr>
<td>2018</td>
<td>1,053,469</td>
<td>294,440</td>
<td>506,000</td>
</tr>
<tr>
<td>2019</td>
<td>1,043,899</td>
<td>269,713</td>
<td>518,000</td>
</tr>
<tr>
<td>2020</td>
<td>1,011,796</td>
<td>248,495</td>
<td>530,000</td>
</tr>
<tr>
<td>2021-2025</td>
<td>4,858,039</td>
<td>905,981</td>
<td>1,746,000</td>
</tr>
<tr>
<td>2026-2030</td>
<td>3,738,707</td>
<td>277,920</td>
<td>656,000</td>
</tr>
<tr>
<td>2031-2035</td>
<td>263,500</td>
<td>3,835</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$ 13,937,148</td>
<td>$ 2,737,214</td>
<td>$ 4,951,000</td>
</tr>
</tbody>
</table>

The balance of the long-term debt held by the discretely presented component unit is $4,189,076 in the water fund with interest rates ranging from 0.40% to 3.75% and are payable through February 2031. The electric fund's portion of the long-term debt is $643,926 with interest rates ranging from 1.68% to 2.04% and are payable through May 2018.
Changes in Long-Term Liabilities. During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

<table>
<thead>
<tr>
<th></th>
<th>Balance January 1</th>
<th>Additions</th>
<th>Reductions</th>
<th>Balance December 31</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General obligation bonds</td>
<td>$11,357,950</td>
<td>$3,204,500</td>
<td>$760,648</td>
<td>$13,801,802</td>
<td>$898,596</td>
</tr>
<tr>
<td>Bond premium</td>
<td>78,901</td>
<td>137,181</td>
<td>5,260</td>
<td>210,822</td>
<td>-</td>
</tr>
<tr>
<td>Total bonds payable</td>
<td>11,436,851</td>
<td>3,341,681</td>
<td>765,908</td>
<td>14,012,624</td>
<td>898,596</td>
</tr>
<tr>
<td>Note payable</td>
<td>142,772</td>
<td>-</td>
<td>7,426</td>
<td>135,346</td>
<td>7,757</td>
</tr>
</tbody>
</table>

| **Governmental activity** |                           |           |            |                      |                     |
| Long-term liabilities    | $11,579,623          | $3,341,681| $733,334   | $14,147,970          | $906,353            |

| **Refunding bonds included in governmental activities** | $2,844,667 | $ - | $281,878 | $2,562,789 | $240,718 |

| **Business-Type Activities** |                           |           |            |                      |                     |
| Bonds payable              |                           |           |            |                      |                     |
| G.O. revenue bonds         | $5,489,120               | $ -       | $538,120   | $4,951,000           | $494,000            |
| Bond premium               | 12,985                   | -         | 866        | 12,119               | -                   |
| Total bonds payable        | $5,502,105               | $ -       | $538,986   | $4,963,119           | $494,000            |

| **Discretely Presented Component Unit:** |                           |           |            |                      |                     |
| G.O. revenue bonds         | $4,080,883               | $1,215,136| $463,017   | $4,833,002           | $601,941            |

**Legal Debt Margin.** The legal debt limitation based on market value of taxable property in the municipality is equal to $4,388,280. As of December 31, 2015, $135,346 of the above debt applied to the legal debt margin.

**E. Inter-Fund Balances and Transfers**

Inter-fund transfers for the year ended December 31, 2015, consisted of the following:

<table>
<thead>
<tr>
<th>Fund</th>
<th>General Fund</th>
<th>Enterprise Fund - Sewer</th>
<th>Obligation 2014A</th>
<th>Obligation 2012A</th>
<th>Governmental Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$</td>
<td>$86,903</td>
<td>$4,941</td>
<td>$21,749</td>
<td>$65,417</td>
<td>$179,010</td>
</tr>
<tr>
<td>Other Governmental Funds</td>
<td>47,422</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>47,422</td>
</tr>
<tr>
<td>Enterprise Fund - Sewer</td>
<td>-</td>
<td>6,528</td>
<td>13,937</td>
<td>32,369</td>
<td>8,240</td>
<td>52,834</td>
</tr>
<tr>
<td>Enterprise Fund - Liquor</td>
<td>8,240</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,240</td>
</tr>
<tr>
<td>Economic Development Authority</td>
<td>996,354</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>996,354</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,052,016</td>
<td>$86,903</td>
<td>$11,469</td>
<td>$35,686</td>
<td>$97,786</td>
<td>$1,283,860</td>
</tr>
</tbody>
</table>
Purpose for Inter-fund Transfers:
- The general fund transferred funds to the enterprise sewer fund and the other governmental funds to aid in the payment of bonds and notes.
- The other governmental fund transferred to the general fund to close the fund after the debt service has been retired.
- The economic development authority transferred funds to the general fund to match after bonding.
- The liquor fund transferred funds to the general fund to reflect the budget transfer.
- The sewer fund transferred funds to the other governmental funds for the payment of bonds and notes.

F. Fund Balances and Restricted for Other Purposes Net Assets

Fund Balances as of December 31, 2015:

<table>
<thead>
<tr>
<th>Fund</th>
<th>General Fund</th>
<th>Economic Development Authority</th>
<th>Capital Projects</th>
<th>General Obligation 2014A</th>
<th>General Obligation 2006D</th>
<th>Nonmajor Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonspendable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land inventory</td>
<td>$</td>
<td>-</td>
<td>$</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 133,257</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Nonspendable</td>
<td>-</td>
<td>133,257</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>133,257</td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service</td>
<td>-</td>
<td>1,271,419</td>
<td>-</td>
<td>50,704</td>
<td>538,683</td>
<td>1,518,303</td>
<td>2,107,690</td>
</tr>
<tr>
<td>Economic development</td>
<td>-</td>
<td>1,271,419</td>
<td>-</td>
<td>50,704</td>
<td>538,683</td>
<td>1,518,303</td>
<td>2,107,690</td>
</tr>
<tr>
<td>Total Restricted</td>
<td>-</td>
<td>1,271,419</td>
<td>-</td>
<td>50,704</td>
<td>538,683</td>
<td>1,518,303</td>
<td>2,193,768</td>
</tr>
<tr>
<td>Assigned</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special purpose</td>
<td>13,233</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,233</td>
</tr>
<tr>
<td>Public safety</td>
<td>13,329</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,329</td>
</tr>
<tr>
<td>Street infrastructure</td>
<td>1,132,083</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,132,083</td>
</tr>
<tr>
<td>Senior donation</td>
<td>10,972</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,972</td>
</tr>
<tr>
<td>Total Assigned</td>
<td>1,169,617</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,169,617</td>
</tr>
<tr>
<td>Unassigned</td>
<td>1,565,829</td>
<td>(228,561)</td>
<td>-</td>
<td>(228,561)</td>
<td>(228,561)</td>
<td>(228,561)</td>
<td>(228,561)</td>
</tr>
<tr>
<td>Total Fund Balance</td>
<td>2,735,446</td>
<td>1,404,676</td>
<td>(228,561)</td>
<td>50,704</td>
<td>538,683</td>
<td>1,913,840</td>
<td>6,414,788</td>
</tr>
</tbody>
</table>

Restricted net position for Other Purposes Balance in Net Position as of December 31, 2015:

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted for EDA</td>
</tr>
<tr>
<td>Restricted for Airport</td>
</tr>
<tr>
<td>Restricted for Housing loan</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
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 2015 was $197,117.

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 Fund (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 either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

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.

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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. 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

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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year 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. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

2. PEPFF Benefits

Benefits for the PEPFF 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 PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

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. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended December 31, 2015, were $66,985. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the year ended December 31, 2015, were $43,982. The City's contributions were equal to the required contributions as set by state statute.
D. Pension Costs

1. GERF Pension Costs

At December 31, 2015, the District reported a liability of $756,648 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2015, the City’s proportion was 0.0146%, a decrease of 0.0027% when compared to the prior year.

For the year ended December 31, 2015, the City recognized pension expense of $69,151 for its proportionate share of the GERF’s pension expense.

At December 31, 2015, the City reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<table>
<thead>
<tr>
<th></th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differences between expected and actual economic experience</td>
<td>$ 7,017</td>
<td>$ 38,148</td>
</tr>
<tr>
<td>Changes in actuarial assumptions</td>
<td>47,121</td>
<td>-</td>
</tr>
<tr>
<td>Difference between projected and actual investment earnings</td>
<td>71,628</td>
<td>138,984</td>
</tr>
<tr>
<td>City’s contributions to GERF subsequent to the measurement date</td>
<td>34,187</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$ 159,953</td>
<td>$ 177,132</td>
</tr>
</tbody>
</table>

$34,187 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>Pension Expense Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$ (14,068)</td>
</tr>
<tr>
<td>2017</td>
<td>(14,068)</td>
</tr>
<tr>
<td>2018</td>
<td>(41,137)</td>
</tr>
<tr>
<td>2019</td>
<td>17,907</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
</tr>
</tbody>
</table>
2. **PEPFF Pension Costs**

At December 31, 2015, the City reported a liability of $318,146 for its proportionate share of the PEPFF’s net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2015, the City’s proportion was 0.028%, a decrease of 0.001% when compared to the prior year.

For the year ended December 31, 2015, the City recognized pension expense of $53,024 for its proportionate share of the PEPFF’s pension expense. The City recognized $2,520 for the year ended December 31, 2015, as grant revenue for its proportionate share of the State of Minnesota’s on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing $9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, 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:

| Differences between expected and actual economic experience | $ 338 | $ 51,593 |
| Changes in actuarial assumptions | 60,470 | |
| Difference between projected and actual investment earnings | 55,432 | 111,915 |
| City’s contributions to PEPFF subsequent to the measurement date | 22,894 | |
| **Total** | **$ 139,134** | **$ 163,508** |

$22,894 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>Pension Expense Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$(18,563)</td>
</tr>
<tr>
<td>2017</td>
<td>$(18,563)</td>
</tr>
<tr>
<td>2018</td>
<td>$(18,563)</td>
</tr>
<tr>
<td>2019</td>
<td>18,741</td>
</tr>
<tr>
<td>2020</td>
<td>$(10,320)</td>
</tr>
</tbody>
</table>
E. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>PERF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation</td>
<td>2.75% per year</td>
</tr>
<tr>
<td>Active Member Payroll Growth</td>
<td>3.50% per year</td>
</tr>
<tr>
<td>Investment Rate of Return</td>
<td>7.90% per year</td>
</tr>
</tbody>
</table>

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabiltants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1st through 2034 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA’s other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Allocations</th>
<th>Long-Term Expected Real Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Stocks</td>
<td>45%</td>
<td>5.50%</td>
</tr>
<tr>
<td>International Stocks</td>
<td>15%</td>
<td>6.00%</td>
</tr>
<tr>
<td>Bonds</td>
<td>18%</td>
<td>1.45%</td>
</tr>
<tr>
<td>Alternative Assets</td>
<td>20%</td>
<td>6.40%</td>
</tr>
<tr>
<td>Cash</td>
<td>2%</td>
<td>0.50%</td>
</tr>
</tbody>
</table>

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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:

<table>
<thead>
<tr>
<th></th>
<th>1% Decrease in Discount Rate</th>
<th>Discount Rate</th>
<th>1% Increase in Discount Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>GERF discount rate</td>
<td>6.90%</td>
<td>7.90%</td>
<td>8.90%</td>
</tr>
<tr>
<td>City’s proportionate share of the GERF net pension liability</td>
<td>$1,189,719</td>
<td>$756,648</td>
<td>$398,997</td>
</tr>
<tr>
<td>PEPFF discount rate</td>
<td>6.90%</td>
<td>7.90%</td>
<td>8.90%</td>
</tr>
<tr>
<td>City’s proportionate share of the PEPFF net pension liability</td>
<td>$620,069</td>
<td>$318,146</td>
<td>$68,704</td>
</tr>
</tbody>
</table>

H. 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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling 651-296-7460 or 800-652-9026.

Note 6 - Other Information

A. Risk Management

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

Note 7 - Change in Accounting Principle

As of January 1, 2015, the City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated as shown below:

<table>
<thead>
<tr>
<th></th>
<th>Deferred Outflows</th>
<th>Deferred Inflows</th>
<th>Net Pension Liability</th>
<th>Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Funds</td>
<td>$ 141,915</td>
<td>$(298,749)</td>
<td>$(846,890)</td>
<td>$(1,003,724)</td>
</tr>
<tr>
<td>Business-type Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewer Fund</td>
<td>$ 17,879</td>
<td>$(40,798)</td>
<td>$(150,994)</td>
<td>$(173,913)</td>
</tr>
<tr>
<td>Liquor Fund</td>
<td>12,240</td>
<td>(27,931)</td>
<td>(103,371)</td>
<td>(119,062)</td>
</tr>
<tr>
<td>Fitness Center Fund</td>
<td>2,916</td>
<td>(6,653)</td>
<td>(24,624)</td>
<td>(28,361)</td>
</tr>
<tr>
<td>Total Business-type Activities</td>
<td>$ 33,035</td>
<td>$(75,382)</td>
<td>$(278,989)</td>
<td>$(321,336)</td>
</tr>
</tbody>
</table>
## Budgetary Comparison Schedule – General Fund

**Year Ended December 31, 2015**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>$ 1,144,858</td>
<td>$ 1,144,858</td>
<td>$ 492,793</td>
<td>($652,065)</td>
</tr>
<tr>
<td>Franchise</td>
<td>300,837</td>
<td>300,837</td>
<td>267,983</td>
<td>(32,854)</td>
</tr>
<tr>
<td>Special assessments</td>
<td>1,030</td>
<td>1,030</td>
<td>8,600</td>
<td>7,570</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>28,112</td>
<td>28,112</td>
<td>32,602</td>
<td>4,490</td>
</tr>
<tr>
<td>Intergovernmental revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local government aid</td>
<td>1,835,063</td>
<td>1,835,063</td>
<td>1,807,351</td>
<td>(27,712)</td>
</tr>
<tr>
<td>Residential market value credit</td>
<td>-</td>
<td>-</td>
<td>1,478</td>
<td>1,478</td>
</tr>
<tr>
<td>Other state aids and grants</td>
<td>94,128</td>
<td>94,128</td>
<td>124,976</td>
<td>30,848</td>
</tr>
<tr>
<td>Police aid</td>
<td>31,970</td>
<td>31,970</td>
<td>35,890</td>
<td>3,920</td>
</tr>
<tr>
<td>Fire aid</td>
<td>27,712</td>
<td>27,712</td>
<td>48,146</td>
<td>20,434</td>
</tr>
<tr>
<td>Charges for services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>5,892</td>
<td>5,892</td>
<td>5,647</td>
<td>(245)</td>
</tr>
<tr>
<td>Police and fire contracts</td>
<td>43,371</td>
<td>43,371</td>
<td>49,672</td>
<td>6,301</td>
</tr>
<tr>
<td>Garbage and recycling</td>
<td>33,403</td>
<td>33,403</td>
<td>48,436</td>
<td>15,033</td>
</tr>
<tr>
<td>Parks and recreation</td>
<td>74,984</td>
<td>74,984</td>
<td>66,873</td>
<td>(8,111)</td>
</tr>
<tr>
<td>Storm water</td>
<td>-</td>
<td>-</td>
<td>60,249</td>
<td>60,249</td>
</tr>
<tr>
<td>Fines and forfeits</td>
<td>2,987</td>
<td>2,987</td>
<td>440</td>
<td>(2,547)</td>
</tr>
<tr>
<td>Interest earnings</td>
<td>51,500</td>
<td>51,500</td>
<td>29,550</td>
<td>(21,950)</td>
</tr>
<tr>
<td>Miscellaneous revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental</td>
<td>23,406</td>
<td>23,406</td>
<td>21,340</td>
<td>(2,066)</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>24,205</td>
<td>24,205</td>
<td>100,896</td>
<td>76,691</td>
</tr>
<tr>
<td>SCORE</td>
<td>9,300</td>
<td>9,300</td>
<td>24,269</td>
<td>14,969</td>
</tr>
<tr>
<td>Donations</td>
<td>-</td>
<td>-</td>
<td>37,293</td>
<td>37,293</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>3,732,758</td>
<td>3,732,758</td>
<td>3,264,481</td>
<td>(468,274)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mayor and council</td>
<td>30,100</td>
<td>30,100</td>
<td>31,607</td>
<td>(1,507)</td>
</tr>
<tr>
<td>Administration and finance</td>
<td>297,109</td>
<td>297,109</td>
<td>312,331</td>
<td>(15,222)</td>
</tr>
<tr>
<td>Other general government</td>
<td>72,960</td>
<td>72,960</td>
<td>67,765</td>
<td>5,195</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>-</td>
<td>-</td>
<td>1,044</td>
<td>(1,044)</td>
</tr>
<tr>
<td>Public safety</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Police</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current expenditures</td>
<td>566,329</td>
<td>566,329</td>
<td>520,307</td>
<td>46,022</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>42,000</td>
<td>42,000</td>
<td>46,555</td>
<td>(4,555)</td>
</tr>
<tr>
<td>Fire</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current expenditures</td>
<td>186,297</td>
<td>186,297</td>
<td>210,878</td>
<td>(24,581)</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>82,000</td>
<td>82,000</td>
<td>8,643</td>
<td>73,357</td>
</tr>
<tr>
<td>Other protection</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current expenditures</td>
<td>-</td>
<td>-</td>
<td>2,718</td>
<td>(2,718)</td>
</tr>
<tr>
<td>Public Works</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Streets and highways</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Street maintenance</td>
<td>856,006</td>
<td>856,006</td>
<td>816,742</td>
<td>39,264</td>
</tr>
<tr>
<td>Sanitation and health</td>
<td>21,847</td>
<td>21,847</td>
<td>38,723</td>
<td>(16,876)</td>
</tr>
<tr>
<td>Street lighting</td>
<td>48,000</td>
<td>48,000</td>
<td>61,476</td>
<td>(13,476)</td>
</tr>
<tr>
<td>Public Works - other capital outlay</td>
<td>50,000</td>
<td>50,000</td>
<td>154,945</td>
<td>(104,945)</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Library - current expenditures</td>
<td>197,444</td>
<td>197,444</td>
<td>198,433</td>
<td>(989)</td>
</tr>
<tr>
<td>Library - capital outlay</td>
<td>2,000</td>
<td>2,000</td>
<td>-</td>
<td>2,000</td>
</tr>
<tr>
<td>Senior Center - current expenditures</td>
<td>72,377</td>
<td>72,377</td>
<td>70,544</td>
<td>1,833</td>
</tr>
<tr>
<td>Swimming Pool - current expenditures</td>
<td>138,272</td>
<td>138,272</td>
<td>143,763</td>
<td>5,491</td>
</tr>
<tr>
<td>Swimming Pool - capital outlay</td>
<td>2,800</td>
<td>2,800</td>
<td>2,074</td>
<td>(726)</td>
</tr>
<tr>
<td>Storm Water</td>
<td>16,900</td>
<td>16,900</td>
<td>20,304</td>
<td>(3,404)</td>
</tr>
<tr>
<td>Debt Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>13,524</td>
<td>13,524</td>
<td>7,427</td>
<td>6,097</td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>-</td>
<td>6,098</td>
<td>(6,098)</td>
</tr>
<tr>
<td>All other - current expenditures</td>
<td>69,451</td>
<td>69,451</td>
<td>95,337</td>
<td>(25,886)</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>2,765,416</td>
<td>2,765,416</td>
<td>2,818,594</td>
<td>(53,178)</td>
</tr>
</tbody>
</table>

| Excess of Revenue over Expenditures | 967,342 | 967,342 | 445,890 | (521,452) |

See Notes to the Required Supplementary Information
City of Blue Earth
Budgetary Comparison Schedule – General Fund - Continued
Year Ended December 31, 2015

<table>
<thead>
<tr>
<th>Other Financing Sources (Uses)</th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of capital assets</td>
<td>(103)</td>
<td>(103)</td>
<td>441</td>
<td>544</td>
</tr>
<tr>
<td>Transfers in</td>
<td>8,240</td>
<td>8,240</td>
<td>1,052,016</td>
<td>1,043,776</td>
</tr>
<tr>
<td>Transfers out</td>
<td>-</td>
<td>-</td>
<td>(179,010)</td>
<td>(179,010)</td>
</tr>
<tr>
<td>Total Other Financing Sources (Uses)</td>
<td>8,137</td>
<td>8,137</td>
<td>873,447</td>
<td>865,310</td>
</tr>
<tr>
<td>Net Change in Fund Balances</td>
<td>975,479</td>
<td>975,479</td>
<td>1,319,337</td>
<td>343,858</td>
</tr>
<tr>
<td>Fund Balance - Beginning</td>
<td>3,140,584</td>
<td>3,140,584</td>
<td>1,416,109</td>
<td>(1,724,475)</td>
</tr>
<tr>
<td>Fund Balance - Ending</td>
<td>$ 4,116,063</td>
<td>$ 4,116,063</td>
<td>$ 2,735,446</td>
<td>$(1,380,617)</td>
</tr>
</tbody>
</table>

See Notes to the Required Supplementary Information
## City of Blue Earth

**Budgetary Comparison Schedule – EDA Fund**

**Year Ended December 31, 2015**

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>$ 84,014</td>
<td>$ 84,014</td>
<td>$ 552</td>
<td>$(83,462)</td>
</tr>
<tr>
<td>Charges for services</td>
<td>5,500</td>
<td>5,500</td>
<td>83,272</td>
<td>77,772</td>
</tr>
<tr>
<td>Rent payments</td>
<td>-</td>
<td>-</td>
<td>233,866</td>
<td>233,866</td>
</tr>
<tr>
<td>Interest received</td>
<td>-</td>
<td>-</td>
<td>2,007</td>
<td>2,007</td>
</tr>
<tr>
<td>Donations</td>
<td>-</td>
<td>-</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Miscellaneous revenue</td>
<td>20,000</td>
<td>20,000</td>
<td>21,049</td>
<td>1,049</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>109,514</td>
<td>109,514</td>
<td>390,746</td>
<td>281,232</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic development</td>
<td>89,514</td>
<td>89,514</td>
<td>386,941</td>
<td>(297,427)</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>20,000</td>
<td>20,000</td>
<td>177,742</td>
<td>(157,742)</td>
</tr>
<tr>
<td>Bond issuance costs</td>
<td>-</td>
<td>-</td>
<td>36,024</td>
<td>(36,024)</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>109,514</td>
<td>109,514</td>
<td>600,707</td>
<td>(491,193)</td>
</tr>
<tr>
<td><strong>Excess of Revenue over Expenditures</strong></td>
<td>-</td>
<td>-</td>
<td>(209,961)</td>
<td>(209,961)</td>
</tr>
<tr>
<td><strong>Other Financing Sources (Uses)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond proceeds</td>
<td>-</td>
<td>-</td>
<td>1,585,250</td>
<td>1,585,250</td>
</tr>
<tr>
<td>Premium on bond issuance</td>
<td>-</td>
<td>-</td>
<td>67,833</td>
<td>67,833</td>
</tr>
<tr>
<td>Transfer out</td>
<td>-</td>
<td>-</td>
<td>(996,354)</td>
<td>(996,354)</td>
</tr>
<tr>
<td><strong>Total other financing sources</strong></td>
<td>-</td>
<td>-</td>
<td>656,729</td>
<td>656,729</td>
</tr>
<tr>
<td>Net change in fund balance</td>
<td>-</td>
<td>-</td>
<td>446,768</td>
<td>446,768</td>
</tr>
<tr>
<td><strong>Fund Balance - Beginning</strong></td>
<td>1,428,893</td>
<td>1,428,893</td>
<td>957,908</td>
<td>(470,985)</td>
</tr>
<tr>
<td><strong>Fund Balance - Ending</strong></td>
<td>$1,428,893</td>
<td>$1,428,893</td>
<td>$1,404,676</td>
<td>$(24,217)</td>
</tr>
</tbody>
</table>

See Notes to the Required Supplementary Information
A. 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, 2015, 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.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts or other commitments) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2015, expenditures exceed appropriations in the following funds:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
<th>Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$53,178</td>
<td>Greater than anticipated revenues and available fund balance</td>
</tr>
<tr>
<td>Special Revenue Funds EDA</td>
<td>491,193</td>
<td>Greater than anticipated revenues, available fund balance, and transfers from the other funds.</td>
</tr>
</tbody>
</table>
### Schedule of Employer’s Share of Net Pension Liability
#### Last 10 Fiscal Years *

<table>
<thead>
<tr>
<th>Pension Plan</th>
<th>Measurement Date</th>
<th>City’s Proportion of Net Pension Liability (Asset)</th>
<th>City’s Proportionate Share (Amount) of the Net Pension Liability Associated With District</th>
<th>State’s Proportionate Share (Amount) of the Net Pension Liability</th>
<th>Total (d)</th>
<th>City’s Covered - Employee Payroll (c)</th>
<th>City’s Proportionate Share of the Net Pension Liability (Asset) as a Percentage of the Total Pension Liability</th>
<th>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>GERP</td>
<td>06/30/15</td>
<td>$716,648</td>
<td>N/A</td>
<td>$716,648</td>
<td>$393,140</td>
<td>$83,308</td>
<td>51.7%</td>
<td>78.2%</td>
</tr>
<tr>
<td>GERP-1</td>
<td>06/30/14</td>
<td>$812,697</td>
<td>N/A</td>
<td>$812,697</td>
<td>$83,308</td>
<td>$88,308</td>
<td>91.7%</td>
<td>78.9%</td>
</tr>
<tr>
<td>PEPF</td>
<td>06/30/15</td>
<td>$318,146</td>
<td>N/A</td>
<td>$318,146</td>
<td>$271,492</td>
<td>$127,200</td>
<td>117.2%</td>
<td>86.0%</td>
</tr>
<tr>
<td>PEPF-1</td>
<td>06/30/14</td>
<td>$313,212</td>
<td>N/A</td>
<td>$313,212</td>
<td>$247,316</td>
<td>$136,700</td>
<td>136.7%</td>
<td>87.1%</td>
</tr>
</tbody>
</table>

### Schedule of Employer’s Contributions
#### Last 10 Fiscal Years *

<table>
<thead>
<tr>
<th>Pension Plan</th>
<th>Fiscal Year Ending</th>
<th>Statutorily Required Contribution (a)</th>
<th>Statutorily Required Contribution (b)</th>
<th>Contribution Deficiency (Excess) (a-b)</th>
<th>Covered - Employee Payroll (d)</th>
<th>Contributions as a Percentage of the Total Pension Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>GERP</td>
<td>12/31/15</td>
<td>$66,985</td>
<td>$66,985</td>
<td>$-</td>
<td>$994,471</td>
<td>6.7%</td>
</tr>
<tr>
<td>GERP-1</td>
<td>12/31/14</td>
<td>$64,454</td>
<td>$64,454</td>
<td>$-</td>
<td>$933,709</td>
<td>6.9%</td>
</tr>
<tr>
<td>PEPF</td>
<td>12/31/15</td>
<td>$43,982</td>
<td>$43,982</td>
<td>$-</td>
<td>$370,968</td>
<td>11.9%</td>
</tr>
<tr>
<td>PEPF-1</td>
<td>12/31/14</td>
<td>$37,809</td>
<td>$37,809</td>
<td>$-</td>
<td>$336,580</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

* GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.
### Debt Service Funds

#### Assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>$ -</td>
<td>$ 91,837</td>
<td>$ 73,075</td>
<td>$ 217,648</td>
<td>$ 584,119</td>
<td>$ 462,960</td>
<td>$ 74,567</td>
<td>$ 6,964</td>
<td>$ -</td>
<td>-</td>
<td>-</td>
<td>$ 1,512,770</td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>-</td>
<td>104</td>
<td>4,049</td>
<td>1,003</td>
<td>7,652</td>
<td>1,535</td>
<td>4,626</td>
<td>2,931</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 21,600</td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>-</td>
<td>1,235</td>
<td>22,330</td>
<td>49,620</td>
<td>404,474</td>
<td>122,467</td>
<td>379,257</td>
<td>370,166</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 1,349,549</td>
<td></td>
</tr>
<tr>
<td>Special assessments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>$ -</td>
<td>$ 1,330</td>
<td>$ 95,486</td>
<td>$ 99,008</td>
<td>$ 274,120</td>
<td>$ 490,128</td>
<td>$ 590,053</td>
<td>$ 382,684</td>
<td>$ 444,733</td>
<td>$ 6,964</td>
<td>$ -</td>
<td>$ 2,884,119</td>
<td></td>
</tr>
</tbody>
</table>

#### Liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$ -</td>
<td>$ 5,809</td>
<td>$ 200</td>
<td>$ 200</td>
<td>$ 200</td>
<td>$ 200</td>
<td>$ 200</td>
<td>$ -</td>
<td>-</td>
<td>-</td>
<td>$ 1,000</td>
<td></td>
</tr>
<tr>
<td>Checks in excess of deposits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,266</td>
<td>-</td>
<td>-</td>
<td>2,766</td>
<td>15,866</td>
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</tr>
<tr>
<td>Total liabilities</td>
<td>$ -</td>
<td>$ 5,809</td>
<td>$ 280</td>
<td>$ 200</td>
<td>$ 200</td>
<td>$ 7,469</td>
<td>-</td>
<td>-</td>
<td>2,766</td>
<td>16,346</td>
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</tr>
</tbody>
</table>

#### Deferred Inflow of Resources

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unavailable revenue</td>
<td>-</td>
<td>75</td>
<td>3,189</td>
<td>23,092</td>
<td>55,454</td>
<td>403,632</td>
<td>126,056</td>
<td>380,405</td>
<td>-</td>
<td>-</td>
<td>$ 1,362,069</td>
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</table>

#### Fund Balance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 1,518,303</td>
<td></td>
</tr>
<tr>
<td>Unassigned</td>
<td>(4,545)</td>
<td>-</td>
<td>92,097</td>
<td>75,916</td>
<td>218,666</td>
<td>586,296</td>
<td>463,797</td>
<td>-</td>
<td>74,567</td>
<td>6,964</td>
<td>$ (13,097)</td>
<td></td>
</tr>
<tr>
<td>Total Fund balance</td>
<td>(4,545)</td>
<td>92,097</td>
<td>75,916</td>
<td>218,666</td>
<td>586,296</td>
<td>463,797</td>
<td>(5,786)</td>
<td>74,567</td>
<td>6,964</td>
<td>-</td>
<td>$ (1,057,206)</td>
<td></td>
</tr>
</tbody>
</table>

#### Total Liabilities, Deferred Inflows of Resources, and Fund Balances

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$ -</td>
<td>$ 1,330</td>
<td>$ 95,486</td>
<td>$ 99,008</td>
<td>$ 274,120</td>
<td>$ 490,128</td>
<td>$ 590,053</td>
<td>$ 382,684</td>
<td>$ 444,733</td>
<td>$ 6,964</td>
<td>-</td>
<td>$ 2,884,119</td>
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</tr>
</tbody>
</table>
## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Funds

### Year Ended December 31, 2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>$79</td>
<td>$1,603</td>
<td>$84,262</td>
<td>$24,869</td>
<td>$180,096</td>
<td>$43,913</td>
<td>$59,055</td>
<td>$102,929</td>
<td>$ -</td>
<td>$6,507</td>
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<tr>
<td>Special assessments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest earnings</td>
<td>127</td>
<td>112</td>
<td>151</td>
<td>-</td>
<td>-</td>
<td>1,537</td>
<td>985</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous revenue</td>
<td>-</td>
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<td>0</td>
<td>-</td>
<td>0</td>
<td>-</td>
<td>-</td>
<td>60,483</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>206</td>
<td>1,764</td>
<td>84,374</td>
<td>36,557</td>
<td>184,305</td>
<td>102,963</td>
<td>517,041</td>
<td>131,291</td>
<td>6,518</td>
<td>2,048</td>
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<tr>
<td><strong>Expenditures</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All other - current expenditures</td>
<td>-</td>
<td>2,412</td>
<td>200</td>
<td>425</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>36,524</td>
<td>6,452</td>
<td>-</td>
</tr>
<tr>
<td>Debt Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Principal</td>
<td>-</td>
<td>10,000</td>
<td>65,000</td>
<td>25,000</td>
<td>145,000</td>
<td>80,140</td>
<td>106,878</td>
<td>100,250</td>
<td>-</td>
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<tr>
<td>Interest and fiscal charges</td>
<td>-</td>
<td>624</td>
<td>15,538</td>
<td>4,163</td>
<td>30,945</td>
<td>29,865</td>
<td>6,556</td>
<td>46,228</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bond issuance costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20,700</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>-</td>
<td>13,036</td>
<td>80,238</td>
<td>29,588</td>
<td>175,745</td>
<td>110,205</td>
<td>113,434</td>
<td>146,678</td>
<td>6,452</td>
<td>11</td>
</tr>
<tr>
<td><strong>Excess (Deficiency) of Revenues over (under) Expenditures</strong></td>
<td>206</td>
<td>(1,272)</td>
<td>3,636</td>
<td>969</td>
<td>8,556</td>
<td>(4,242)</td>
<td>(31,833)</td>
<td>(9,637)</td>
<td>66</td>
<td>2,037</td>
</tr>
<tr>
<td>Other Financing Sources (Uses)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Operating transfers in</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>97,786</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating transfers out</td>
<td>(47,422)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Other Financing Sources (Uses)</strong></td>
<td>(47,422)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>97,786</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Change in Fund Balances</strong></td>
<td>(47,422)</td>
<td>(1,272)</td>
<td>3,636</td>
<td>969</td>
<td>8,556</td>
<td>93,544</td>
<td>31,833</td>
<td>(9,637)</td>
<td>66</td>
<td>2,037</td>
</tr>
<tr>
<td><strong>Fund Balance - Beginning</strong></td>
<td>47,216</td>
<td>(3,733)</td>
<td>88,461</td>
<td>74,947</td>
<td>210,106</td>
<td>402,752</td>
<td>405,632</td>
<td>3,851</td>
<td>6,898</td>
<td>4,803</td>
</tr>
<tr>
<td><strong>Fund Balance - Ending</strong></td>
<td>-</td>
<td>(4,545)</td>
<td>92,097</td>
<td>75,916</td>
<td>218,666</td>
<td>586,296</td>
<td>463,297</td>
<td>(5,765)</td>
<td>6,964</td>
<td>-</td>
</tr>
</tbody>
</table>
## City of Blue Earth
### Combining Balance Sheet – Nonmajor Special Revenue Funds
#### Year Ended December 31, 2015

<table>
<thead>
<tr>
<th>Special Revenue Funds</th>
<th>Airport Fund</th>
<th>Housing Loan Fund</th>
<th>Total Special Revenue Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$</td>
<td>$ 676,180</td>
<td>$ 676,180</td>
</tr>
<tr>
<td>Receivables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>30</td>
<td>79</td>
<td>109</td>
</tr>
<tr>
<td>Special Assessments</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accounts</td>
<td>315</td>
<td>-</td>
<td>315</td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>129</td>
<td>129</td>
</tr>
<tr>
<td>Notes</td>
<td>-</td>
<td>319,155</td>
<td>319,155</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 345</td>
<td>$ 995,543</td>
<td>$ 995,888</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 9,895</td>
<td>$ -</td>
<td>$ 9,895</td>
</tr>
<tr>
<td>Checks in excess of deposits</td>
<td>257,251</td>
<td>-</td>
<td>257,251</td>
</tr>
<tr>
<td>Other payables</td>
<td>-</td>
<td>207</td>
<td>207</td>
</tr>
<tr>
<td>Accrued wages and salaries</td>
<td>-</td>
<td>637</td>
<td>637</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>267,146</td>
<td>844</td>
<td>267,990</td>
</tr>
<tr>
<td><strong>Deferred Inflow of Resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unavailable revenue</td>
<td>30</td>
<td>319,234</td>
<td>319,264</td>
</tr>
<tr>
<td><strong>Fund balances</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted</td>
<td>-</td>
<td>675,465</td>
<td>675,465</td>
</tr>
<tr>
<td>Unassigned</td>
<td>(266,831)</td>
<td>-</td>
<td>(266,831)</td>
</tr>
<tr>
<td><strong>Total fund balances</strong></td>
<td>(266,831)</td>
<td>675,465</td>
<td>408,634</td>
</tr>
<tr>
<td><strong>Total Liabilities, Deferred inflows of resources, and Fund Balances</strong></td>
<td>$ 345</td>
<td>$ 995,543</td>
<td>$ 995,888</td>
</tr>
</tbody>
</table>
City of Blue Earth

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds

Year Ended December 31, 2015

<table>
<thead>
<tr>
<th></th>
<th>Airport Fund</th>
<th>Housing Loan Fund</th>
<th>Total Special Revenue Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>$ 23</td>
<td>$ 49</td>
<td>$ 72</td>
</tr>
<tr>
<td>Federal grants</td>
<td>27,713</td>
<td>-</td>
<td>27,713</td>
</tr>
<tr>
<td>Charges for services</td>
<td>104,380</td>
<td>-</td>
<td>104,380</td>
</tr>
<tr>
<td>Interest received</td>
<td>-</td>
<td>1,857</td>
<td>1,857</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>38,100</td>
<td>38,100</td>
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<tr>
<td>Donations</td>
<td>-</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>132,116</td>
<td>45,006</td>
<td>177,122</td>
</tr>
</tbody>
</table>

|                      |              |                   |                             |
| **Expenditures**     |              |                   |                             |
| Economic Development - current expenditures | - | 16,067 | 16,067 |
| Economic Development - capital outlay | - | 52,113 | 52,113 |
| Miscellaneous        |              |                   |                             |
| Airport - current expenditures | 78,994 | - | 78,994 |
| Airport - capital outlay | 97,385 | - | 97,385 |
| Debt Service         |              |                   |                             |
| Interest and fiscal charges | 556 | - | 556 |
| **Total expenditures** | 176,935 | 68,180 | 245,115 |

|                      |              |                   |                             |
| **Net Change in Fund Balances** | (44,819) | (23,174) | (67,993) |

|                      |              |                   |                             |
| **Fund Balance - Beginning** | (222,012) | 698,639 | 476,627 |

|                      |              |                   |                             |
| **Fund Balance - Ending** | $ (266,831) | $ 675,465 | $ 408,624 |
City of Blue Earth
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Major and Nonmajor
Governmental Funds
Year Ended December 31, 2015

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Total Nonmajor Governmental Funds</th>
<th>Total Major Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>$505,433</td>
<td>$746,079</td>
<td>$1,251,512</td>
</tr>
<tr>
<td>Franchise</td>
<td>267,983</td>
<td>267,983</td>
<td>267,983</td>
</tr>
<tr>
<td>Special assessments</td>
<td>207,299</td>
<td>321,247</td>
<td>528,546</td>
</tr>
<tr>
<td>Federal grants</td>
<td>27,713</td>
<td>-</td>
<td>27,713</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>-</td>
<td>32,602</td>
<td>32,602</td>
</tr>
<tr>
<td>Intergovernmental revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local government aid</td>
<td>-</td>
<td>1,807,351</td>
<td>1,807,351</td>
</tr>
<tr>
<td>Residential market value credit</td>
<td>-</td>
<td>1,478</td>
<td>1,478</td>
</tr>
<tr>
<td>Other state aids and grants</td>
<td>-</td>
<td>836,636</td>
<td>836,636</td>
</tr>
<tr>
<td>Police aid</td>
<td>-</td>
<td>35,890</td>
<td>35,890</td>
</tr>
<tr>
<td>Fire aid</td>
<td>-</td>
<td>48,146</td>
<td>48,146</td>
</tr>
<tr>
<td>Charges for services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>-</td>
<td>88,919</td>
<td>88,919</td>
</tr>
<tr>
<td>Police and fire contracts</td>
<td>-</td>
<td>49,672</td>
<td>49,672</td>
</tr>
<tr>
<td>Garbage and recycling</td>
<td>-</td>
<td>48,436</td>
<td>48,436</td>
</tr>
<tr>
<td>Parks and recreation</td>
<td>-</td>
<td>66,873</td>
<td>66,873</td>
</tr>
<tr>
<td>Airports</td>
<td>104,380</td>
<td>-</td>
<td>104,380</td>
</tr>
<tr>
<td>Storm water</td>
<td>-</td>
<td>60,249</td>
<td>60,249</td>
</tr>
<tr>
<td>Fines and forfeits</td>
<td>-</td>
<td>440</td>
<td>440</td>
</tr>
<tr>
<td>Interest received</td>
<td>4,880</td>
<td>32,507</td>
<td>37,387</td>
</tr>
<tr>
<td>Rent payments</td>
<td>-</td>
<td>233,866</td>
<td>233,866</td>
</tr>
<tr>
<td>Miscellaneous revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>98,583</td>
<td>167,554</td>
<td>266,137</td>
</tr>
<tr>
<td>Donations</td>
<td>5,000</td>
<td>87,293</td>
<td>92,293</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>953,288</strong></td>
<td><strong>4,933,221</strong></td>
<td><strong>5,886,509</strong></td>
</tr>
</tbody>
</table>

Expenditures

<p>| General Government                |                                   |                               |                          |
| Mayor and council                 | -                                 | 31,607                        | 31,607                   |
| Administration and finance        | -                                 | 312,331                       | 312,331                  |
| Other general government          | -                                 | 67,765                        | 67,765                   |
| Capital outlay                    | -                                 | 1,044                         | 1,044                    |
| Public Safety                     |                                   |                               |                          |
| Police                            | -                                 | 520,307                       | 520,307                  |
| Current expenditures              |                                  | 46,555                        | 46,555                   |
| Capital outlay                    | -                                 | 210,878                       | 210,878                  |
| Fire                              | -                                 | 8,643                         | 8,643                    |
| Current expenditures              | -                                 | 2,718                         | 2,718                    |
| Other protection                  | -                                 |                               |                          |
| Public Works                      |                                   |                               |                          |
| Streets and highways              |                                   |                               |                          |
| Street maintenance                | -                                 | 816,742                       | 816,742                  |
| Snow and ice removal              | -                                 | 38,723                        | 38,723                   |
| Street lighting                   | -                                 | 61,476                        | 61,476                   |
| Street construction - capital outlay| -                             | 2,160,743                      | 2,160,743                |
| Street - other capital outlay      | -                                 | 154,945                       | 154,945                  |</p>
<table>
<thead>
<tr>
<th>Total Nonmajor Governmental Funds</th>
<th>Total Major Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture and Recreation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Library</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current expenditures</td>
<td>-</td>
<td>198,433</td>
</tr>
<tr>
<td>Senior Center</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current expenditures</td>
<td>-</td>
<td>70,544</td>
</tr>
<tr>
<td>Swimming Pool</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current expenditures</td>
<td>-</td>
<td>143,943</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>-</td>
<td>2,774</td>
</tr>
<tr>
<td>Economic Development - current expenditures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current expenditures</td>
<td>16,067</td>
<td>386,941</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>52,113</td>
<td>177,742</td>
</tr>
<tr>
<td>Airport</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airport - current expenditures</td>
<td>78,994</td>
<td>-</td>
</tr>
<tr>
<td>Airport - capital outlay</td>
<td>97,385</td>
<td>-</td>
</tr>
<tr>
<td>Storm water</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Storm water - current expenditures</td>
<td>-</td>
<td>20,304</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All other - current expenditures</td>
<td>46,613</td>
<td>99,976</td>
</tr>
<tr>
<td>Debt Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>532,268</td>
<td>235,806</td>
</tr>
<tr>
<td>Bond issuance costs</td>
<td>20,700</td>
<td>73,331</td>
</tr>
<tr>
<td>Interest and fiscal charges</td>
<td>134,086</td>
<td>172,867</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>978,226</td>
<td>6,017,138</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over (under) expenditures</td>
<td>(24,938)</td>
<td>(1,083,917)</td>
</tr>
<tr>
<td>Other Financing Sources (Uses)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of capital assets</td>
<td>-</td>
<td>441</td>
</tr>
<tr>
<td>Bond issuance</td>
<td>-</td>
<td>3,204,500</td>
</tr>
<tr>
<td>Premium on bond issuance</td>
<td>-</td>
<td>137,181</td>
</tr>
<tr>
<td>Operating transfers in</td>
<td>97,786</td>
<td>1,099,171</td>
</tr>
<tr>
<td>Operating transfers out</td>
<td>(47,422)</td>
<td>(1,175,364)</td>
</tr>
<tr>
<td>Total other financing sources (uses)</td>
<td>50,364</td>
<td>3,265,929</td>
</tr>
<tr>
<td>Net Change in Fund Balances</td>
<td>25,426</td>
<td>2,182,012</td>
</tr>
<tr>
<td>Fund Balance - Beginning</td>
<td>1,888,414</td>
<td>2,318,936</td>
</tr>
<tr>
<td>Fund Balance - Ending</td>
<td>$1,913,840</td>
<td>$4,500,948</td>
</tr>
</tbody>
</table>
Independent Auditor’s Report on Minnesota Legal Compliance

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blue Earth, as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2016.

The Minnesota Legal Compliance Audit Guide for Cities, promulgated by the State Auditor pursuant to Minnesota Statutes Sec. 6.65 contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe the City of Blue Earth failed to comply with the provisions of the Minnesota Legal Compliance Audit Guide for Cities. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Blue Earth’s noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the City of Blue Earth and the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.

[Signature]
Mankato, Minnesota
June 20, 2016